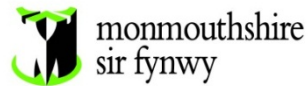


# Public Document Pack



County Hall  
Rhadyr  
Usk  
NP15 1GA

Wednesday, 23 January 2019

## Notice of meeting

### Audit Committee

Thursday, 31st January, 2019 at 2.00 pm,  
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.	To note the Action List from the last meeting	1 - 2
5.	Annual Whole Authority Complaints	3 - 26
6.	Audited Trust Funds accounts (Welsh Church Funds & Mon Farms)	27 - 58
7.	ISA 260 or equivalent for Trust Funds	59 - 80
8.	Treasury Strategy	81 - 110
9.	Unsatisfactory Internal Audit Opinions	111 - 120
10.	Strategic Risk Assessment	121 - 146
11.	Review of Reserves	147 - 160
12.	Update report on Anti-Bribery Compliance	To Follow
13.	Internal Audit Progress Report 18/19 - quarter 3	161 - 172
14.	Forward Work Programme	173 - 174
15.	To confirm minutes of the previous meeting held on 8th November 2018	175 - 180

16.	To confirm the date of the next meeting as 14th March 2019 at 2pm	
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**Paul Matthews**  
**Chief Executive**

MONMOUTHSHIRE COUNTY COUNCIL  
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:

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

## 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](http://www.monmouthshire.gov.uk) or by visiting our Youtube page by searching MonmouthshireCC.

### Welsh Language

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

# Aims and Values of Monmouthshire County Council

## Our purpose

Building Sustainable and Resilient Communities

### Objectives we are working towards

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

## Our Values

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

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

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

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



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# Agenda Item 4

## Audit Committee Actions 5<sup>th</sup> July 2018

Agenda Item:	Subject	Officer	Outcome
5	Action List	Peter Davies/Andrew Wathan	A substantive update will be provided at the next meeting

## Audit Committee Actions 13<sup>th</sup> September 2018

Agenda Item:	Subject	Officer	Outcome
12	Overview and scrutiny	Scrutiny Manager	Provide scrutiny refresher training for Select Committee Members

## Audit Committee Actions 8<sup>th</sup> November 2018

Agenda Item:	Subject	Officer	Outcome
5	CPR Exemptions 6 monthly update	Andrew Wathan	1. The list of unresolved or non-return forms was longer and broader than first thought and clarity was sought around follow-up items. The Officer will investigate further and report back in December 2. An updated report in 6 months to include any further responses obtained by the Chief Internal Auditor
6	Mid Year Treasury report	Mark Howcroft	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. 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.

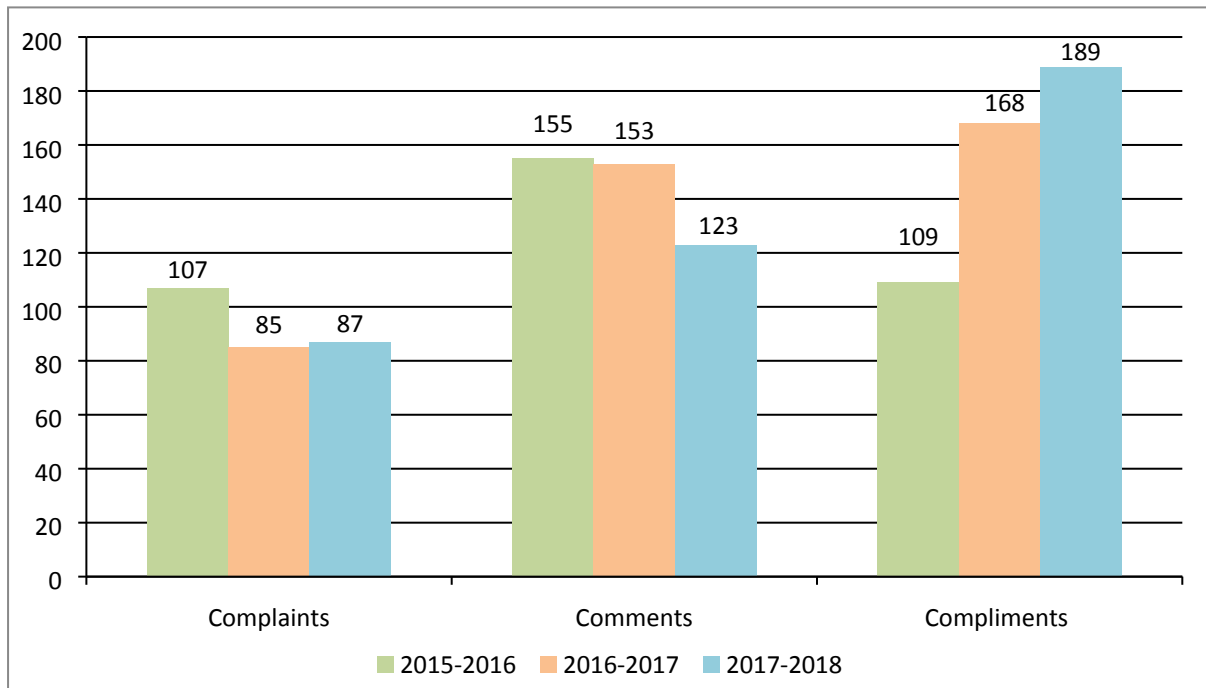
8	<b>Performance Management Arrangements</b>	Chief Officer , Resources	Figures relating to Performance Management to be provided for the Committee
9	<b>WAO proposals for improvement</b>		Noting that the attendance of a Cabinet Member is normally requested by the chair. Officers will check the wording matches the appropriate code.





**Whole Authority Customer Feedback and FOIA Statistics**

**April 2017 – March 2018**



**Complaints**

- 87 Complaints received

**Stage 1 - Informal Resolution**

- 76 Complaints started

**Stage 2 – Formal Investigation**

- 13 Formal complaints
  - 2 escalated
  - 11 new

**Public Services Ombudsman for Wales**

Of the above 13 formal complaints received, 1 complainant went directly to the PSOW. He referred it back to us for subsequent investigation

1 complainant progressed their complaint to the PSOW after formal investigation. The PSOW did not investigate their complaints.

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

- ❖ **Waste & Street Services**

Missed bin and food waste collections; roads not swept; hedges / verges not being cut; issues concerning street lights; staff conduct; speed of recycling vehicles, poor customer service.

#### ❖ **Highways**

Lack of action in respect of road markings; traffic issues; lack of communication with department; tarmac damage to property; oversize vehicles on road; lack of snow clearance. Velothon signs dangerous, some too small to read. Siting of picnic tables.

#### ❖ **Leisure**

Shortage of family changing rooms in leisure centre; dissatisfied service when booking courts. Issues with Defence Privilege Card for swimming at leisure centre; time taken for response to email; dissatisfied with manner in which individual treated; insufficient lighting in room at Leisure Centre; goal nets not being repaired or replaced at Leisure Centre

#### ❖ **Passenger Transport**

Buses late / not arrived. Poor customer service and lack of communication; lack of response regarding school transport application.

#### ❖ **Development Control**

Enforcement issues; unhappy with advice received; staff conduct; issues with planning consent / notice given.

#### ❖ **Community Hubs**

Feel the actions of the Council have been discriminatory; noise issues within Hub; issues with standard of service and staff conduct

#### ❖ **Others**

- General lack of response from various sections of the Council either by phone or email
- Staff conduct
- Issues with cost for wedding ceremony
- Issues regarding Blue badges
- Issues with Council tax demands for payment
- Handling of queues at polling station / postal vote / proxy vote applications issues
- Animal nuisance and waste lack of feedback
- Issues with Parentpay

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

- ❖ A request to work at a Community Hub was not dealt with properly giving due consideration to the request.  
  
There were 6 elements to the complaint, and the conclusion was that they were not upheld.
- ❖ The way MCC demands payment of alleged debt is insensitive, that caused anxiety to the person concerned.  
  
One element was found and one partly found.
- ❖ Issues regarding the process and decision making about funding for a registered charity that receives grant funding from MCC.  
  
The complaint was not upheld.
- ❖ Issues concerning staff conduct towards another staff member.  
  
The complaint was not upheld.
- ❖ Issues concerning a library not actively following up on requests from the National Library of Wales to source books for their customers.  
  
One complaint was upheld, one partially upheld and two not upheld.
- ❖ Issues concerning the regular use of a road by large vehicles that are wider than the tarmac carriageway.  
  
There were 9 elements to the complaint; one was upheld, two no findings were made and 6 were not upheld.
- ❖ Issues concerning allegations that staff failed to act professionally in determining the Listed Building Consent application.  
  
There were 7 elements of the complaint which were not upheld.
- ❖ Issues concerning an incident where it was alleged that the Transport Unit despite having relevant facts and information chose to ignore these facts in defence of a previously assumed stance and not considered them appropriately as part of any appeal process.  
  
There were 3 elements to the complaint which were upheld.
- ❖ Allegation that a building which received planning consent was not being built in accordance with the approved details.  
  
There were two elements of the complaint which were not upheld.
- ❖ Allegations that insufficient actions were taken by Monmouthshire Environmental Health's team in dealing with the health, safety and water situation at a property in Monmouthshire.

There were 11 elements to the complaint, one was upheld and the rest were not.

- ❖ Issues concerning carriageway markings and safety hazards they pose.

The complaint was partially upheld.

- ❖ Allegations that staff displayed a poor attitude to external consultants undertaking ecology work.

There were three elements of the complaint, one was upheld and two were not.

- ❖ Issues concerning a Breach of Condition Notice.

There were two elements to the complaint, one was partially upheld and one was not.

**Note:** Social Services complaints are dealt with separately under the Social Services complaints procedure. **62** complaints were received, **75** comments and **146** compliments were made about the service.

# Distribution YTD

	Total	Access to Service	Communication Issue	Data Protection	Decision Delay	Discrimination	Member Conduct	Quality of Service	Quality of Works	Reduction in Service	Result of Process	Service Delayed	Service not provided	Service Removed	Staff Conduct	Timescales
<b>Overall Total</b>	<b>87</b>	<b>1</b>	<b>14</b>	<b>1</b>		<b>2</b>		<b>43</b>	<b>2</b>		<b>4</b>		<b>2</b>	<b>1</b>	<b>15</b>	<b>2</b>
Community Hubs	4					2									2	
Contact Centre	4			1				3								
Customer Relations	1														1	
Estates and Sustainability	1									1						
People Services	2		2													
Registrars	1							1								
Revenues, Systems & Exchequer	2	1													1	
<b>Total Resources</b>	<b>15</b>	<b>1</b>	<b>2</b>	<b>1</b>		<b>2</b>		<b>4</b>		<b>1</b>					<b>4</b>	
GEI not allocated	1							1								
Local Democracy	5							3								2
Policy and Engagement	1													1		
<b>Total Governance, Engagement and Improvement</b>	<b>7</b>							<b>4</b>						<b>1</b>		<b>2</b>
Highways	14		4					7	1				1		1	
Property Services – Maintenance	1								1							
Passenger Transport	6		1					2		2					1	
Waste and Street Services	18		3					11							4	
<b>Total Operations</b>	<b>39</b>		<b>8</b>					<b>20</b>	<b>2</b>		<b>2</b>		<b>1</b>		<b>6</b>	
Attractions – Caldicot Castle	1							1								
Countryside	2							2								
Development Management	5							2		1		1			1	
Housing	3		1					1							1	
Leisure	7		1					5							1	

<b>Total Enterprise</b>	<b>18</b>		<b>2</b>					<b>11</b>			<b>1</b>		<b>1</b>		<b>3</b>
<b>Environmental Health – Public Health</b>	<b>5</b>		<b>1</b>					<b>3</b>							<b>1</b>
<b>Total Social Care and Health</b>	<b>5</b>		<b>1</b>					<b>3</b>							<b>1</b>
<b>Finance</b>	<b>1</b>							<b>1</b>							
<b>Total CYP</b>	<b>1</b>							<b>1</b>							
<b>Total External</b>	<b>1</b>														<b>1</b>
<b>Not allocated to any SIP</b>	<b>1</b>		<b>1</b>												

## Comments

- 123 Comments

<b>Total</b>	<b>123</b>
<b>Resources</b>	<b>32</b>
Community Hubs	9
Contact Centre	1
Estates and Sustainability	2
Internal Audit	2
People Services	1
Registrars	14
Revenues, Systems & Exchequer	3
<b>Operations</b>	<b>69</b>
Highways	18
Not allocated	1
Passenger Transport Unit	7
Property Services – Facilities	2
Transport	4
Waste and Street Services	37
<b>Enterprise</b>	<b>13</b>
Building Control	2
Countryside	2
Development Management	4
Housing	1
Leisure	3
Monmouthshire Enterprise	1
<b>External</b>	<b>8</b>
<b>General – covers all of MCC</b>	<b>1</b>

### A selection of comments received concerned:

- Registrars section: they send out a questionnaire after customers have received a service from them, therefore we do receive a substantial amount of comments and compliments about that service. A selection of them are below:
  - Car parking - limited and crowded in the day
  - Incorrect / confusing signage to registrar's office
  - The registrar's office was overly hot and cramped
  - Require better instructions on where to go to register a birth, cannot find the information on council or hospital website as to where the registry office is within the hospital

Below are further comments received about the Council:

- Community Hubs
  - Cancellation of cash for Council at The Hub.
  - The Hub was closed at 4pm, website reads 5pm

- More activities and sessions for children.
- Email book due - date reminded two days before due date, not afterwards when a fine is already incurred.
- Reorganise the PC area and seating.
- Comments regarding members of staff and no longer having the freedom and benefit of browsing papers.
- Comments concerning another member of the public using the Hub
- Classes expensive, offer a discount.
- Council Tax issues:
  - Increased amount of council tax
  - Lack of communication
- Development Control:
  - Eyesore storefront, not in keeping with any of the other storefronts on the high street.
  - Footpath onto shared driveway - would like to know when this will be sorted
  - No response to previous letters - issues with neighbour and relevant permissions
  - Access to a lane and meeting held
  - Cannot keep pruning way markers must be reinstated and stiles at Pen-y-World cycle tracks repaired.
  - Issues with individuals living in caravan / tent
  - Issues with condition of public toilets situated on Castle Street and White Horse lane
- Leisure:
  - Format of timetable is confusing - only visiting the area and this meant a wasted 16 mile journey.
  - Rubbish gathering outside leisure centre / Outside environment of leisure centre
- Contact Centre
  - Council's telephone number is displayed as "Private Number"
- Operations
  - Repeatedly road repairs in Monmouth are breaking down to loose chippings in 3 or 4 days. Previously reported seeing unauthorised addition of liquid to repair material on back of vehicle before application. This practice is still continuing.
  - Issues with parking - Newhouse Industrial Estate, lorries parked on double yellow lines, on kerbs and obscuring junctions. Anything up to 10 lorries will be parked on both sides of the roadway thus narrowing it down to single line.
  - Unwalkable pathway due to hedges in garden.
  - Weeds are growing out of the pavements and kerbs all around Caldicot. It is making Caldicot look run down and a mess.
  - When are the roads going to be completed in Ffordd Sain Ffwyst, Llanfoist? It's very dangerous with raised manholes. Footpath onto shared driveway - would like to know when this will be sorted.



- Would like someone to clear the footpath outside the houses in Laurel Close. The trees and hedgerow have completely taken over the footpath and now it is so low and overgrown it is scratching the cars as driving into parking space
- Concerned with road closure
- Weed spray in close proximity to owner and dog
- Following the heavy snow a contractor cleared Bank Crescent, Gilwern. They cleared a channel one side of the Crescent only to bank up the snow to the other side, effectively totally blocking the access to those houses
- Drainage work being carried out - drainage holes outside property with fitted steel cover sheets - these sheets are not fitted securely enough and whenever a vehicle drives over them they make a horrendous noise which is very disrupting
- Lack of response - proposing a 20mph speed limit and 7.5 ton weight limit through certain villages.
- New street light installed and shining into block
- Traffic congestion around school
- Pot hole on Firs Road and reimbursement requested. Also reporting speed bumps which are considered too high on Mill Lane. Council gritter sprayed windscreen causing several small but noticeable chips.
- Issue with snow fall and clearing
- What is going to be done about the significant subsidence on road
- Waste and Street Services
  - Grass area MCC recently took over at Burrium Gate has not been mowed for ages
  - Comments on the garden waste renewal website - Usability and "look" is very poor. Improve website labelling and usability / Online system for paying for a garden waste bag does not work.
  - Tintern Heights in Catbrook - little or no recent road sweeping activity in this small road to a private cul de sac.
  - Red and purple bags are collected by the same vehicle - outline what happens to the contents of these bags, from the time of collection to their ultimate disposal.
  - Old Caerwent road from the bottom roundabout by the entrance to hall park and up to the new roundabout by the entrance to Ebbw Road. Over the last few years this has totally fallen into disrepair with overgrown trees, stinging nettles in abundance, rubbish, glass etc and is becoming a hazard to members of the public and dogs.
  - Lack of grass cutting at Belgrave Park, Abergavenny
  - Dangers in local park - dog waste all over the slide.
  - Comments on Hedgerows and birds nesting - hedge along Millfield Lane should not be drastically cut between April to October.
  - Kerbside maintenance, Holywell Road. Can the briars that are seriously overhanging the footpath be cut as a matter of urgency.

- Children's playground at the Castle Dell, adjoining the car park - litter strewn in every direction.
  - Blue food / household rubbish not collected - improve service to property.
  - Concerned about the large amount of waste that is appearing every weekend at the collection point
  - Issues regarding the Usk recycling site
  - Incident with vehicle
  - Non collection of waste
  - Gates that form entrance to Bailey Park have been dislodged at the bottom and youths are gaining access
  - Concerns over dog and owner at pub
  - Comments received concerning reduction of months for service - increase in cost and further waste - changing the scheme / no alternative arrangements - unhappy with change - new start date of April 1st is rather late and recommend it starts from 1st March.
  - Cloth nappy incentive - the current cloth nappy incentive websites do not work
  - Will there be any planned litter picking along the main roads, particularly the A40. The road side to and from Monmouth to Newport is particularly dreadful.
  - Litter on the A40
- Transport
- Playing field car park at seven tunnel train station that has recently been made pay and display - 1 - incorrect signage- no parking penalty charge cost for not having a ticket being displayed. 2 - no clear bays marked to denote correct place to park. 3 - taking money before giving notice of new charges and dates after it will be enforced.4 - how MCC intend to return money taken under false pretences.
  - Issues with car parking / issues with restricted parking bays and fines
  - Decision to take away 22 spaces in the expansion of the recycling centre and the Rural Life museum.
- Passenger Transport
- Issues with school transport - have requested on occasions in the past that there is some sort of system set up between MCC and the school so they can be informed if the bus is not running.
  - Online bus timetables incorrect.
  - Concerned regarding bus fares on the Chepstow to Caldicot route.
  - Incorrect bus timetables
  - Bulwark around Queens Road, Channel View area - an issue with the many home to school minibus pick ups/drop offs.

- Bus for school, from Penperlleni to King Henry school, recently the bus has waited in the bus stop on A4042 trunk road at the beginning of rush hour forcing the children to cross this busy road.

## Compliments

❖ 189 Compliments

<b>Total</b>	<b>189</b>
<b>Legal</b>	<b>1</b>
<b>Resources</b>	<b>45</b>
Community Hubs	10
Contact Centre	5
Registrars	30
<b>Operations</b>	<b>35</b>
Highways	28
Transport	1
Waste and Street Services	6
<b>Enterprise</b>	<b>103</b>
Building Control	71
Development Management	4
Housing	1
Leisure	4
Monmouthshire Enterprise	2
Monmouthshire Youth Service	21
<b>Social Care and Health</b>	<b>2</b>
Environmental Health – Public Health	1
Environmental Health – Commercial	1
<b>General – covers all MCC</b>	<b>3</b>

### A selection of compliments received:

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

Some examples:

Registrars: many compliments about staff being helpful and courteous at ceremonies.

- Everything was professional. 'Extremely helpful, prompt service. Cannot fault it in any way. I used the telephone to contact the office and lady was helpful, polite and incredibly helpful. Many thanks.'
- "Got married and as well as the family and friends who attended felt that the staff made us all feel very welcome. I am sure the registry office have several weddings a week, if not per day yet we weren't rushed (my son was 20 minutes late) and felt like ours was the only wedding. For this reason I felt the need to write and thank your staff, particularly the Registrar who performed the ceremony who was kind and patient. It made our day that more special. Thank you again.'

- 'I have only positive things to say - I was dealt with sympathetically, did not feel rushed, all of my questions were answered. There were no interruptions during my appointment - I felt at ease, and treated with respect.'
- 'We had lovely, compassionate service.'
- 'Thank you for providing a thoughtful and professional service at a difficult time. The "Tell us Once" procedure was efficient and much appreciated.'

Building Control they send out a questionnaire after providing a service and therefore a large number of compliments received about their advice given and efficient service

- Compliments about Waste/Refuse service – prompt response in putting this right and helping to get queries sorted.
- Community Hubs: - 'Superbly helpful', Thank you ladies, I very much appreciated your help. 'To the generous mind the heaviest debt is that of gratitude, when it is not in our power to repay it. - Benjamin Franklin.'
- 'Light, airy, user friendly, welcoming staff, good range of library books and courses with excellent tutors.'
- 'Excellent cuisine & book ordering service. Staff outstanding!!'
- "Had a very successful visit to the hubs in particular the library. most welcoming and patient explaining how things work and all about books"
- "Brilliant when I called there re: blue badge.... but he got it processed fast track and I am so grateful."
- "It was a pleasant and most welcome visit to Caldicot one stop shop. I can't speak highly enough of their compassion and care. Thank you so much.'

### Contact Centre

- Many thanks for your help with my application for my new blue badge. It is appreciated that there are people willing and able to help disabled people when they need help. Thanks for your help and that of your team
- 'Thanks for a really succinct, pertinent and timely response - really excellent thanks.'
- 'Thank you for sorting this out. You guys at the council are different class compared to others where I have lived previously.'
- compliments about helpful, welcoming and accommodating staff

### Development Control:

- "It can't be an easy job visiting sites where some of the people involved are bound to be upset and sometimes even hostile but you are clearly very good at managing such situations and I am grateful for your involvement....'

- 'Just wanted to thank you for organising the permission so quickly, given that I know you're so busy and under pressure you've never once used that to dismiss the application but always looked to reach a solution and get me going so I can continue the works needed.'
- 'Thank you so much for offering your time to meet with Llanbadoc Community Council members yesterday evening. I know everyone found your contributions informative and helpful. You also provided some useful points for the members of public present which was appreciated by all...'
- 'Thank you for sending through the consent for 1 & 2, much appreciated. If only dealing with other listed building and planning application schemes up and down the country went as smoothly as it does with you and your team. I am truly impressed and heavily indebted.'

### Leisure

- "Thank all the staff at Gilwern for the fantastic experience the pupils had. I am so pleased that with one exception all the pupils represented themselves and the school positively and that all involved, had a memorable week. Many thanks
- A big thank you to all the team at Monmouth Leisure Centre for all the help not only at last Friday's concert, but over the past year. You staff are always helpful and forward thinking, and make putting on events so much easier for us."
- "I had occasion to use the swimming pool this morning and I must comment on the professional attitude that I encountered. Given that it was 0900hrs on a Sunday morning, it was a pleasure to be greeted by a polite, happy smiling person. Not only did this young lady greet me in a lovely cheerful manner, she took the time to update the details on my card and provide me with answers to all the questions I had about the facilities within the leisure centre. It was a pleasure to interact with such a professional, proactive individual, she is a credit to your team."
- "We visited the leisure centre at Abergavenny. The lady on reception, was lovely and very helpful. She took time out to show us around and explained the memberships etc but wasn't at all pushy. Needless to say my partner and myself will be joining asap and that being mainly to her and her passion for the centre."

### Environmental Health

- 'I want to thank you for your incredible help and kindness yesterday. It was well above anything I could have hoped for. You are one in a million. \*\*\* told me months ago that her walls were running with water!!!! That was why I asked you about my kitchen wall, misinformation it would seem.'
- "Thank you once again for all your help I found your visit very informative and would recommend it to anyone setting up a new food business.'

### Operations:

- “I just want to say a big thank you to the guys who came and filled the potholes this week on Newton Court Lane. They did a wonderful job as the road was so bad and I just want you to know how much it is appreciated.”
- “Thank you for the works completed on the pavements on Longhouse Barn in Penperlleni, it is a wonderful job that has been done.”
- “I was heartened last week to observe grass cutting along the A4042. I could not help but notice the care and organisation of a moving group of workmen as the grass cutting was in progress, it was well organised.”
- “Called to say thank you for fixing pot hole has made a huge difference.’
- “Big thank you for the very efficient service I received from the Highway Dept. the hedge had been trimmed, wonderful service.’
- “Before we move onto the next challenge, I just wanted to show my appreciation and express thanks for the way yesterday’s incident was managed. Your teams and supply chain were excellent. I managed to stay throughout the incident and was really impressed with the mindset at every level to get the road open as soon as possible safely”
- “Thank you for sending the gritter along the lane and thank you for sending the snow plough up here and suggesting that a gritter was necessary to prevent an ice sheet. All the local residents will be very grateful for the prompt action.”
- ‘We just wanted to thank you for the superb job your teams have been doing keeping the main roads flowing and also for clearing our side road so promptly....Your prompt action has made it possible for the carers to reach us and keep the support in place. Many thanks to all involved.’
- ‘Thank you for dealing with the Cinderhill Street water stopcock hazard. Speedy job. Excellent.’
- I’m sure that you can imagine that this is a huge relief for us and once again please accept our thanks for your help and support in finding and authorising a solution to our drainage problem.’
- Street Lighting in Glendower Street Monmouth The street lighting has been fixed. Thank you.’
- I have been in conversation with Mon council and have to say been impressed with the responses from all parties towards my queries and concerns. The road traffic has eased since I sent the original email as Bulwalk corner has re-opened.’

## Response Timescales

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

Whole Authority Timescales	2016/17		2017/18	
	Stage 1	Stage 2	Stage 1	Stage 2
Up to 10 working days	62	0	59	0
11 – 30 working days	15	7	14	6

30+ working days	2	3	3	7
<b>Total</b>	<b>79</b>	<b>10</b>	<b>76</b>	<b>13</b>

## Requests for service

These are recorded and acted upon.

<b>Total</b>	<b>27</b>
<b>Resources</b>	<b>4</b>
Revenues, Systems and Exchequer	4
<b>Operations</b>	<b>15</b>
Highways	9
Waste and Street Services	6
<b>Enterprise</b>	<b>2</b>
Development Management	1
Leisure	1
<b>Social Care and Health</b>	<b>3</b>
Environmental Health – Public Health	2
Licensing	1
<b>External</b>	<b>3</b>

## Analysis of Complaints / Comments

Year	Stage 1 complaints	Stage 2 complaints	Comments	Compliments
<b>2017-18</b>	<b>76</b>	<b>13</b>	<b>123</b>	<b>189</b>
<b>2016-17</b>	79	11	153	168
<b>2015-16</b>	103	6	155	109
<b>2014-15</b>	100	25	150	90
<b>2013-14</b>	134	16	172	34

## Service improvements

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

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

*Apologies given where appropriate.*

*That the Programme Lead for Community Empowerment officer work with members of the Community who could help them build on the current volunteer profile for volunteering to include suitable profiles for the disabled to enable for them to volunteer for suitable opportunities as they arise.*

*That the Hub Manager together with the training manager investigate the possibility of training front line staff in dealing with enquiries for volunteers and the importance of how to respond directly to the person enquiring.*

*That when responding to a complaint, staff should use plain jargon free language that can be understood by the reader.*

*All MCC employees are required to abide by the policies and legal requirements of the authority, and if necessary that any 'equality and respect' training is reviewed and reinforced.*

*Where the public or elected members have concerns about breaches of planning consents, there should be an immediate opportunity for a site meeting to resolve the concerns raised.*

#### *Breach of Conditions Notice*

- *Where a site meeting is declined, or the site visit shows breaches have occurred, then a BCN should be issued.*
- *Where a BCN has been issued, there should be adequate support from the Council for ongoing discussions.*
- *The BCN should allow for more detail concerning the breach itself.*
- *There must be an invite for open dialogue between client and the Council to avoid BCNs being issued.*

#### *Payroll*

- *Payroll move away from one standard letter for over payments. Instead these letters need to be personalised according to the circumstances surrounding the over payment. For example the amount involved and whether the person is still working with the Authority.*
- *Where the person has left the Authority, the Sundry Debtor invoice should be included with the letter and it be clear in the letter that payment terms can be agreed.*
- *The Authority put a message on its website, telephone network etc. when any additional bank holiday closures arise.*
- *Payroll ensure that there is consistency in how staff pay groups are managed in the future.*



- *The service take forward the changes in how they manage their staff budgets. Ensuring that a budget is set each year for each custodian and actual spend is monitored against this budget. Where irregularities are found that these are investigated and resolved in a timely manner.*
- *Service departments take responsibility for their employees wellbeing and actively work with Payroll to notify colleagues when an over payment occurs and to work with them to resolve the situation.*

### Communication

- *Correspondence should be responded to in a more timely manner, there was an unacceptable delay in replying to the letter. This delay caused confusion and stress around the decision for XX. Clarity is needed as to who replies to correspondence when it is about a decision made at a partnership board meeting.*
- *Following a visit to decommission a service this should be followed up in writing as soon as possible to ensure that there is no ambiguity around this decision.*
- *Support should be offered to XX about other grants that they may be eligible to apply for.*

### Libraries

- *A system is put in place to acknowledge to the customer that the library has received their Books4U request. Thereafter to provide regular updates until the book is available for the customer.*

### Highways

- *The hedgerows along the route be maintained in good order and not be allowed to encroach into the highway. Hedges to be responsibly maintained by the person responsible for the particular hedgerow along the route.*
- *Highways to develop a Road Safety Plan, which will include the topic on large vehicles using country lanes in Monmouthshire for the relevant Committee to debate. This will also include consultation with members of the community for their views to be heard.*

### Development Control

- *Applicants, for those who want it, receive clear communication as to when their application reports can be viewed. In this way, the Planning Authority are welcoming early responses to the content of such reports, in an open and transparent way.*
- *Very late correspondence is unhelpful, both in terms of the applicant and the Planning Authority. The service should provide some clear guidance on the*

*process of submitting late correspondence, with monitoring to ensure adherence to the policy.*

- *To continue to monitor and review validation process to ensure that a detailed description of planning applications is evidenced for future planning notification letters to those affected by the planning application. This needs to be followed by Planning Managers at wider team meetings and in Case Officers one to one meetings.*

### Passenger Transport Unit

- *The Passenger Transport Unit review their policies and procedures. Clarity should be given as to what constitutes a complaint or an appeal. More detail should be given as to the appeals process to ensure consistency and transparency in application.*
- *The Passenger Transport Unit to review the Incident Reporting Form. The All Wales Travel Behaviour Code has a model form that could be adopted by the Unit.*
- *Clarity should be given to Drivers as to what constitutes bad behaviour on the bus and when an incident form should be used. If a child is known for bad behaviour there needs to be a mechanism to record this behaviour.*

### Environmental Health

- *Any advice given in person should be followed up in writing.*

## **Commentary**

Unfortunately, there are times when we don't always get things right and we fall short of the standard of service we want to deliver. We know that when customers are unhappy with any aspect of service we've provided, they want to be heard, they want the issue dealt with quickly and for the solution to be effective.

Therefore, when handling complaints from customers we aim to be customer and outcome focused, making it easier for people to let us know what they're unhappy about. We try to keep them informed of what we are doing to resolve their issues. We aim to work proactively with service areas in resolving issues quickly to prevent complaints escalating and becoming repetitious. Where things have gone wrong or we have given poor service, then we apologise and learn from our mistakes.

We continually analyse complaints and review the lessons learned from them. Going forward, the customer care standards for customer contact are being reviewed and

hopefully this will assist in improving communication and reduce customer complaints.

The number of complaints and comments dealt with under the Whole Authority complaints and procedure have gone down slightly this year. However, stage 2 complaints have increased slightly; we dealt with 13 formal complaints whereas the previous year we dealt with 11 formal complaints. Out of the 13 complaints received, 11 of them wanted to proceed directly to stage 2 and a formal investigation undertaken without trying to find an informal resolution to their problems.

On a positive note, over the last few years compliments have risen, in 2013-14 we received 34 compliments and this year we've received 189.

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

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

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

## Freedom of Information and Environmental Information Regulations

1st April 2017 to 31st March 2018

	2017-18	2016-17
Requests received:	1005	1045
Requests closed:	949	1055
Requests closed on time:	82%	97%
Internal reviews	2	

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

Target for percentage closed in 20 Working Days

A target of 90% has been retained.

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

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

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

2011-12	662
2012-13	780
2013-14	918
2014-15	1002
2015-16	1061
2016-17	1045
2017-18	1005

Annette Evans, Customer Relations Manager

October 2018

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<b>SUBJECT:</b>	<b>WHOLE AUTHORITY CUSTOMER FEEDBACK AND FREEDOM OF INFORMATION ACT</b>
<b>MEETING:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>31 January 2019</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All Wards</b>

**1. PURPOSE:**

To provide Audit committee with information on the number and types of complaints, comments and compliments received and dealt with from 1 April 2017 until 31 March 2018.

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

**2. RECOMMENDATIONS:**

To note the contents of the report.

**3. KEY ISSUES:**

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

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

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

**4. REASONS:**

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

**5. RESOURCE IMPLICATIONS:**

Officer time in carrying out formal investigations.

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

No implications have been identified in respect of this proposal.

**7. CONSULTEES:**

Senior Leadership team

**8. AUTHOR:**

Annette Evans, Customer Relations Manager

Tel: 01633 644647

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



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

### **Annual Report and Financial Statements for the year ended the 31 March 2018**

Registered Charity Number: 507094

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2018**

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**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2018**

**Trustee, Officers and Advisors**

**Trustee**

Monmouthshire County Council

**Secretary**

Matthew Phillips  
Monitoring Officer  
Monmouthshire County Council

**Registered Office**

Innovation House  
Magor  
PO Box 106  
NP26 9AN

**Auditors**

Wales Audit Office  
24, Cathedral Road  
Cardiff  
CF11 9LJ

**Solicitor**

Matthew Phillips  
Head of Legal Services  
Monmouthshire County Council

**Investment Custodian**

Monmouthshire County Council

**General Management**

Mr Peter Davies  
Director of Resources  
Monmouthshire County Council

**Bankers**

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

# **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2018**

## **Report of the Trustee for the year ended 31 March 2018**

The Trustee presents its annual report and the audited financial statements for the year ended 31 March 2018 of The Monmouthshire County Council Welsh Church Act Fund ('the Charity').

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

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

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

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

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

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

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

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

### **Objectives**

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

### **Grants allocation policy**

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

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

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

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2018**

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

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

The Fund has increased in value by £21,654 (£254,089 increase in 2016/17); this slight increase in value is due to a balancing of Investment income and distributed charitable grant payments.

Income is principally comprised of investment income of £216,152 (£205,979 in 2016/17), The Trust has utilised the Trustee's own investment managers to manage the fund, thus, controlling management fees and therefore maximising returns whilst at the same time maintaining a balanced capital risk strategy.

Charitable resources expended during the year amounted to £173,430 (£187,149 in 2016/17) and principally comprised grant payments of £159,481 (£169,842 in 2016/17). The slight decrease in charitable expenditure was primarily due to Torfaen County Borough Council having utilised all of their brought forward balances in 2016-17 and delays in Caerphilly Borough Council modifying their grant allocation policy to support a greater diversity of applicants and the conditions that are required for grant disbursement. This change in policy will result in a greatly increased utilisation of brought forward grant balances in the 2018-19 financial year for Caerphilly.

Net losses on investments held amounted to £21,068 (£232,417 net gain in 2016/17). These non-realised investment losses have been as a result of the Trusts' current investment strategy, diversifying the portfolio across several investment categories in the last couple of financial years and current volatility in the financial markets. The long term projections on these charity based investments as indicated by the Trustees' Treasury consultants continue to outperform the trust's old pooled investment strategy as reflected by the continuing increased investment returns received during the financial year.

### **Income generation**

The Charity's income was £216,152, compared to £208,821 in 2016/17. The diverse market investment strategy that mainly replaced the pooled investment strategy with Monmouthshire County Council has continued to produce consistent returns in the financial markets due to investment in more specific charitable investment funds. This income generation forms the main basis of the following years grant allocations to ensure continuity and non-degradation of the funds capital assets and to perpetuate the charity as a 'going concern'.

### **Bad debt provision**

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

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

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

The Trustee has reviewed its investment strategy and produced an investment and fund strategy for 2017/18, which was approved by Monmouthshire County Council in its capacity as sole and corporate trustee, on March 1st 2017.

### **Changes in fixed assets**

The fixed asset investments were re-valued in the 2017-18 financial year in line with the Investment Asset policy of revaluation every year.

### **Reserves**

The Trustee's policy is to maintain the level of investments at a level that provides sufficient annual income to fund the Charity's charitable expenditure. The level of funds held at 31<sup>st</sup> March 2018 is £5,492,332 (5,470,678 in 2016/17). The Trustee has reviewed its Fund strategy and produced an investment and fund strategy for 2017/18 which states that the purpose of reserves is to maintain investments such that they realise sufficient income to provide grants to organisations at a consistent level. Whilst, the strategy is to ensure that there is no long-term detrimental effect on overall reserve balances, recommendations made by the Charity Commission has resulted in grants allocations being made in line with investment returns.

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2018**

### **Governance of the Charity**

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

### **Risk management**

The Trustee has undertaken a review of the major risks to which the Charity is exposed and its risk management and internal control procedures should be updated to ensure that systems are in place to mitigate the risks identified. The risk assessment was considered by Monmouthshire County Council on 1st March 2017 and no risks were identified.

### **Auditors**

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

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

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

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

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

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

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

The Trustee certifies that:

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

**By order of the Trustee**

**Mr Peter Davies**  
**Director of Resources, Monmouthshire County Council**

**Date:**

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2018**

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

I have audited the financial statements of Monmouthshire County Council Welsh Church Act Fund for the year ended 31 March 2018, which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of trustee and independent auditor**

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

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

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

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

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

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

**Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2018 and of its incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Charities Act 2011.

**Opinion on other matters**

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

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

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

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

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2018**

**Emphasis of Matter**

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

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

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ



**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2018**

**Statement of financial activities (Sofa) for the year ended 31  
March 2018**

	Notes	2018 Unrestricted Funds £	2018 Total Unrestricted Funds £	2017 Total Unrestricted Funds £
<b>Income &amp; Endowments from:</b>				
Investment income	2	216,152	<b>216,152</b>	205,979
Other incoming resources		0	<b>0</b>	2,842
<b>Total income &amp; Endowments</b>		<b>216,152</b>	<b>216,152</b>	208,821
<b>Resources Expended</b>				
Raising funds:				
Investment Property Professional fees		(749)	<b>(749)</b>	(1,247)
Management and administration		(3,000)	<b>(3,000)</b>	(2,500)
		<b>(3,749)</b>	<b>(3,749)</b>	(3,747)
<b>Charitable expenditure</b>				
Costs of activities in furtherance of the Charity's objects				
Grants payable	3,4	(159,481)	<b>(159,481)</b>	(169,842)
Management and administration		(4,511)	<b>(4,511)</b>	(4,285)
<b>Other</b>				
Governance Costs	5	(5,689)	<b>(5,689)</b>	(9,275)
<b>Total Resources Expended</b>		<b>(173,430)</b>	<b>(173,430)</b>	(187,149)
Gains/(losses) on investment assets	9,10	(21,068)	<b>(21,068)</b>	232,417
<b>Net Income / Expenditure</b>		<b>21,654</b>	<b>21,654</b>	254,089
<b>Transfers between funds</b>	13	<b>0</b>	<b>0</b>	0
<b>Net movement in funds</b>		<b>21,654</b>	<b>21,654</b>	254,089
Fund balances brought forward April 2017		<b>5,470,678</b>	<b>5,470,678</b>	5,216,589
<b>Fund balances carried forward 31 March 2018</b>	13	<b>5,492,332</b>	<b>5,492,332</b>	5,470,678

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

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2018**

**Balance Sheet as at 31 March 2018**

	Notes	2018 Unrestricted Funds £	2017 Unrestricted Funds £
<b>Fixed assets</b>			
Investment Land	9	418,000	400,501
Investments	10	4,806,332	4,844,898
		<b>5,224,332</b>	<b>5,245,399</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	54,518	180,021
Cash at bank and in hand		368,539	212,271
		<b>423,057</b>	<b>392,292</b>
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	12	(155,058)	(167,013)
<b>Net current assets or liabilities</b>		<b>268,000</b>	<b>225,279</b>
<b>Net assets or liabilities</b>			
		<b>5,492,332</b>	<b>5,470,678</b>
<b>The Funds of the Charity:</b>			
Unrestricted Funds	13	5,492,332	5,470,678
<b>Total Charity funds</b>		<b>5,492,332</b>	<b>5,470,678</b>

The accounts on pages 7 to 16 were approved by the Trustee on 31 January 2019, and signed on their behalf by:

**By order of the Trustee**

**Mr Peter Davies  
Director of Resources – Monmouthshire County Council**

Date:

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2018**

**Statement of Cash flows as at 31 March 2018**

	note	Total Funds £	Prior Year Funds £
<b>Cash flows from operating activities</b>			
<i>Net cash provided by operating activities</i>	7	(79,882)	(161,900)
<hr/>			
<b>Cashflow from investing activities</b>			
Dividends and rents from investments		216,152	205,979
<hr/>			
<i>Change in cash and cash equivalents in the reporting period</i>		136,270	44,079
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>212,271</b>	<b>168,191</b>
<hr/>			
<i>Cash and cash equivalents at the end of the reporting period</i>		<b>348,541</b>	<b>212,271</b>
<hr/>			

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2018**

**Notes to the financial statements for the year ended 31 March  
2018**

**1 Principal accounting policies**

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

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

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

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

**Basis of accounting**

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

**Incoming Resources**

All income is accounted for on an accruals basis.

**Resources expended**

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

**Grants payable**

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

**Management and administration**

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

**Governance Costs**

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

**Irrecoverable VAT**

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

**Recognition of liabilities**

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

**Debtors/ Creditors**

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

## The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2018

### Fund accounting

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

### Investment Land and Property

#### *Capitalisation, Replacement and Valuation*

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

An Independent Valuer of Williams Associates, a qualified Land Valuer and Chartered Surveyors, re-valued all Investment Land as at 1<sup>st</sup> November 2017 and all assets held at year-end are included in the accounts at valuation. Vacant properties are valued at open market value.

### Depreciation

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

### Investments

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

### Fees and similar income

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

### Cash flow statement

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

## 2 Investment income

	2018	2017
	£	£
Investments with Monmouthshire County Council	1,351	1,672
Investment Property Rental Income	3,835	3,060
External Investments	210,966	201,247
	<b>216,152</b>	<b>205,979</b>

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2018**

**3 Grants Payable**

	2018	2017
	£	£
Grants have been paid to the following administering Local Authorities for them to make to groups and individuals on behalf of the Fund:		
Monmouthshire County Council	35,054	22,858
Torfaen County Borough Council	30,106	48,858
Newport City Council	49,694	56,180
Blaenau Gwent County Borough Council	27,697	24,396
Caerphilly County Borough Council	16,929	17,550
	<b>159,480</b>	<b>169,842</b>

The management and administration cost of the fund and grants distributed were £5,918 during the year.

**4 Analysis of Grants**

	Grants to Organisations	Grants to Individuals
	£	£
The Advancement of Education	4,883	1,250
The Advancement of Religion	76,519	0
The Relief of Poverty	3,250	30,600
Other Purposes Beneficial to the Community	42,978	0
Total	<b>127,630</b>	<b>31,850</b>

Caerphilly Borough Council, Torfaen County Borough Council, Monmouthshire County Council and Newport City Council have under spent their allocations for 2017/18 by £263,240, £20,597, £11,397 and £845 respectively which will be carried forward for distribution in 2018/19. Grants to Churches and other Religious establishments totaled £76,519 and Community Organisations £42,978 respectively during the financial year. Grants of essential equipment and furnishings to the value of £30,600 were made to individuals for the relief of families in deemed to be in poverty. No organization or Individual applied for more than 1 award during the 2017/18 financial year.

**5 Governance Costs**

	2018	2017
	£	£
Auditor's remuneration	5,689	9,275
	<b>5,689</b>	<b>9,275</b>

Governance costs are now reflective of Wales Audit Office now charging market rates and the balance contained within 2017-18 reflects a re-profiling adjustment in regards to the payment schedule enacted in

## The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2018

2016-17. The forecast chargeable rate for 2018-19 governance costs will be c£5,880.

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

### 6 Taxation

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

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

### 7 Reconciliation of net income/ (expenditure) to net cash flow from operating activities as at 31 March 2018

	Current Year	Prior Year
	£	£
<i>Net income/(expenditure) for the reporting period (as per the statement of financial activities)</i>	21,654	254,089
<b>Adjustments for non-cash transactions</b>		
(Gains) /losses on investments	21,068	(232,417)
Dividends, Interest & Rents from investments	(216,152)	(205,979)
Increase/(decrease) in Provisions	0	0
(Increase)/ decrease in debtors / bad debts	125,503	(32,285)
Increase/(decrease) in creditors	(11,955)	54,692
<b>Net cash provided and (used in) operating activities</b>	<b>(79,882)</b>	<b>(161,900)</b>

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2018**

**8 Analysis of cash and cash equivalents as at 31 March 2018**

	<b>Current Year</b>	<b>In Year Movement</b>	<b>Prior Year</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash in hand	<b>348,541</b>	136,270	212,271
Overdraft facility repayable on demand	<b>0</b>	0	0
<b>Total cash and cash equivalents</b>	<b>348,541</b>	136,270	212,271



**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2018**

**9 Investment Land and Property**

	<b>Total</b>
	<b>£</b>
<b>Valuation</b>	
At 1 April 2017	400,501
Disposals	0
Revaluation	17,499
<b>At 31 March 2018</b>	<b>418,000</b>
<b>Depreciation</b>	
At 1 April 2017	0
Charge in year	0
Disposals	0
<b>At 31 March 2018</b>	<b>0</b>
<b>Net book Value</b>	
At 1 April 2017	400,501
<b>At 31 March 2018</b>	<b>418,000</b>

Tangible Investment Assets solely consist of freehold land. All land held by the Fund had been revalued as at 1<sup>st</sup> November 2017. Valuations were carried out in accordance with the valuation policy. A further valuation will be carried out within 2018/19 financial year and on thereafter on an annual rolling basis.

**10 Investments**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
CCLA - COIF Property Fund	<b>1,038,108</b>	<b>1,006,356</b>
UBS Multi Asset Income Fund	<b>694,458</b>	<b>712,332</b>
M&G Charibond Fund	<b>689,617</b>	<b>724,274</b>
Schroders Income Maximiser	<b>436,285</b>	<b>453,662</b>
M&G Charifund	<b>531,403</b>	<b>542,527</b>
CCLA - COIF Investment Fund	<b>957,143</b>	<b>943,368</b>
Treasury Stock 2024 2.5%	<b>109,318</b>	<b>112,379</b>
Invested with Monmouthshire County Council	<b>350,000</b>	<b>350,000</b>
	<b>4,806,332</b>	<b>4,844,898</b>

The Trust has investments held with UBS, M&G, Schroeder's, CCLA, HM Treasury and Monmouthshire County Council which are generally managed by the trusts treasury management advisors. Returns from Monmouthshire County Council are generated on a "pooled" basis. The average rate of interest generated on the pooled funds from Monmouthshire was 0.2449% for 2017/18 (0.3338% for 2016/17). The basis of valuation on the market based investments held with CCLA, M&G, UBS and Schroder's, is the

## The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2018

open market value of the unit holdings on the 31<sup>st</sup> March 2018 multiplied by the units held. There were no additions or disposals of investments during the financial year. The Treasury Stock 2024 valuation is based upon the market value of the Treasury Gilt at the 31<sup>st</sup> March 2018 as listed on the dmo.gov website. The value of the 'pooled' investment with Monmouthshire County Council is the cash value as at the 31<sup>st</sup> March 2018. None of the Investments are held outside of the territorial limits of the United Kingdom and the cost of the revaluations is contained within the charity management fee charged annually from Monmouthshire County Council.

### 11 Debtors

	2018 £	2017 £
<b>Amounts falling due within one year</b>		
<i>Prepayment &amp; accrued income</i>		
Investment Income	51,143	178,430
Other Debtors		
MCC Bank Transfer	0	0
<i>Trade debtors</i>		
Rental income	0	0
Bad debt provision for loss of rental income	0	0
<i>Other Debtors</i>		
HM Revenue and Customs	1,375	1,591
Other Debtors	2,000	0
	<b>54,518</b>	<b>180,021</b>

All investment interest due from the trustee was paid in year in 2017-18.

### 12 Creditors

	2018 £	2017 £
<b>Amounts falling due within one year</b>		
Grant creditors	138,821	151,384
Other creditors	16,237	15,629
	<b>155,058</b>	<b>167,013</b>

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

### 13 Funds

	Balance 1 April 2017 £	Incoming resources £	Resources Expended £	Other Recognised Gain / (Loss) £	<b>Balance 31 March 2018 £</b>
Unrestricted funds	5,470,678	216,152	(173,430)	(21,068)	<b>5,492,332</b>

There were no transfers between funds during the 2017-18 financial year.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2018**

**14 Related party transactions**

During the year transactions with related parties arose as follows:

	2018		2017	
	Receipts	Payments	Receipts	Payments
	£	£	£	£
Monmouthshire County Council	<b>1,352</b>	<b>4,886</b>	4,513	4,537

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

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

There are outstanding balances for expenditure of £4,886 and income of £2,407 at the year-end with Monmouthshire County Council

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

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

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**Monmouthshire Farm School Endowment  
Trust Fund**

**Annual report  
for the year ended 31 March 2018**

-Registered Charity Number: 525649

**Monmouthshire Farm School Endowment Trust Fund  
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**Monmouthshire Farm School Endowment Trust Fund  
Annual report for the year ended 31st March 2018**

**Trustees, officers and advisors**

**Trustees**

R Edwards  
Monmouthshire County Council

D Yeowell  
Torfaen County Borough Council

R J W Greenland  
Monmouthshire County Council

Professor J D Hayes  
University College Wales Aberystwth

S B Jones  
Monmouthshire County Council

K Backhouse  
Director Usk Campus – Coleg Gwent

A Easson  
Monmouthshire County Council

D Havard  
Caerphilly County Borough Council

D.W.H Jones  
Monmouthshire County Council

R Pagett  
Blaenau Gwent County Borough Council

Dr W O C Symondson  
University of Wales College Cardiff

**Secretary**

Matthew Phillips  
Head of Legal Services  
Monmouthshire County Council

**Registered Office**

County Hall, The Rhadyr, Usk, NP15 1GA

**Auditors**

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

**Solicitors**

Matthew Phillips  
Head of Legal Services  
Monmouthshire County Council

**Investment custodian**

Monmouthshire County Council

**Bankers**

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

## **Monmouthshire Farm School Endowment Trust Fund Annual report for the year ended 31st March 2018**

### **Report of the Trustees for the year ended 31st March 2018**

The Trustees presents its annual report and the independently examined financial statements for the year ended 31 March 2018 of The Monmouthshire Farm School Endowment Trust Fund. The information with respect to the Trustees, officers and advisors set out on page 1 forms part of this report. The financial statements have been prepared in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic (FRS 102) and Charity Act 2011. The financial statements comply with the Charity's trust deed.

#### **Status and administration**

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

#### **Objects**

The primary object of the Charity, as stated in its governing document, is to make awards to students in need of assistance to attend Usk Agricultural College, or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects. The governing body can use its discretion to apply any unawarded income to provide funding towards the cost of their facilities or amenities at Usk College which would benefit these students. The grants awarded had allowed the beneficiaries to pursue land based courses to enhance career opportunities. The area of benefit is clearly defined; household income is a consideration when making the award. Grants were awarded to 19 people and the total awards were £27,514.

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

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

The Fund has decrease in value by £17,751 (£20,372 increase in 2016/17) over the financial year as a result of incoming resources (including investments and income from the Rodger Edwards Educational Trust) being outweighed by outgoing resources.

Income comprise of interest on investment stock and cash held of £28,072 (£24,816 in 2016/17), and £0 (£19,701 in 2016/17) in respect of the annual payment from the Roger Edwards Educational Trust. Expenditure of £29,597 (£29,989 in 2016/17) primarily comprised of grants payable of £27,514 (£26,209 in 2016/17) in line with the Charity's objects. Unrealised investment loss of £16,226 (£5,844 gain in 2016/17) made in relation to investments held.

The current strategy is to ensure that there are sufficient funds to meet the needs of beneficiaries. This income generation forms the main basis of the following years grant allocations to ensure continuity and non-degradation of the funds capital assets and to perpetuate the charity as a 'going concern'.

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

Under the terms of the Trust Deed, the Trustees have general powers of investment, subject to the provisions of the Trustee Act 2000. The Trustees has reviewed its investment strategy and produced an investment and fund strategy for 2017/18 which was approved by Monmouthshire County Council in its capacity as Trust administrator on 1st March 2017. Investments are strategically placed in low-risk investments. Investment performance is reviewed periodically in light of prevailing economic changes.

#### **Grant making policy**

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

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

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



## **Monmouthshire Farm School Endowment Trust Fund Annual report for the year ended 31st March 2018**

### **Reserves**

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

The Trust has reviewed its fund strategy and produced an investment and fund strategy for 2017-18 which states that it is the Trust's policy to maintain funds at approximately the current level and utilise the annual income received to fund its charitable expenditure. This was approved by Cabinet on the 1st March 2017.

### **Governance of the Charity**

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

### **Risk management**

Monmouthshire County Council as appointed administrator of the Trust Fund periodically review the major risks to which the Charity is exposed as part of the Authority's overall risk management processes. The Roger Edwards Educational Trust provides significant income to this trust and form the majority of income that can be used for grants. This income is received after the independent examination of the accounts have been agreed and therefore this is usually late in the financial year. A risk assessment policy was approved by Cabinet on 1<sup>st</sup> March 2017.

### **Auditors**

The Wales Audit Office are the appointed independent examiners to the Charity.

### **Trustee's responsibilities**

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

The Trustees confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st March 2018. The Trustees also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

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

Trustee:

Date: 21<sup>st</sup> January 2019

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for the year ended 31st March 2018**

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

I report on the accounts of Monmouthshire Farm School Endowment Trust Fund for the year ended 31<sup>st</sup> March 2018, which are set out on pages 5 to 10.

**Responsibilities and basis of report**

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

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

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

**Independent examiner's statement**

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

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

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

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

24 Cathedral Road  
Cardiff CF11 9LJ

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2018**

**Statement of financial activities (Sofa) for the year ended 31st March 2018**

	Notes	2018 Unrestricted Funds £	2017 Unrestricted Funds £
<b>Income &amp; Endowments from:</b>			
Investment income	2	28,072	24,816
Other incoming resources (REET)		0	19,701
<b>Total income &amp; Endowments</b>		<b>28,072</b>	<b>44,517</b>
<b>Resources Expended</b>			
<b>Charitable expenditure</b>			
Costs of activities in furtherance of the Charity's objects			
Expenditure on charitable activities	3	27,514	26,209
Other expenditure	3 & 4	2,083	3,780
<b>Total Resources expended</b>		<b>29,597</b>	<b>29,989</b>
Gains/(losses) on investment assets	5	(16,226)	5,844
<b>Net Income / (Expenditure)</b>		<b>(17,751)</b>	<b>20,372</b>
<b>Net movement in funds</b>			
Fund balances brought forward 1 April 2017		<b>725,304</b>	704,932
<b>Fund balances carried forward 31 March 2018</b>		<b>707,553</b>	<b>725,304</b>

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

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2018**

**Balance Sheet as at 31 March 2018**

	Notes	2018 Unrestricted Funds £	2017 Unrestricted Funds £
<b>Fixed assets</b>			
Investments	7	<b>641,570</b>	617,796
		<b>641,570</b>	617,796
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	<b>6,429</b>	25,305
Cash at bank and in hand		<b>61,825</b>	87,969
		<b>68,254</b>	113,274
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	9	<b>2,271</b>	5,766
<b>Net current assets</b>		<b>65,983</b>	107,508
<b>Net assets</b>		<b>707,553</b>	725,304
<b>The Funds of the Charity:</b>			
Unrestricted Funds	10	<b>707,553</b>	725,304
<b>Total Charity funds</b>		<b>707,553</b>	725,304

The financial were approved by the Trustees on 23rd July 2018 and signed on their behalf by:

Trustee:

Date: 21<sup>st</sup> January 2019

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for the year ended 31st March 2018**

**Notes to the financial statements for the year ended 31<sup>st</sup> March  
2018**

**1 Principal accounting policies**

**Basis of accounting**

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

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

**Resources expended**

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

**Incoming Resources**

All income received is accounted for on a receivable basis and has been classified under the appropriate categories. The income from the Rodger Edwards Educational Trust is actual income received for the year.

**Grants payable**

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

**Management and administration**

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

**Debtors/ Creditors**

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

**Irrecoverable VAT**

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

**Recognition of liabilities**

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

**Fund accounting**

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

**Investments**

Investments are included at market value at the balance sheet date. Any realised and unrealised gains and losses on

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2018**

revaluation or disposals are combined in the statement of financial activities.

**Transition to FRS 102**

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

**Cash flow statement**

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

**2 Investment income**

	2018	2017
	£	£
Interest on cash balances	449	0
Interest on Investments	27,623	24,816
	<b>28,072</b>	<b>24,816</b>

**3 Expenditure on Charitable Activities**

	2018	2017
	£	£
Grants payable	27,514	26,209
Management & administration	2,083	3,780
	<b>29,597</b>	<b>29,989</b>

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

**4 Governance Costs**

	2018	2017
	£	£
Net incoming resources is stated after charging:		
Auditor's remuneration	2,270	2,560
	<b>2,270</b>	<b>2,560</b>

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

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2018**

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

	Market Value ditions		Market Value	Gain/(Loss)
	2017	(Disposals)	2018	
	£	£	£	£
Charibond	205,761	40,000	234,983	(10,778)
OEIC	192,858	0	184,735	(8,123)
COIF	219,177	0	221,852	2,675
<b>Total</b>	<b>617,796</b>	<b>0</b>	<b>641,570</b>	<b>(16,226)</b>

**6 Taxation**

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

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

**7 Fixed asset investments**

	Total
	£
Valuation at 1 April 2017	617,796
Purchase	40,000
Net revaluation loss	(16,226)
<b>Valuation at 31 March 2018</b>	<b>641,570</b>

Fixed asset investments solely consist of the quoted investments. All investments are stated at their market value at 31st March 2018. The historical cost of the investments at 31st March 2018 was £679,000. All of the Charity's investments are quoted in the UK. The details of these are disclosed in the table below, being Charibond, COIF and OEIC Fund.

Investments with a market value greater than 5% of the total portfolio market value at 31st March 2018 are as follows:

	£	%
COIF	221,852	34.5%
Charibond	234,983	36.6%
OEIC Fund	184,735	28.9%

The percentage shown above is the percentage of the total portfolio market value as at 31<sup>st</sup> March 2018.

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2018**

**8 Debtors**

	2018	2017
	£	£
<b>Amounts falling due within one year</b>		
Receivable from The Roger Edwards Educational Trust	5,097	25,000
HM Revenue and Customs	1,331	305
	<u>6,429</u>	<u>25,305</u>

The majority of the debt relates to the payment from the Roger Edwards Educational Trust. This is based on actual cash received after the year end.

**9 Creditors**

	2018	2017
	£	£
<b>Amounts falling due within one year</b>		
Accruals and deferred income	<b>2,270</b>	5,766
	<u><b>2,270</b></u>	<u>5,766</u>

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

**10 Unrestricted Funds**

	Balance 1 April 2017	Incoming resources	Resources Expended	Investment Gain/(Loss)	<b>Balance 31 March 2018</b>
	£	£	£	£	£
Permanent endowed funds	725,304	28,072	29,597	(16,226)	707,553

**11 Related party transactions**

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





WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

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

Audit year: 2017-18

Date issued: January 2019

Document reference: 1020A2019-20

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

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

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

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

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

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

# Contents

This document summarises the conclusions on the 2017-18 audit including our recommendations for the year. The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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# Summary report

## Introduction

- 1 The purpose of this report is twofold:
  - to set out for consideration the matters arising from the audit of the financial statements of The Monmouthshire County Council Welsh Church Act Fund for 2017-18, that require reporting to those charged with governance, in time to enable appropriate action; and
  - to formally communicate the completion of our audit and capture the recommendations arising from our audit work for the year.
- 2 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of The Monmouthshire County Council Welsh Church Act Fund at 31 March 2018 and its income and expenditure for the year then ended.
- 3 We do not try to obtain absolute assurance that the financial statements are correctly stated but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 4 The quantitative levels at which we judge such misstatements to be material for The Monmouthshire County Council Welsh Church Act Fund are £10,000 for income and expenditure items and £ 112,755 for balance sheet items. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

## Status of the audit

- 5 We received the draft financial statements for the year ended 31 March 2018 on 9 November and have now substantially completed the audit work.
- 6 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with management.

## Proposed audit report

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

## Significant issues arising from the audit

### Uncorrected misstatements

- 9 There are no misstatements identified in the financial statements, which remain uncorrected.

### Corrected misstatements

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

### Other significant issues arising from the audit

- 11 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:
- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.**
  - **We did not encounter any significant difficulties during the audit.**
  - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
  - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
  - **We did not identify any material weaknesses in your internal controls**
  - **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

## Independence and objectivity

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

# Appendix 1

## Final letter of representation

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

31 January 2019

### Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements of Monmouthshire County Council Welsh Church Act Fund for the year ended 31 March 2018, for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and Charities SORP 2015; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### Information provided

We have provided you with:

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

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

#### Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions.

## Representations by those charged with governance

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by The Trustee on 31 March 2018.

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

Signed by:

Signed by:

Date:

Date:



# Appendix 2

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

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

#### Report on the audit of the financial statements

##### Opinion

I have audited the financial statements of The Monmouthshire County Council Welsh Church Act Fund for the year ended 31 March 2018, which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the Charity as at 31 March 2018 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities Act 2011.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

### Report on other requirements

#### Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Trustee is responsible for the other information in the annual report and accounts. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

#### Matters on which I report by exception

I have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require me to report to you if, in my opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report;
- sufficient accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit.

## Responsibilities

### Responsibilities of the Trustee for the financial statements

As explained more fully in the Trustee Responsibility Statement set out on page 4 of the Trustee's report, the trustee is responsible for preparing the financial statements in accordance with the Charities Act 2011, for being satisfied that they give a true and fair view, and for such internal control as the trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the charity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### Auditor's responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### Emphasis of Matter

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

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

24 Cathedral Road  
Cardiff  
CF11 9LJ

## Appendix 3

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

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

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

Value of correction	Nature of correction	Reason for correction
£1,178	Governance costs decreased by £1,176. VAT receivable increased by £1,176.	VAT on one invoice incorrectly included within Governance costs.
£5,689	Governance costs increased by £5,689. Other creditors decreased by £5,689.	The 16/17 audit fee had not been accrued.
£3,689	Investment property rental income decreased by £3,689. Debtors decreased by £3,689.	Correcting a prior period error.
£1,407	Other creditors increased by £1,407. Management costs (SOFA) decreased by £1,407.	Correction of an accrual of management charges.
£6,692	Accrued investment income increased by £6,692. Investment income increased by £6,692.	Net impact of the adjustment of accruals for investment income.

Value of correction	Nature of correction	Reason for correction
£4,464	Accrued investment income increased by £4,464. Investment property rental income increased by £4,464.	To recognise rent that was due on one investment property following completion of the Tenancy Agreement in 2018. Rent for the period 1 May 2010 - 31 March 2018 was not recognised within the accounts.
£1,000	Investment property rental income increased £1,000. Accrued investment income increased by £1,000.	To recognise rent that was collected by Monmouthshire County Council and due to The Monmouthshire County Council Welsh Church Act Fund.
Narrative	Narrative corrections to the Trustee Report.	Trustee Report was inconsistent with the Financial Statements.
Presentational	Inclusion of outstanding creditor (£4,886) and debtor (£2,407) balances within the related party disclosures.	The related party note was updated to include outstanding balances.

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WALES AUDIT OFFICE  
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Auditor General for Wales

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

Audit year: 2017-18

Date issued: January 2019

Document reference: 1012A2018-19

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

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

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

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



# Contents

It is our intention to issue an unqualified examiners report on the 2017-18 financial statements

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# Summary report

## Introduction

- 1 The Charity's trustee is responsible for preparing the financial statements in accordance with the Charities Act 2011 (the Act) and have considered that this year under section 144(2) of the Act an independent examination is needed of them.
- 2 We are responsible for providing an independent examiner's report on the Monmouthshire Farm School Endowment Trust Fund (the Fund) financial statements as at 31 March 2018. An independent examination involves reviewing whether the Charity has, in all material respects:
  - maintained accounting records in accordance with Section 130 of the Act; and
  - prepared accounts which accord with the accounting records and comply with the accounting requirements of the Act.
- 3 We are also required to report to you any matter that, in our opinion, attention should be drawn to enable a proper understanding of the accounts to be reached prior to the accounts being approved by the trustees. Where this is the case our team has already discussed these issues with officers.

## Proposed examination report

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

## Significant issues arising from our examination

- 5 There were no misstatements identified during the course of the independent examination, which remain uncorrected.
- 6 There was one misstatement that has been corrected by management, but which we consider should be drawn to your attention due to its relevance to your responsibilities over the financial reporting process. This is set out with explanations in [Exhibit 1](#) below. There were also a few disclosure omissions and errors that have now been adjusted. These errors could have been prevented if the Council had used the CIPFA Disclosure checklist to ensure compliance with the reporting framework (Charities SORP FRS 102) when preparing the draft accounts.

Exhibit 1: misstatement corrected by management

Value of correction	Nature of correction	Reason for correction
£14,903	Decrease Other incoming resource (REET) by £14,903 Decrease Debtors (Receivable from REET) by £14,903	Accrued income regarding the annual contribution from the Roger Edwards' Educational Trust (REET) was overstated, as per posted year-end correspondence from REET.

- 7 Information was provided to us in a timely and helpful manner and we are appreciative of the assistance provided by officers to facilitate the completion of our examination.

# Appendix 1

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

I report on the accounts of Monmouthshire Farm School Endowment Trust Fund for the year ended 31 March 2018, which are set out on pages 5 to 10.

### Responsibilities and basis of report

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

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

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

### Independent examiner's statement

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

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

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

Ann-Marie Harkin

On behalf of the Auditor General for Wales

Date:

24 Cathedral Road

Cardiff CF11 9LJ

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## REPORT

**SUBJECT:** Treasury Policy and Strategy Report 2019/20  
**DIRECTORATE:** Resources  
**MEETING:** Audit Committee  
**DATE:** 31<sup>st</sup> January

**DIVISION/WARDS AFFECTED:** Countywide

### 1. PURPOSE:

- 1.1 To agree the 2019-20 Treasury policy and strategic framework for officers to follow. 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 That Audit Committee considers and endorses

- the proposed Treasury Management and Minimum Revenue Provision Policy Statement for 2019/20 (Appendix 1); and
- the proposed Treasury Management Strategy 2019/20 (Appendix 2) including the Investment & Borrowing Strategies,

for onward circulation and approval by full Council.

- 2.2 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. UPDATE SINCE LAST REPORTING:

- 3.1 A number of new codes of practice, regulations and guidance notes have been issued recently or are in the process of being drafted. There are a number of actions resulting from these which are likely to impact upon Treasury management considerations including:

- Preparation of a capital strategy for the Council to tie together related strategies as required by the revised prudential code.
- Reference within the Capital Strategy of the management of non-treasury investments and the control of the associated risks in line with the requirements of the revised treasury management code. A property investment Strategy has already been produced.
- Reviewing the mechanism which approve reports relating to treasury matters.

- Reporting 19/20's prudential indicators more widely than just the Treasury Strategy. (It is proposed to include in final budget report to Council).

3.2 So far in 2018/19, the Authority has invested £1 million in one mixed asset class pooled fund, the Kames fund. This proposal was presented to the November 2018 Audit Committee. A second investment of £1 million is expected to be made shortly. These 2 funds over the 5 years to September 18 yielded an average of 4.5% income return and 5.5% total return per annum so are attractive, with the income return typically being steady. They do however not have their capital values guaranteed. Capital values can and do fluctuate up and down. Cumulative capital gains could be negative at the end of 2018/19. This is the reason that these investments are entered into with the intention of holding them for 3-5 years. It is believed over this period that cumulative capital gains will be positive. It is the intention of the Authority to use an earmarked reserve at year end to absorb some/all of these capital gains and losses to smooth out the effect of these capital movements on the revenue account, if desirable when closing the annual accounts for 2018/19.

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

- 4.1 The Council or its delegated body (Audit Committee) must receive as a minimum a semi-annual report and an annual report after its close on treasury management activities. This condition continues to be met by existing practices
- 4.2 Similarly the Treasury management strategy is traditionally considered by Audit Committee and volunteered to full Council for approval. The Code now requires that full Council also approve annually an Investment Strategy. It is proposed to subsume the Investment strategy within the Treasury strategy, and continue for Audit Committee to review proposals and endorse or otherwise the Strategy for approval by full Council. Appendix 2 contains the Councils detailed proposed investment strategy.
- 4.3 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) or deputy 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.
- 4.4 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 2017) which is designed to provide effective control of the risks of treasury management activities, prioritising security and liquidity of investments above yield. It includes the requirement for a number of treasury management indicators.
- 4.5 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 indicators which can be reported either through the Treasury report or as part of the capital budget consideration. The Council will report such through the report that agrees the annual budget.

- 4.6 The revised Prudential Code and Treasury Management Code were issued in December 2018. The LA (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018 came into force in March 2018. Changes required as a result, are being incorporated into the relevant revised strategies.

### **Considerations influencing the strategy**

- 4.7 The limits proposed in the 2019/20 treasury strategy have not changed significantly from the 2018/19 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 para 5.6 onwards. The counterparty rating limits and investment maturities in this table are ultimate limits and are further informed by bespoke periodic advice from our treasury advisers as to sustainability and financial robustness of specific counterparties.
- 4.8 The section on External context within the treasury strategy in Appendix 2, Section 2 explains the backdrop which has been considered when setting the limits for borrowing & investing. These include:
- The effect of the Brexit process on Sterling, GDP and UK growth & the likelihood that European banks may create UK subsidiaries to trade in the UK.
  - The increase in Bank of England interest rate up to 0.75% with further increases forecast over the coming years.
  - CPI (Consumer Price index) is now 2.4%, higher than this time last year.
  - The big four UK banks have now separated their retail banking functions from their Investment banking activities during 2018. The retail element being “ring-fenced” to protect retail investors.
  - The Authority has chosen to take Professional status under the MifID II regulations, which came into force on the 3<sup>rd</sup> January 18, with its counterparties and other financial institutions.
  - Money market funds which the Authority uses to hold a lot of its overnight cash are gradually moving from CNAV (constant net asset value) to LVNAV (Low volatility net asset value). It is believed that this will not have a significant effect on the Authority.

### **Annual Minimum Revenue Provision (MRP) 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 in Appendix 1, Section 4.

4.12 Additionally Welsh Government is consulting on changes to MRP guidance, this may have an impact upon treasury practice longer term but requirements have not yet been confirmed to influence 2019-20 Treasury Strategy.

## 5. REASONS:

5.1 The Authority is required to produce a treasury management policy and strategy and an 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 In summary, the Treasury Policy and Strategy remains very similar to previous years, such that the Council remains a net borrower, and utilises internal resources to reduce net borrowing costs, known as internal borrowing.

6.2 It also favours short term recurrent borrowing over longer term fixed rates, given the disparity between short and longer term rates still. Interest rates are anticipated to rise slightly over next year, and the Treasury team is increasingly looking towards advantageous longer term fixed rate deals to keep the loans portfolio diverse and minimise interest rate exposure risk.

6.4 Current treasury activity as at end of December 2018 is also provided in Appendix 4, to illustrate to Members extent of current loans and investments.

6.5 The medium-term treasury budgets contained within the 2019-20 revenue budget proposals to be presented to Council in March 2019, were constructed in accordance with the strategy documents appended to this report. Consequently there are no additional resource implications directly arising from this report.

The Council's Treasury budgets for the next 4 years are illustratively

Subjective Classification	Indicative Base Budget 2019/20	Indicative Base Budget 2020/21	Indicative Base Budget 2021/22	Indicative Base Budget 2022/23
Interest and Investment Income	(205,300)	(206,300)	(206,300)	(208,300)
Interest Payable and Similar Charges	3,397,995	3,409,995	3,478,995	3,475,995
Contributions to Earmarked Reserves	444,378	63,000	63,000	63,000
Contributions from Earmarked Reserves	(534,835)	(95,507)	(218,038)	(88,038)
Charges required under Regulation (MRP)	4,479,760	4,636,760	4,531,760	4,765,760
Fixed Asset Disposal Costs	107,833	0	0	0
Evidence based pressure and virement from services	95,000	95,000	95,000	95,000
<b>Total Appropriations</b>	<b>7,784,831</b>	<b>7,902,948</b>	<b>7,744,417</b>	<b>8,103,417</b>

6.6 However there are some key future financial risks on medium-term treasury budgets concerning:

- There remains reliance on utilising capital receipts in the year when predicted, which introduces the potential need to temporarily borrow and add to Council costs if those receipts don't come in in the timeframe volunteered.
- The capital medium term financial plan for 2019/20 has been shared with members as part of the capital budget setting process which won't conclude until late February. Should additions be required funded from borrowing, then Treasury figures and consequences on capital financing requirement and external borrowing requirement would need to be recast.
- The strategy continues to recommend that the 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. Traditionally this has resulted in Treasury staff undertaking short term recurrent borrowing as short term rates are still more cost effective than equivalent fixed longer term opportunities. It is anticipated that borrowing rates will rise over the next year, and as such this balance will be monitored regularly in order to decide whether to instead borrow additional sums at long-term fixed rates in 2019/20 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. As far as the forecast increased can be predicted they are allowed for in the medium term financial plan.

## **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 & Minimum Revenue Provision (MRP) Policy Statement 2019/20

Appendix 2 – Treasury Management Strategy Statement 2019/20 including the Investment & Borrowing Strategies

Appendix 3 – Arlingclose Economic & Interest Rate Forecast December 2018

Appendix 4 – Existing Investment & Debt Portfolio Position

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### TREASURY MANAGEMENT POLICY STATEMENT 2019/20

#### 1 INTRODUCTION AND BACKGROUND

- 1.1 The Council is required by law to have regard to CIPFA's Treasury Management in the Public Services: Code of Practice 2017 (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 revised code allows the Audit Committee to approve the treasury strategy providing the Authority produces a capital strategy, while being clear that overall responsibility remains with full council. Full Council is required to approve the investment strategy which is currently included in the same document as the treasury policy and treasury strategy so the combined document will continue to be approved by full Council in the current year.
- 1.4 The Council delegates responsibility for the implementation, monitoring and scrutiny of its treasury management policy, strategy 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 As a minimum, the Audit Committee will receive reports on its treasury management policies, practices and activities including, an annual strategy and plan in advance of the year, and a semi-annual report, mid year and an annual report after its close.

#### 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, borrowing 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, refinancing risk and budgetary 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 treasury & prudential indicators and limits.

### **4. MRP Policy Statement 2019/20**

- 4.1 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.
- 4.2 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 2019/20:**

- 4.3 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).
- 4.4 The MRP Statement will be submitted to Council before the start of the 2019/20 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**

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

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

- 4.6 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**

- 4.7 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 2019/20 budget proposals reflect these 3 positions.

## Appendix 2- Treasury Management Strategy Statement 2019/20

### 1. Introduction

- 1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. 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 financial risk are therefore central to the Authority's prudent financial management.
- 1.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code). Providing full Council has approved a Capital Strategy, the CIPFA code allows a delegated Audit Committee 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's full Council to approve an investment strategy before the start of each financial year. By being scrutinised by Audit Committee and then approved by full Council, 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.
- 1.3 **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.

### 2. External Context

- 2.1 **Economic background:** The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20.
- 2.2 UK Consumer Price Inflation (CPI) for October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.
- 2.3 The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around



1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

- 2.4** Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.
- 2.5** While US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Markets continued to expect one more rate rise in December, but expectations are fading that the further hikes previously expected in 2019 will materialise as concerns over trade wars drag on economic activity.
- 2.6** **Credit outlook:** The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.
- 2.7** The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.
- 2.8** European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.
- 2.9** **Interest rate forecast:** Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.
- 2.10** The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging

outlook as it exits the European Union and Eurozone growth softens. Whilst assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a “no deal” Brexit still hangs over economic activity (*at the time of writing this commentary in January*). As such, the risks to the interest rate forecast are considered firmly to the downside.

- 2.11 Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose’s interest rate projections, due to the strength of the US economy and the ECB’s forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix 3.

- 2.12 For the purpose of setting the 2019/20 budget, it has been assumed that new investments will attract an average rate of interest of 1.30%, that new short term loans will be borrowed at an average of 1.08% and as an example of long term rates, a new 20 year PWLB annuity loan would be borrowed at 1.92%.

### **3. Local Context**

- 3.1 On 31<sup>st</sup> December 2018, the Authority held £159.8m of borrowing and £16.7m of investments. This is set out in further detail at Appendix 4. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.
- 3.2 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. The Authority’s current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

Table 1: Balance sheet summary and forecast

	31.3.18 Actual £m	31.3.19 Estimate £m	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m
<b>General Fund CFR</b>	146.1	175.8	196.8	202.1	210.9	209.5
Less: Other debt liabilities *	-1.8	-2.5	-2.5	-2.5	-2.5	-2.5
<b>Loans CFR</b>	<b>144.3</b>	<b>173.3</b>	<b>194.3</b>	<b>209.7</b>	<b>208.4</b>	<b>207.1</b>
Less: Existing External borrowing undertaken (debt)**	-129.0	-111.4	-89.7	-70.2	-62.3	-60.6
<b>Internal borrowing requirement</b>	<b>15.3</b>	<b>61.9</b>	<b>104.6</b>	<b>139.5</b>	<b>146.1</b>	<b>146.5</b>
Less: Usable reserves	-18.2	-16.4	-20.9	-26.7	-27.3	-27.1
Less: Working capital	-14.2	-14.2	-14.2	-14.2	-14.2	-14.2
<b>Net New External borrowing requirement/ (Investments)</b>	<b>(17.1)</b>	<b>31.4</b>	<b>69.5</b>	<b>98.6</b>	<b>104.6</b>	<b>105.2</b>

\* 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

3.3 The Authority will be required to borrow up to £105m over the forecast period above due to the rising CFR and also due to maturing debt. The Authority has an increasing CFR due to annual capital programmes, including £50m of Property Investments (which whilst increasing CFR is expected to be afforded by additional income). £52m of short term loans held at 31<sup>st</sup> March 2018 will need to be refinanced as well as other current loans maturing later in the forecast period.

Table 2: Summary Comparison of Capital Financing Requirement against Borrowing Anticipation

<b>Loans CFR</b>	<b>144.3</b>	<b>173.3</b>	<b>194.3</b>	<b>209.7</b>	<b>208.4</b>	<b>207.1</b>
<b>Anticipated debt levels (existing external borrowing levels +net new external borrowing requirement)</b>	<b>111.9</b>	<b>142.8</b>	<b>159.2</b>	<b>168.8</b>	<b>166.9</b>	<b>165.8</b>

3.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that the Authority expects to comply with this recommendation during 2019/20.

**3.5 Liability benchmark:** To show this information in a different way, a liability benchmark has been calculated showing the lowest level of borrowing required to meet the capital programme. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept at £10m at each year-end to comply with the requirements of a professional investor under Mifid (Markets in Financial Instruments Directive) II.

Table 3: Liability benchmark

	<b>31.3.18 Actual £m</b>	<b>31.3.19 Estimate £m</b>	<b>31.3.20 Forecast £m</b>	<b>31.3.21 Forecast £m</b>	<b>31.3.22 Forecast £m</b>	<b>31.3.23 Forecast £m</b>
CFR	144.3	173.3	194.3	209.7	208.4	207.1
Less: Usable reserves	-18.2	-16.4	-20.9	-26.7	-27.3	-27.1
Less: Working capital	-14.2	-14.2	-14.2	-14.2	-14.2	-14.2
Plus: Actual/Target level of Investments	17.1	10.0	10.0	10.0	10.0	10.0
<b>Liability Benchmark</b>	<b>129.0</b>	<b>152.8</b>	<b>169.2</b>	<b>178.8</b>	<b>176.9</b>	<b>175.8</b>

#### 4 Borrowing Strategy

4.1 As mentioned in para 3.1, the Authority held £159.8 million of loans at 31<sup>st</sup> December 2018, an increase of £30.8 million from 31<sup>st</sup> March 2018, as part of its strategy for funding previous years' capital programmes. Table 2 shows that the Authority expects its gross borrowing level to fall to £152.8m at 31<sup>st</sup> March 2019 and then rise again to £169.2m by 31<sup>st</sup> March 2019 to allow £10m of investments to be maintained.

4.2 The balance sheet forecast in table 1 shows that the Authority anticipates needing £69.5m of loans at 31<sup>st</sup> March 2020 that it did not hold at the 31<sup>st</sup> March 2018. Some of this amount relates to existing short term loans which may need to be replaced more than once during that 2 year period. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £224.4 million.

4.3 **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.

4.4 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to aim for a balance between addressing the key issue of affordability and compromising the longer-term stability of the debt portfolio. With short-term interest rates remain 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. A roughly equal

balance of long and short term debt is, at the time of writing, taken as the right balance to maintain sufficient long term stability.

- 4.5 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring long term 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 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 4.6 Alternatively, the Authority may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 4.7 In addition, the Authority may borrow further short-term loans to cover unplanned cash flow shortages.
- 4.8 Appropriate 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)
  - any other bank or building society authorised to operate in the UK
  - any other UK public sector body
  - UK public and private sector pension funds (except the Greater Gwent Pension Fund)
  - capital market bond investors
  - Special purpose companies created to enable local authority bond issues
  - CSC Foundry Ltd
- 4.9 Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
  - hire purchase
  - Private Finance Initiative
  - sale and leaseback
  
  - the MIMs (Mutual Investment Model) being developed by Welsh Government
- 4.10 The Authority has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.
- 4.11 **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

2019/20, 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 borrowing would be taken out as an interim solution, followed by a long term solution in line with the borrowing strategy above.

**4.12 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 interest rate exposure limits in the treasury management indicators below.

**4.13 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.

## **5 Investment Strategy**

**5.1** The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. From 1<sup>st</sup> April to 31<sup>st</sup> December 2018, the Authority's average investment balance was £18m, ranging between £7 and £35 million. The Authority is committed to holding a minimum of £10m as mentioned above due to the Mifid II regulation. Fluctuations above that, from a monthly cycle of + £10m/- £0m and unexpected income are difficult to avoid increasing investment levels. The treasury team aim to keep balances above £20m to a minimum. This is sometimes difficult to avoid if borrowing is taken out to coincide with a specific project or to take advantage of a good rates. When balances do go above £20m, longer term investments are sort to minimise the impact on the bottom line.

**5.2 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.

**5.3 Negative interest rates:** If the UK enters into a recession in 2019/20, 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.

**5.4 Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to continue to diversify into higher yielding asset classes during 2019/20 by using pooled funds. This is especially the case for



the estimated £10m that is available for longer-term investment due to the Mifid II regulations. The remainder of the Authority’s surplus cash remains invested in short-term unsecured bank deposits, certificates of deposit, with other Local Authorities, the Debt Management Office and money market funds. This diversification builds on the changes started in Q4 of 2018/19.

**5.5 Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority’s “business model” for managing them. The Authority aims to achieve value from the majority of its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost with the income appearing as a credit in the Surplus or Deficit on Provision of Services (SDPS). The newer pooled fund investments will be held on balance sheet at Fair Value. The movements in Fair Value as well as dividend income are most likely to be seen as a credit or debit to the SDPS. An alternative treatment option is being assessed.

**5.6 Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 4 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 supersede the limits set below. Any Investments with a maturity of more than one year are classed in WG Guidance as “Non Specified” so explicit approval must be obtained from the S151 Officer or Deputy or more senior line manager and also the Authority’s treasury advisors, before being made.

Table 4: Approved investment counterparties and limits

Counterparty / Instrument	Instrument Limit of Portfolio	Counterparty Limit of Portfolio	Country Limit	Other Limits	Maturity Limit
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	£4m per foreign country	Limit for negotiable instruments held in Brokers nominee accounts: the lower of 50% or £10m per	6 months 13 months 2 years

		balances		Broker	
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-)  As above but (A) or (A+)	75% of total investments at the time of deposit (both secured and unsecured) For Non-UK 50% of total investments at the time of deposit (both secured and unsecured)	£4m per counterparty (both secured and unsecured)	£4m per foreign country for all investment types	N/A	13 months  2 years
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	25% of total investments	£1m per Counterparty	UK only	N/A	6 months
Money Market Funds with a Constant Net Asset Value (CNAV) or Low Volatility NAV if assessed by our Treasury advisers as being of high credit worthiness	50% of total investments at the time of deposit increased to 75% if total investments is £10m or less	The lower of £2m and 10% of investments rounded up to next £0.5m; not exceeding 0.50% of MMF size or 2% for Government MMFs	N/A	N/A	N/A
Pooled funds & Real Estate Investment Trusts (REITS) without credit ratings which are not classed as capital expenditure - if assessed by our Treasury advisers as a suitable investment for a L. A. and as being managed in a way which is consistent with the objectives of the fund	£6m total investment at the time of deposit	£2m per fund	N/A	N/A	N/A



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
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\* unless advised against lending by our Treasury Advisors

- 5.7 Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. 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.
- 5.8 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.
- 5.9 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.
- 5.10 Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years. For other Government entities, see table 4.
- 5.11 Corporates:** (See Secured and Unsecured investments in Table 4). 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 either following an external credit assessment or to a maximum of £1,000,000 per company as part of a diversified pool in order to spread the risk widely.
- 5.12 Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

- 5.13 Pooled funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares, property and some minority holdings such as derivatives. 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. Where more than one fund is managed by the same organisation, the limits per counterparty will be applied to all investments in that organisation's funds unless advice is obtained to support an adequate degree of differentiation in approach between funds to reduce correlation between those funds to a similar level as funds in different organisations.
- 5.14 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.
- 5.15 Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- 5.16 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.
- 5.17 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.

- 5.18 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, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 5.19 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.
- 5.20 Investment limits:** The Authority's revenue reserves available to cover investment losses are forecast to be £13.3 million on 31<sup>st</sup> March 2019. In order that no more than 31% 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. (See Table 4) A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits have also been placed on investments in brokers' nominee accounts and countries. 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.
- 5.21 Liquidity management:** The Authority is a net borrower and does not have an overdraft set up due to the high cost to do so. The Authority therefore uses a detailed excel cash flow forecasting spreadsheet for the current financial year to determine the maximum period for which funds may prudently be invested and the time at which the Authority will need to borrow either long or short term in order to have sufficient liquid cash to make the payments required. This is backed up by a second excel cashflow model showing the net cashflow movements expected per year based on the medium term financial plan. The aim of short term liquidity management is to borrow only when the need arises and therefore to minimise net borrowing costs while still having sufficient free cash to fund required payments. The amount of investments, with duration over one day, held at any one time is a balance between increased returns and the time taken/ dealing costs of identifying and implementing those investments.
- 5.22 The revised Treasury Management Code requires the Authority to put in place an Investment Strategy for the management and control of the risks associated with non Treasury investments in addition to the Treasury investments described above.

This will be outlined and referenced in the proposed new Capital Strategy. The Authority built a solar farm in 2017/18 and purchased Castlegate business park in 2018/19 in addition to the portfolio of investment properties which the Authority has held for a number of decades.

## 6 Treasury Management Indicators

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

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

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

6.3 **Interest rate exposures:** The new treasury management code allows the Authority to define its own Interest rate exposure management process and limits. A sensitivity analysis is provided in the Authority's accounts which shows the revenue impact of a 1% rise/fall in interest rates at year end. The indicator below similarly provides the anticipated effect of a 1% rise/fall in interest rates on the revenue account for a year starting 21<sup>st</sup> Jan 2019 (time of writing). This provides information to the reader about the potential impact of movements in interest rates.

Interest rate risk indicator	
Forecast impact on revenue over the next 12 months of a 1% <u>rise</u> in interest rates	£241,000
Forecast impact on revenue over the next 12 months of a 1% <u>fall</u> in interest rates	-£241,000

6.3 In the medium term financial plan, forecast increases in interest rates have already been taken into account in setting future years' budgets. The sensitivity analysis above indicates the possible value of overspends resulting from further rises in interest rates. As has been previously stated in this report, the Authority aims to strike a balance between saving costs in this/next year and achieving cost certainty in future years by taking out more long term debt. At the time of writing, the medium term forecasts for interest on 3-12 month debt are no higher than the current interest rates on 10-20 year debt so it seems reasonably prudent and cost effective to continue with utilising short term debt. To supplement this prudence, the Treasury team also set a proportionate on net variable rate debt as a percentage of total net debt. As a useful clarification whilst PWLB variable rate debt is 'variable' but 'long term' and LOBO loans can be called in under one year, neither represent an interest rate risk as their rates are above current PWLB maturity loan rates available. Hence they are treated as 'fixed' for the proportionate limit calculation.

Limit on net variable rate debt as a % of total net debt	Forecast £m		Limit £m
	31 <sup>st</sup> Mar 2019	31 <sup>st</sup> Mar 2020	
Variable rate debt	64.2	64.1	
Variable rate investments #	10.0	10.0	
Net variable rate debt	54.2	54.1	
Fixed rate debt	84.9	95.9	
Fixed rate investments	0.0	0.0	
Net fixed rate debt	84.9	95.9	
% net variable rate debt to total net debt	39.0%	36.1%	50%

# Investments in pooled funds are excluded as they are only partially interest rate driven.

- 6.4 The % of net variable rate debt to total net debt is forecast to fall from close to 50% in previous years due to the long term debt taken out/forecast to be taken out to cover the new Property Investments budgeted and also the waste vehicles budgeted.
- 6.5 **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing risk indicator	Forecast 31 <sup>st</sup> Mar 2019	Lower limit	Upper limit
Under 12 months – LOBO loans	9.1%	0%	60%
Under 12 months – short term loans	32.9%		
Under 12 months – maturing LT loans	1.2%		
12 months and within 24 months – variable rate LT loans	9.1%	0%	20%
12 months and within 24 months – other	3.8%		
24 months and within 5 years	8.1%	0%	40%
5 years and within 10 years	16.0%	0%	30%
10 years and above	20.0%	0%	100%

N.B. Time periods start on the first day of each financial year or the trade date for new loans. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

- 6.7 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by

seeking early repayment of its investments. The limits on principal sums invested for more than one year to final maturity dates in each financial year will be:

Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£6m	£6m	£3m

This excludes Pooled funds which although intended to be held for 3 – 5 years can be redeemed at 6 month notice or less, typically, depending on the fund.

## 7. Related Matters

7.1 The CIPFA Code requires the Authority to include explicitly the following in its treasury management strategy.

- **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.
- **Markets in Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority’s treasury management activities, the Section 151 officer or deputy believes this to be the most appropriate status.

7.2 A Council must also have regard for any Government Guidance provided. To date Welsh Government has provided the following directions,

**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”.

Relatedly, 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 treasury investments denominated in foreign currencies nor any defined as capital expenditure. 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 and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 5 below.

Table 5: Non-specified investment limits

	<b>Cash limit</b>
Total long-term investments excluding pooled funds	£6m
Total shares in pooled funds excluding Money Market Funds	£6m
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

N.B. Money market funds are no longer non-specified investments as they are no longer capital expenditure since the 2018 amendment regulations.

**7.3 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.

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

**7.5 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 £224.4 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.

N.B. This is slightly higher than the highest CFR over the next 3 years £211m. The CFR is lower due to the MRP which is taken off the amounts budgeted to be funded by borrowing to arrive at this figure. The authorised borrowing limit contains contingency to cover such things as unpredictable fluctuations in cash, new projects not in MTFP, capital receipts not materialising, vehicles budgeted to be leased – funded by borrowing

## 8. Financial Implications

8.1 The budget for investment income in 2019/20 is £205,000, based on an average investment portfolio of £15.8 million at an interest rate of 1.3%. The budget for debt interest paid in 2019/20 is £3.4 million, based on an average debt portfolio of £129.7 million at an average interest rate of 2.6%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

## 9 Other Options Considered

9.1 The WG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The S151 Officer or Deputy, having consulted the Audit Committee, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategic approaches are considered in the following table, together with their financial and risk management implications.

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



		default; however long-term interest costs may be less certain
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## **Appendix 3 – Arlingclose Economic & Interest Rate Forecast December 2018**

### **Underlying assumptions:**

- Our central interest rate forecasts are predicated on there being a transitional period following the UK's official exit from the EU.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.
- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.
- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.
- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening – previous hikes and heightened expectations will, however, slow economic growth.
- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

### **Forecast:**

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitional period

following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	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	1.13
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-0.85
<b>3-mth money market rate</b>														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.17
Arlingclose Central Case	0.90	0.95	1.10	1.30	1.40	1.40	1.40	1.35	1.35	1.35	1.35	1.35	1.35	1.27
Downside risk	-0.20	-0.45	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.76
<b>1-yr money market rate</b>														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.33
Arlingclose Central Case	1.15	1.25	1.35	1.50	1.70	1.60	1.50	1.40	1.35	1.35	1.35	1.35	1.35	1.40
Downside risk	-0.35	-0.50	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.77
<b>5-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.15	1.25	1.35	1.50	1.50	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.33
Downside risk	-0.50	-0.60	-0.65	-0.80	-0.80	-0.70	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.66
<b>10-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.50	1.65	1.70	1.80	1.80	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Downside risk	-0.55	-0.70	-0.70	-0.80	-0.80	-0.75	-0.75	-0.70	-0.70	-0.70	-0.70	-0.70	-0.70	-0.71
<b>20-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	2.00	2.10	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.18
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
<b>50-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.90	1.95	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.99
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Upside and downside risk is a common convention when reporting investments, returns and interest rate changes being different than predicted. So an upside risk equates to the extent to which/likelihood that the forecasting assumption will be beneficially outperformed by reality. The opposite is true for a downside risk.

#### Appendix 4 – Existing Investment & Debt Portfolio Position

	31 <sup>st</sup> Dec 2018 <b>Actual Portfolio £m</b>	<b>Average Rate %</b>
<b>External borrowing:</b>		
Public Works Loan Board – Fixed rate		
Public Works Loan Board – Variable rate	54.6	4.40
LOBO loans from banks	13.5	0.77
Welsh Government Loans	13.6	4.80
Local authority & other LT Loans	5.2	0.00
Local authority & other ST Loans	5.9	1.10
<b>Total external borrowing</b>	<b>67.0</b>	<b>0.69</b>
	<b>159.8</b>	<b>2.31</b>
<b>Other long-term liabilities:</b>	<b>2.5</b>	NA
<b>Total gross external debt</b>	<b>162.3</b>	NA
<b>Treasury investments:</b>		
Banks & building societies (unsecured)	4.7	
Government (incl. local authorities)	8.6	
Money Market Funds	3.4	
<b>Total treasury investments</b>	<b>16.7</b>	<b>0.60</b>
<b>Net debt</b>	<b>145.6</b>	



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

**DIRECTORATE: Resources**  
**MEETING: Audit Committee**  
**DATE: 31<sup>st</sup> January 2019**  
**DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To update Members on the progress of unfavourable (Unsatisfactory / Unsound/Limited Assurance) audit opinions issued since 2012/13 by the Internal Audit team. The previous update was presented to Audit Committee in May 2018.

## 2. RECOMMENDATION(S)

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

Or

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

## 3. KEY ISSUES

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

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

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

#### 4. REASONS

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

4.2 The previous report was presented to Audit Committee January 2018; this information is updated and presented to Audit Committee on a six monthly basis.

4.3 The following unfavourable audit opinions have been issued since 2012/13:

	Unsatisfactory	Unsound
2013/14	0	0
2014/15	6	0
2015/16	7	0

	Limited (Assurance)
2016/17	8
2017/18	8
2017/18 (to 31-12-18)	3

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

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

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

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

	Assignment	Risk H/M/L	Rating	Revised Opinion	Date Issued
2015/16	Procurement Cards	Medium	Unsatisfactory	Reasonable (Draft)	December 2017
	Magor Primary	Low	Unsatisfactory	Reasonable	March 2017
	Markets	Medium	Unsatisfactory	Reasonable (Draft)	March 2018
	Passenger Transport Unit (14/15)	Medium	Unsatisfactory	Reasonable (Draft)	March 2018
	Procurement - Off Contract Purchasing (14/15)	Medium	Unsatisfactory	Reasonable	March 2018
	Chepstow School (13/14)	Medium	Unsatisfactory	Considerable (Draft)	September 2017
	Monmouthshire Enterprises (Social Care) (14/15)	Medium	Unsatisfactory	Reasonable (Draft)	June 2018

4.7 Ideally these audit reviews will be followed up by the audit team within 9 to 12 months of the final report being issued to ensure that action has been taken to address the weakness identified. Some delays may have arisen as a result of the operational manager deferring the follow up audit. These reviews will be followed up in 2017/18.

4.8 During 2016/17, 8 reports were issued with a **Limited** opinion. This is the equivalent of the previous Unsatisfactory opinion. These were as follows:

	Assignment	Risk H/M/L	Rating	Revised Opinion	Date Issued
2016/17	School Meals (Final)	Medium	Limited	Reasonable	March 2018
	Ysgol Y Ffin Primary School	Low	Limited	Reasonable	March 2018
	Events (Final)	Medium	Limited	Limited	March 2018
	HR Policy Review	Medium	Limited	Further follow up Q4 2018/19	
	External Placements	Medium	Limited	Q4 2018/19	
	Compliance with Bribery Act	Medium	Limited	Reasonable (Draft)	December 2018
				Limited	March 2018
				Further follow up	

				Q4 2018/19	
	Mobile Phones	Medium	Limited	Q4 2018/19	
	Volunteering	Medium	Limited	Q4 2018/19	

4.9 The audit review of the Events provision resulted in a second consecutive **Limited** audit opinion. The Audit Committee Members agreed to call the senior managers responsible for this service into Audit Committee which they did at a recent Audit Committee meeting in December 2017. Senior Managers provided assurances that, should the Events programme be run on such a large scale again, significant improvements in the control environment would be made. Due to the confidential nature of some of the discussion this matter will be reported separately at Audit Committee.

4.10 Members will also note that the follow up audit of Compliance with the Bribery Act has also resulted in a consecutive **Limited** assurance audit opinion. The Chief Officer Resources, responded to Members' questions and challenge around the concerns raised and he provided assurances that improvements with compliance will be made moving forward.

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

4.12 During 2017/18, 8 reports were issued with a **Limited** opinion. These were as follows:

	Assignment	Risk H/M/L	Rating	Revised Opinion	Date Issued
<b>2017/18</b>	Borough Theatre Trust	High	Limited	Q4 2018/19	
	Raglan Primary School	Medium	Limited	Reasonable	July 2018
	Youth Service (Draft)	Medium	Limited	2019/20	
	Events Follow-Up	High	Limited	Q4 2018/19	
	Fuel Cards	Medium	Limited	Q4 2018/19	
	Food Procurement (Draft)	High	Limited	2019/20	
	Health & Safety (Draft)	Medium	Limited	2019/20	
	Compliance with Bribery Act Follow-Up (Draft)	High	Limited	Q4 2018/19	



4.13 During 2018/19 (up to 31/12/18), 3 reports were issued with a **Limited** opinion. These were as follows:

	Assignment	Risk H/M/L	Rating	Revised Opinion	Date Issued
<b>2018/19</b>	Caldicot Castle (Draft)	Medium	Limited		
	Imprest Account – Children’s Services (Draft)	Medium	Limited		
	Agency Workers (Draft)	Medium	Limited		

4.14 The Limited Assurance audit reports noted above have been issued to the operational managers in draft and the Audit team have not yet had the opportunity to discuss the issues raised with them. An overview of concerns will therefore be reported to Audit Committee following these discussions.

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

## **5. SERVICE MANAGEMENT RESPONSIBILITIES**

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

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

## **6. RESOURCE IMPLICATIONS**

None.

## **7. CONSULTEES**

**8. BACKGROUND PAPERS**

Audit management Information 2013/14, 2014/15, 2015/16, 2016/17, 2017/18, 2018/19

**9. AUTHOR AND CONTACT DETAILS**

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Internal Audit Opinions (wef 2016/17)

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

The table below summarises the ratings used during the reviews:

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

**Previous Audit Opinions**

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

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

**Recommendation Ratings**

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

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

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

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<b>SUBJECT:</b>	<b>Strategic Risk Assessment</b>
<b>MEETING:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>31<sup>st</sup> January 2019</b>
<b>DIVISIONS/WARDS AFFECTED:</b>	<b>All</b>

## 1. PURPOSE:

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

## 2. RECOMMENDATIONS:

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

## 3. KEY ISSUES:

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

negative event occurring rather than lessening its impact. Clearly, there will be exceptions.

- 3.3 The risk assessment is a living document and will evolve over the course of the year as new information comes to light. The risk assessment should continue to focus on medium term risks to service delivery. There have therefore been a number of amendments to the strategic risk register to ensure it accurately manages the current strategic risks facing the Council, as set out in Appendix 1. These include updating the focus of some existing risks, which have been marked as revised, identifying any new risks and removing mitigated risks; these have been identified in a separate table. Where there remains a level of risk, these risks will continue to be monitored and action undertaken through the relevant service business plan.
- 3.4 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; these have been considered in the latest iteration of the strategic risk register. Some of the changes made include links within the register to the authority's strategic objectives and timescales attached to the delivery of mitigating actions.
- 3.5 A refresh of the Council's strategic risk management policy and guidance is underway to ensure it reflects the Council's current governance arrangements. Proposed key amendments are:
- Timeframes for reporting the strategic risk register to Audit Committee and Cabinet are specified to at least annual reporting. This will fulfil the Audit Committee's responsibility, to assure that a risk management framework is in place, and Cabinet's executive responsibility, to assess the strategic risk register. Select committees can examine the register at any point in time as determined by the chair and committee members.
  - Inclusion of a risk appetite definition to supplement the risk tolerance levels already defined to prompt consideration when managing risks.
  - Update the policy, where required, to reflect any changes in the Council's governance arrangements and legislation.
- 3.6 In line with the Well-being of Future Generations Act, identification and mitigation of longer-term risks that will impact future generations at community level, but will have a lesser impact on the medium term delivery of council services, is an area for continued development. The Well-being Assessment for Monmouthshire identifies a number of these, and the Public Service Board Well-being Plan sets out the objectives that public services in Monmouthshire are working on to improve economic, social, environmental and cultural well-being.
- 3.7 Following a presentation to Audit Committee, the risk assessment will be presented to Cabinet for sign-off. As it is a live document, it will evolve over the



course of the year as new information comes to light; as such, there is a continued alignment with the Corporate Plan to ensure any relevant information is captured on the register. The up-to-date register is accessible on the Council's intranet so members are able to utilise it at any point in the year to re-prioritise their work plan as appropriate.

**4. REASONS:**

- 4.1 To provide timely, relevant information on strategic risks as part of the performance management framework for ensuring the authority is well run and able to contribute to achieving sustainable and resilient communities.

**5. AUTHOR:**

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Appendix 1 – Strategic Risk Assessment – January 2019

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective		
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level				
1.	Potential Risk that:  The authority does not remain relevant and viable for future generations due to not having a sustainable delivery model.	<p>The introduction of the Well-being of Future Generations Act requires us to plan on a decadal and generational basis and our current models do not extend to this timeframe.</p> <p>In light of the financial, demographic and demand pressures we face it is not enough to keep our county and council going for now, we have to ensure it is continually growing for the future.</p> <p>A corporate plan has been developed that sets out a clear direction for the Council. The council's key delivery strategies to enable the delivery of this have been revised. The Corporate Plan is an ambitious five-year programme, with many areas focused on the longer-term future of the county and which addresses many complex challenges. Progress will need to continue to be tracked over time to evaluate impact made.</p> <p>The Future Monmouthshire work is making progress and establishing key themes to work on. Work is continuing to develop ideas and proposals so that they can be brought into the budget once they are sufficiently progressed.</p> <p>The pressure of the 2019/20 budget is immediate, all service areas have been asked to bring forward budget proposals to help manage the gap, whilst simultaneously, looking ahead and ensuring wherever possible, proposals support the medium term direction of travel</p>	2018/19	Possible	Major	Medium	<p>Previous action: Develop and specify the business model for the authority in the long term through the Future Monmouthshire programme and continue to implement the programme to meet short and long-term needs.</p> <p>New action: Continue to implement the Future Monmouthshire programme to meet short and long term need and ensure the aspirations of the corporate plan are sustainable</p>	Completed	<p>A corporate plan has been developed that sets out a clear direction for the Council up to 2022. The plan sets out five Organisational Goals (also our well-being objectives) supported by the 22 commitments to action we will make in the run-up to 2022.</p> <p>An exercise to ensure the aspiration of the corporate plan are sustainable is iterative and ongoing. This work will continue as programmes of work develop and affordability considerations are more clearly understood and considered.</p>	2018/19	Unlikely	Major	Low	Paul Matthews & Cllr Peter Fox	Select Committee: All  Objectives: All		
			2019/20	Possible	Major	Medium	<p>Previous action: Following the development of the corporate plan, ensure the Council's key delivery strategies e.g. assets, people and digital are reviewed and aligned to deliver the corporate plan.</p> <p>New action: Implement and track progress of the revised key delivery strategies: Digital Strategy, People Strategy and Asset Management Strategy.</p>	Completed	<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.</p>	2019/20	Unlikely	Major	Low				
			2020/21	Possible	Major	Medium	<p>Produce an annual report evaluating performance in 2018/19 against the Corporate Plan and wider arrangements, in line with the Future Generation Act.</p> <p>Complete the development of a financial strategy to apply a strategic lens to the council's finances in the medium to long term.</p>	Chief Executive, March 2019	<p>The Council's first Well-being Objectives and Statement – Annual Report 2017/18 was published in October 2018 following approval by Council.</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 in the medium to long term and align to the delivery of the Corporate Plan to ensure its aspirations are sustainable. A draft was presented to Cabinet in November 2018.</p>	2020/21	Unlikely	Major	Low				
							Chief Officer Resources Timescales as per strategies										
							Head of Policy and Governance October 2019										
							Chief Officer Resources, March 2019.										
							Completed	<p>The work has now been completed and the outputs of the work have been provided to Gwent PSBs in two main parts:</p> <ul style="list-style-type: none"> <li>•Horizon Scans: These identify strategically important trends, potential disruptors and drivers of</li> </ul>									

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
							New action: Apply and update learning on future trends and plan for how they might impact at a local level in Monmouthshire.	Head of Policy and Governance ongoing	change and provide valuable evidence for these issues. •Scenarios: The scenarios approach will help PSBs think about these trends when developing their well-being plans and what their impact might be.  The learning from this will need to continue to be applied in strategic planning and evidence continue to be updated to ensure trends that could impact on the local level are considered.						
2	Potential Risk that:  Without appropriate and effective governance infrastructure, the Council may not deliver its objectives.	Good governance is a fundamental part of local authority working; arrangements are multifaceted and need to be subject to continuing review to ensure they are effective.  The Well-being of Future Generations Act sets longer-term goals we need to work towards, and the ways of working we need to adopt. To implement this will require changes to the way we work.  The Council is increasingly considering alternative delivery models to sustain services for example for Leisure, Tourism, Culture and Youth Services. These models are often complex and have many risks and challenges.  New joint arrangements require robust governance arrangements to be established.  Concerns on overlapping and complicated community governance structures have led to some dissatisfaction amongst community stakeholders.  Monmouthshire County Council recognises the important and	2018/19  2019/20  2020/21	Possible  Possible  Unlikely	Substantial  Substantial  Substantial	Medium  Medium  Low	Update the Councils’ constitution to ensure it reflects recent changes in legislation and governance.  Pilot the Community Governance structure in the North Monmouthshire Area Committee (formerly Bryn Y Cwm)	Monitoring Officer December 2019  Head of Policy and Governance April 2019	In December 2017 Council adopted changes to the council’s constitution This will continue to be reviewed periodically to ensure it reflects the latest legislation and council’s governance structures.  The Constitution will undergo a thorough review, which is anticipated to be undertaken later this year.  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 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 was completed and reported to the Committee in November. The matter will now be referred to the Democratic Services Committee. Other areas are served by a cluster arrangement with a member of Senior Leadership team aligned to each cluster.	2018/19  2019/20  2020/21	Unlikely  Unlikely  Unlikely	Substantial  Substantial  Substantial	Low  Low  Low	Matthew Gatehouse & Cllr Paul Jordan	Select Committees: Audit Committee  Objectives: All

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
		<p>valuable contribution made by volunteers in enhancing service delivery. There is a need to formalise arrangements for the role of volunteers in service delivery and set out the terms governing their engagement and ongoing relationship with the Council.</p> <p>The latest Wales Audit Office Annual Improvement Report (AIR) concludes, “Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2018-19.” There remains proposals for improvement from Wales Audit Office relating to the Councils’ governance and scrutiny arrangements that are still being addressed.</p>					<p>Finalise and present the remaining matters of the business case and subsequently the legal documentation on the Alternative Delivery Model (ADM) for Tourism, Leisure, Culture and youth services for further consideration and decision by Members.</p> <p>Head of Tourism, Leisure &amp; Culture April 2019</p> <p>The first key decisions have been taken by Council to further investigate the Alternative Delivery Model (ADM) for Tourism, Leisure, Culture and youth services. This included the agreement to formalise officers to lead upon the project and establish a project team. Work continues on the outstanding matters which include the business plan, governance arrangements, the performance evaluation framework and other legal documentation that need to be considered, discussed and completed prior to bringing these decisions and reports forward.</p>								
							<p>Manage our actions in response to Estyn, CIW and WAO via existing mechanisms</p> <p>Senior Leadership Team, timetable as per action plans</p> <p>The Council has arrangements in place to respond to regulatory reports and where necessary, these are reported to the relevant committees.</p>								
							<p>Deliver the implementation plan for the volunteering policy (adopted in December 2017) in all service/business areas and continued implementation of the Volunteer toolkit.</p> <p>HR Manager &amp; Communities and Partnership Development Team Timescale as implementation plan</p> <p>Safe recruitment for, and effective management of, the volunteer workforce has been a major focus.</p> <p>A new volunteering policy position has been approved. Monmouthshire, A County That Serves (ACTS) volunteering programme is helping to highlight and support volunteering opportunities available within the county. A Volunteering Toolkit and Network are in place and we deliver Leading Volunteering training to staff that support volunteers. A Digital Volunteer Management System, the Volunteer Kinetic platform, has been implemented for volunteer safe recruitment, communication, capturing outcomes and publicity of opportunities. There is ongoing work to embed the use of the system in the Council’s functions as the only way volunteers are recruited into the organisation.</p>								

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
3	Potential Risk that:  The Council and partners do not make sufficient progress to improve well-being through regional and partnership working.	<p>The Future Generations Act puts a well-being duty on specified public bodies to act jointly via Public Service Boards (PSB) to improve the economic, social, environmental and cultural well-being of their area. The PSB well-being plan has been established, the activity that will contribute to the delivery of the plan is currently being developed. The Council as a statutory partner has an important role in taking these forward.</p> <p>The Green Paper: <i>Strengthening Local Government: Delivering for people set out</i> Welsh Government's statement of intent for a stronger, more empowered local government in Wales. The Welsh Government will work in partnership with local government and the Welsh Local Government Association (WLGA), to agree a shared approach which will shape the future of local government in Wales</p> <p>The Council is already part of regional and partnership-working arrangements in a variety of services; some of these require further development.</p>	2018/19	Possible	Substantial	Medium	To develop the Public Service Board Well-being plan, implement a delivery framework and develop the role of the Public Service Board Select Committee to scrutinise the PSB arrangements	Head of Policy & Governance and Community & Partnership Development Manager May 2019	The PSB has approved its well-being plan. The plan contains four well-being objectives that underpin a clear purpose of building sustainable and resilient communities. The PSB is now developing the activity that will contribute to the delivery of these. Lead organisations have been assigned for each step and tasked with developing a vision and actions for each one.	2018/19	Possible	Substantial	Medium	Matthew Gatehouse, Cllr Peter Fox & Cllr Paul Jordan	Select Committees: Audit Committee  Public Service Board Select Committee  Objectives: All
			2019/20	Possible	Substantial	Medium									
			2020/21	Possible	Substantial	Medium	The Leader of the Council is sitting on the Local Government Reform Working Group, chaired by Derek Vaughan MEP. The group is tasked with developing a shared agenda for reform, which ensures the sustainability of local service provision.	The Leader, Ongoing	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.  The group has begun to meet and will conclude its work in April 2019.	2020/21	Unlikely	Substantial	Low		
4	Potential Risk that:  Some services may become financially unsustainable in the short to medium term due to increasing demand and continuing financial pressures.	<p>After several years of taking significant resource out of the budget the means of achieving further savings is increasingly more challenging.</p> <p>The latest assumptions (November 2018) indicated a gap of £4.6 million in 2019/20 rising to a gap of £13.8 million over the medium term. Further work to refine this assumption based on local work and updated settlement announcements is being undertaken.</p> <p>Funding from Welsh Government has reduced over the period and this looks set to continue</p>	2018/19	Possible	Major	Medium	Ensure that services deliver within budget, deliver savings targets and continue to identify, review and challenge pressures.	Chief Officer Resources March 2019	Overall Net Council Fund at Month 7 2018/19 is reporting a £316,000 underspend. The net cost of services outturn forecast is a £244,000 underspend. 86% of savings are forecast to be achieved. Chief Officers continue to be tasked with ensuring that services live within the budgets and savings targets set for the current financial year, and within this, there remain areas that are exhibiting budget pressures.	2018/19	Unlikely	Major	Low	Peter Davies and Cllr Phil Murphy	Select Committee: All  Objectives: All
			2019/20	Possible	Major	Medium									
			2020/21	Possible	Major	Medium	All services to model savings for 2019/20 and begin planning a longer-term programme that aligns with the medium Term Financial Plan and corporate plan.	Chief Officer Resources March 2019	The pressure to establish a budget in 2019/20 is immediate, however the need to establish a more medium to longer-term financial strategy to tie into the Corporate Plan is recognised and a draft was presented to Cabinet	2020/21	Unlikely	Major	Low		

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			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
		<p>In overall terms there are some £5.7 million of new unavoidable pressures that need to be accommodated as part of the 2019/20 budget. The 2019/20 budget gap is currently £594k (December 2018), if all the savings proposals reported to cabinet are approved.</p> <p>Earmarked reserve usage over the MTFP is projected to decrease the balance on earmarked reserves from £5.8 million in 2019/20 to £5.5 million at the end of 2021/22. Taking into account that some of these reserves are specific, for example relating to joint arrangements or to fund capital projects, this brings the usable balance down to £4.4 million.</p> <p>At the same time pressures on the budget have been increasing in terms of demographic growth, demand on services and expectations, contract price inflation and redundancy costs.</p> <p>Along with the rest of the organisation, schools are facing a challenging financial settlement and have again budgeted to be in a collective deficit by the end of the year. By the end of the financial year 2018/19, it is anticipated 16 schools will be in a deficit reserve position.</p> <p>Schools enter a collective deficit reserve position contrary to current Fair Funding guidance that Governing bodies have ascribed to</p>						<p>in November 2018. In the meantime, all service areas were asked to bring forward budget proposals to help manage the gap, whilst simultaneously, looking ahead and ensuring wherever possible, proposals support the medium term direction of travel. The 2019/20 budget gap is currently £594k (December 2018), if all the savings proposals reported to cabinet are approved. Further work is progressing to bring forward measures to balance the budget if further funding is not made available through the final settlement.</p> <p>As part of the delivery of the Corporate Plan a Commercial Strategy has been developed. The strategy seeks to enhance income generation, develop an approach to commercialising assets and create a commercial culture and ethos. The strategy has a short-, medium- and long-term view and aims to provide a framework, with defined objectives, for new commercial projects and for the delivery of future commercial activity.</p> <p>A new Procurement strategy was approved in July 2018. There are two core aspects of the Council's procurement activity that relate to the main objectives of the Strategy and Action Plan:</p> <ul style="list-style-type: none"> <li>•The way in which the Council invests its annual procurement spend in order to create efficiencies, benefits and added value in an internal sense; and</li> <li>•The way in which we leverage 'smart spend' in order to create optimal external economic and social benefits through cultivating local supply chains, creating jobs and developing new and existing business growth.</li> </ul> <p>Work is underway to facilitate a deeper analysis of our procurement expenditure which will then enable opportunities to be explored using circular economy principles</p>							
						Develop and implement a commercial strategy aligned to the Corporate Plan	Chief Officer Resources Timescales as per strategy								
						Implement the new procurement strategy with a view to identifying long term and short term benefits and savings to the Council and the County	Head of Commercial and Integrated Landlord Services Timescales as per strategy								



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								Economy and Development Select Committee are actively engaged in the development of proposals. A report is planned for Cabinet in February to secure investment to implement the next phase of work required to deliver the new procurement strategy.							
							Continue to Implement the income generation strategy.	See Commercial strategy action above	This now forms part of the recently developed Commercial strategy (see action above)						
							Complete the development of a financial strategy to apply a strategic lens to the council's finances in the medium to long term.	Chief Officer Resources, March 2019.	Following the approval of the Corporate Plan, a financial strategy is being developed. This will apply a strategic lens to the council's finances in the medium to long term and align to the delivery of the Corporate Plan to ensure its aspirations are sustainable. A draft was presented to Cabinet in November 2018.						
							Continue to work closely with schools to ensure their financial plans are as robust as possible to minimise any impact whilst continuing to improve standards for our young people.	Finance Manager – Children & Young People Ongoing	<p>The forecasted position at month 7 2018/19 has been maintained since month 2. Changes to fair funding regulations have been agreed. This will ensure a more timely approach to schools producing recovery plans and schools addressing budget concerns at an early stage</p> <p>Schools use of their reserves remains a cause of concern. Close work with school colleagues will continue to ensure their plans are as robust as possible to minimise any impact whilst continuing to improve standards for our young people.</p>						

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5	<p>Potential Risk that:</p> <p>The authority is unable to deliver its political priorities due to insufficient capital funding availability, which may also lead to risks of maintaining key infrastructure and other identified pressures.</p>	<p>Underlying the Capital Strategy is the recognition that the financial resources available to meet Council priorities are constrained by a significant reduction in financial resources.</p> <p>The core capital programme has been constrained in recent years in order to enable the Band A new schools programme to be funded which are being concluded.</p> <p>Colleagues are working through options in relation to a future Welsh Government Band B programme. Costs of proposals and their affordability are still to be established.</p> <p>In addition to this there are various schemes/proposals e.g. Alternative delivery model for Leisure, tourism and culture services, any enhanced DFG spending, waste fleet vehicle replacement that could also have a capital consequence, but in advance of quantifying those or having Member consideration of these items, they are also excluded from current capital MTFP.</p> <p>A number of significant pressures are documented that are not currently funded – property and highways infrastructure, DDA work, Public rights of way etc. which carries a considerable risk.</p> <p>In the event of emergency pressures, resources will have to be diverted.</p> <p>Projects, such as the CCR City Deal, require significant capital investment to realise the outcomes</p> <p>There can be significant slippage in gaining capital receipts. There is a risk associated with relying on the need to utilise capital receipts in the</p>	2018/19	Possible	Major	Medium	Regularly review assumptions as part of the capital MTFP taking account of any new information that is relevant and the consequential impact on the revenue MTFP.	Deputy Head of Finance Ongoing	<p>The Capital Strategy, presented to cabinet in December 2018, sets out the council's approach to capital investment over a longer timeframe than is traditional in the 4 year medium term financial plan and provides a framework through which our resources, and those matched with key partners, are allocated to help meet strategic priorities.</p> <p>Underlying the Capital Strategy is the recognition that the financial resources available to meet Council priorities are constrained by a significant reduction in financial resources</p> <p>Future schools and other identified schemes to be accommodated are being developed. Notwithstanding this, there will remain a considerable number of pressures that sit outside of any potential to fund them within the Capital MTFP, and this has significant risk associated with it.</p>	2018/19	Possible	Major	Medium	Deb Hill- Howells, Peter Davies & Cllr Phil Murphy	<p>Select Committees: Economy and Development &amp; Strong Communities</p> <p>Objectives: All</p>	
			2019/20	Possible	Major	Medium			2019/20	Possible	Major	Medium				
			2020/21	Likely	Major	High			2020/21	Possible	Major	Medium				
							Further refinement of priority assessments in the property and infrastructure budgets to ensure all pressures have been considered and ranked.	Head of Commercial and Integrated Landlord Services & Head of Operations Ongoing	<p>Health and safety surveys are being commissioned annually. A revised condition survey programme is currently being procured; this is heavily dependent on funding.</p> <p>Independent condition assessments of key highways infrastructure are completed as required depending on condition. These inform prioritisation of available capital budget.</p>							
							<p>Previous action: Review and update the Asset Management Plan to provide a clear strategy and plan for the management of the council's property and land assets and ensure it aligns to the delivery of the corporate plan.</p> <p>New action: Deliver the Asset Management Plan to manage the Council's land and property portfolio</p>	<p>Completed</p> <p>Head of Commercial and Integrated Landlord Services Timescales as per plan</p>	<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 is being implemented and actions from the plan have been integrated into the relevant business plans for ongoing monitoring and progress reporting.</p>							



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		same year that they come into the Council and the potential for this to have significant revenue pressures should receipts be delayed and temporary borrowing be required.					<p>Previous action: Complete and gain approval for the policy of acquisition of investment property.</p> <p>New action: To help sustain Council Services and enhance the asset base by investing in commercial property assets in order to increase the net rental income stream for the Council in line with the asset investment policy</p>	<p>Completed</p> <p>Head of Commercial and Integrated Landlord Services Ongoing – see Asset Management strategy</p>	<p>The approved Asset Management Strategy 2018-2022 includes the asset investment policy which provides a formal policy for the acquisition of investment opportunities that will derive a net return to the Council, provide the governance and delegated authority arrangement and establish criteria to support a proposed acquisition.</p> <p>Following approval of the Asset Management Strategy, the first investment property, Castlegate Business Park, has been acquired.</p>						
6 Revised	<p>Potential Risk that:</p> <p>Our workforce is not sufficiently resourced, does not have the right mix of skills and issues with recruitment and retention in certain service areas impacts on our ability to deliver change, improve performance and deliver our objectives.</p>	<p>Our people are central to the success of our council and county. To maximise the opportunities to deliver our objectives we need to develop knowledge and skills that are not always widespread within our sector.</p> <p>Sickness levels were an average of 10.9 days per FTE employee in the year to March 2018. With the latest forecasts indicating the rate may increase in 2018/19. The People strategy identifies that tools and guidance to manage and prevent sickness are not always used effectively.</p> <p>The number of employees has reduced in recent years. A range of services have identified risks to their capacity for service delivery. Continuing challenges and pressures can contribute to a loss of knowledge/skills and experience.</p> <p>Some services have identified challenges with recruitment and retention in certain sectors including care support workers, home carers and engineering.</p>	2018/19	Possible	Substantial	Medium	<p>To implement a revised people and organisational development strategy following development of the corporate plan and the workforce planning arrangements required to deliver.</p> <p>Continue to implement Directorate workforce planning using HR business partnering meetings to engage and support teams in workforce planning.</p>	<p>Head of People Services Timescales as per strategy</p> <p>HR lead &amp; Training Lead Ongoing</p>	<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>Work to evaluate the impact of the new strategy will begin shortly. All relevant actions associated with the strategy are contained within the People Service's business plans.</p> <p>To support workforce planning a workflow has been developed to enable service leaders to 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.</p> <p>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.</p> <p>The Cadetship programme was introduced in 2018, this will help</p>	2018/19	Possible	Substantial	Medium	Tracey Harry & Cllr Phil Murphy	<p>Select Committee: Strong Communities</p> <p>Objectives: All</p>
			2019/20	Possible	Substantial	Medium				2019/20	Possible	Substantial	Medium		
			2020/21	Possible	Substantial	Medium				2020/21	Possible	Moderate	Low		

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			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
								support succession planning in areas under the programme.							
							Continue to engage with staff on well-being to ensure a focus on addressing identified needs and make better use of data for focussed interventions.	Head of People Services Ongoing	<p>Work to improve the health and wellbeing of the organisation continues with the inclusion of increased staff benefits, the implementation of a new occupational health service, as well as the launch of the Health Cup Challenge. The challenge includes 32 health and wellbeing opportunities including completion of the staff survey, standing/walking meetings and individual health checks for colleagues; the competition is directorate led championed by each member of SLT.</p> <p>HR are working with DMT's on attendance management and the dashboard; the procedure is being reviewed and training is being provided. A colleague handbook is being drafted.</p> <p>The "go to group" has been implemented; it provides a safe place to raise concerns, discuss problems and identify potential solutions.</p>						
							Embed the attendance and wellbeing policy	HR lead March 2019	<p>The revised attendance and wellbeing policy was approved by Cabinet in June 2017</p> <p>HR data dashboards have been established and are updated quarterly. These are now being used as part of HR business partner meetings to inform department management teams and senior leadership team on workforce issues.</p> <p>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 that mean these have not been implemented as quickly as intended. These are now being rolled out and expected to be fully</p>						

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								<p>functioning by March 2019. These will enable managers to interrogate data and identify specific workforce issues.</p> <p>Mandatory training for managers on staff attendance and well-being is an ongoing process. A new programme, 'Induction for New Managers' has been introduced and covers attendance management and wellbeing for all new managers.</p>							
							Continue to increase understanding and maximise completion of the check-in, check-out staff appraisal process and use feedback to plan and identify training needs	HR lead Ongoing	<p>Based on feedback received, the Check-in, Check-out (CICO) process has been reviewed and rolled out with guidance that is more robust, video tutorials and supportive training. Work will continue to increase understanding and maximise completion of the process.</p> <p>A longer term, more effective recording module has been developed that allows managers to record the completed CICO directly into the HR system. There remains further work required to ensure the effective use of the recording system to understand accurately the completion rate of appraisals. The Payroll/HR system is currently undergoing an upgrade, which will improve the CICO recording system. Testing is underway and it is anticipated to be released in spring 2019.</p> <p>The induction for new managers training also covers the CICO process.</p>						
							Continue with perpetual recruitment and advertising for Social Care staff and implement the Dare 2 Care campaign, including links to the national Social Care Wales recruitment campaign.	Transformation Lead Social Care & Health & Chief Officer Social Care & Health March 2020	<p>The Dare 2 Care campaign continues to be run including social media campaigns and a programme of retraining across housing association tenants to develop opportunities for Social care employment.</p> <p>Investigation is also underway looking at opportunities to create apprentices in care.</p>						

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7	Potential risk of:  Significant harm to vulnerable children or adults due to failure of safeguarding arrangements	<p>Improved outcomes for vulnerable people can only be achieved and sustained when people and organisations work together to design and deliver more integrated services around people's needs.</p> <p>In August 2018, a Wales Audit Office led Whole Authority review of children's safeguarding concluded that children's safeguarding policy and procedures have recently improved, but there are shortcomings in some critical areas of policy and operation. The report issued four proposals for improvement including the need to embed all aspects of safe recruitment, induction and training consistently.</p> <p>Internal audit have issued limited assurance reports on volunteering. Internal audit are carrying out an organisational review on volunteering in January 2019.</p> <p>Potential that staff and volunteers begin their appointment without DBS checks having been completed. Within a large organisation with devolved responsibility for recruitment and selection there is opportunity for deviation from agreed processes</p> <p>It is acknowledged that more work is required to strengthen the links between national, regional and local safeguarding activity and ensure the learning through the regional safeguarding boards and sub-groups is embedded in practice and operations in Monmouthshire</p> <p>While there are many steps the council and partners can take to mitigate the risk, significant harm can also occur due to factors that are outside our control meaning that there will always be a level of risk.</p>	2018/19	Possible	Major	Medium	Continually monitor and evaluate process and practice and review accountability for safeguarding and implement actions identified, particularly better use of information.	Safeguarding & quality assurance service manager Ongoing	Progress against the council's safeguarding priorities is evaluated annually, last completed for 2017/18, and the priorities reflect the cornerstones for keeping people safe in Monmouthshire set out in Corporate Safeguarding Policy. This identifies measures to highlight progress, risks and sets out clear improvement actions and priorities for further development. The latest report acknowledges that safeguarding is always a 'work in progress'. Constant vigilance is needed at all levels of leadership and operational delivery to ensure the right culture, policy, practice and measurement systems are in place to keep people safe.	2018/19	Possible	Major	Medium	Will Mclean & Julie Boothroyd. Cllr Penny Jones & Cllr Richard John	Select Committees: CYP & Adults  Objective: The best possible start in life  Lifelong well-being
2019/20	Possible	Major	Medium	2019/20	Possible	Major				Medium					
2020/21	Possible	Major	Medium	2020/21	Possible	Major				Medium					
						Ensure that robust systems are in place within the authority to respond to any concerns regarding child protection and protection of adults at risk.	Chief Officer, Social Care & Health Ongoing	There is a stable workforce in the safeguarding unit that oversees the process for responding to concerns.							
						Drive the strategic agenda and the associated programme of activities for safeguarding through the Whole Authority Safeguarding Group (WASG).	Chief Officer, Social Care & Health Ongoing	<p>The Corporate safeguarding policy sets out clearly roles, responsibilities and governance arrangements.</p> <p>The WASG continues to provide leadership, direction, oversight, support and challenge to strengthen safeguarding activity in the Council.</p>							
						As a statutory partner of the regional safeguarding boards, we continue to work with other statutory partners to ensure that there are effective multi-agency safeguarding arrangements and that they are working well and share learning and development in safeguarding. Implement the recommendations and learning from any Domestic Homicide review, adult practice review or child practice review that is undertaken under the safeguarding board.	Chief Officer, Social Care & Health Ongoing	At a regional level, the South East Wales Safeguarding Children Board and Safeguarding Adults Boards fulfil the statutory responsibilities set out in the Social Services and Wellbeing (Wales) Act. Monmouthshire County Council is fully represented on both the Children and Adult Safeguarding Boards, and their subgroups.							

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							<p>Deliver the implementation plan for volunteering policy (adopted in December 2017) in all service/business areas and continued implementation of the Volunteer toolkit and organisation wide use of Volunteer Kinetic - Volunteer management system</p>	<p>HR Manager &amp; Communities and Partnership Development Team Timescale as implementation plan</p>	<p>Safe recruitment for, and effective management of, the volunteer workforce has been a major focus.</p> <p>A new volunteering policy position has been approved. Monmouthshire, A County That Serves (ACTS) volunteering programme is helping to highlight and support volunteering opportunities available within the county. A Volunteering Toolkit and Network are in place and we deliver Leading Volunteering training. A Digital Volunteer Management System, the Volunteer Kinetic platform, has been implemented for volunteer safe recruitment, communication, capturing outcomes and publicity of opportunities. There is ongoing work to embed the use of the system in the Council's functions as the only way volunteers are recruited into the organisation.</p>						
							<p>To implement the Action Plan established in response to the Safeguarding arrangements – Kerbcraft scheme report approved by Council in March 2017.</p>	<p>Head of Operations, Timescales as in action plan</p>	<p>A Wales Audit Office led Whole Authority review of children's safeguarding has been completed, this concluded that children's safeguarding policy and procedures have recently improved, but there are shortcomings in some critical areas of policy and operation. The report issued four proposals, the response to these are detailed in the action below.</p>						
							<p>To implement the Action Plan established in response to the Wales Audit Office led review of children's safeguarding.</p>	<p>Chief Officer, SCH Timescale as in action plan</p>	<p>The Council's management response and associated action plan to address the report was presented to Children &amp; Young People Select Committee in October 2018, alongside the WAO report. This includes action to embed all aspects of safe recruitment, induction and training.</p>						

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			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
8	The potential risk to:  The robust delivery of the Council's corporate parenting responsibility and services related to safeguarding vulnerable children as a result of an increase in demand and complexity in cases in Children's services.	<p>The number of children on the child protection register has increased substantially by the end of quarter 2 2018/19. At the end of 2017/18, 73 children were listed on the child protection register; this has increased to 138 at the end of September 2018. When considered as a rate per child population the increase within Monmouthshire during the first six months of 2018/19 takes the rate of children on the child protection register some way above that of Wales at the end of 2017/18.</p> <p>The number of looked after children has increased from 139 at the end of 2017/18 to 150 at the end of quarter 2 2018/19.</p> <p>In 2018/19, net (direct) budget for Children Services is £11.5m, over half of which relates to looked after children, in particular, placements for looked after children. The latest reported position at Month 7 is a forecast overspend of £562,000.</p>	2018/19	Possible	Major	Medium	Previous action: Design and implement an Early Help and Family Support service	Head of Children's services Ongoing	<p>An Early Help Panel has been established, which brings the range of early help services together into a single system, streamlining referral and interventions. Preventative resources in Children's Services have been joined up and targeted through the 'Building Stronger Families' offer</p> <p>Work is ongoing to ensure Step up Step down and early help statutory interventions are working well and to evaluate performance. An Edge of Care Team has been established and is being fully implemented to support families.</p> <p>Resources have been secured to implement MyST a Multi-disciplinary Intensive Therapeutic Fostering Service that is a service to provide support for Looked After Children with complex needs.</p> <p>The Children's Services Improvement Programme has created a drive to improve the quality of child protection practice, processes and procedures, and ensure staff understand the requirements and expectations of their role and task. This is regularly reported to select committee and continues to progress.</p> <p>2018/19 is the final year of the three-year practice led improvement programme. Children's services have continued to make significant progress in the last year. There is increased stability within the current workforce. There remain key priorities for improvement for the service that will be set out in the next phase of the children's services development programme.</p> <p>A follow up review has been complete by internal audit, which gave an assurance rating of reasonable. An action plan has been established to address further areas from the follow up review</p>	2018/19	Possible	Major	Medium	Julie Boothroyd & Cllr Penny Jones	<p>Select Committee: Children &amp; Young people</p> <p>Objective: The best possible start in life</p>
			2019/20	Possible	Major	Medium	New action: Review and evaluate performance of Early Help and Family Support service.	Head of Children's services July 2019		2019/20	Possible	Major	Medium		
			2020/21	Possible	Major	Medium	Implement MyST, a Multi-disciplinary Intensive Therapeutic Fostering Service	Head of Children's services March 2019		2020/21	Possible	Major	Medium		
						Previous action: Continue to implement the Children's services improvement programme and related Workforce and Practice Development Action Plan and Commissioning strategy for Children, Young People and their Families.	Head of Children's services April 2019								
						New action: Reset and implement next phase of children's services development programme focused on achieving the best outcomes for children and families.	Service Manager – Children's services								



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9a revised	Potential Risk of:  Failing to meet the needs of all learners, including specific groups of vulnerable learners, due to Monmouthshire's schools' methods of learning not adequately adapting to changes in curriculum and examination requirements.	Meeting the needs of vulnerable learners remains a priority. The gap in attainment between those not eligible and those eligible for Free School Meals (FSM) remains a concern. At Key stage 4, the FSM/non FSM attainment gap widened from 43.7 percentage points in 2017 to 47.9 percentage points in 2018 for the Level 2 threshold inclusive of English/Welsh and maths indicator.  As with 2017-18 there are significant revisions to examinations that means they focus in part on different skill sets and knowledge than in previous years. Key stage 4 performance in 2017/18 was not at the same level as the previous year and challenges remain for all four secondary schools.  Variation in standards across schools, with some schools judged by Estyn to be only adequate and remaining in amber and red support categories for more than a year.  Poor leadership, management, capacity and performance in some schools  Unsustainable provision to meet the demand for Welsh Medium education provision	2018/19	Possible	Major	Medium	Ensure the commissioned arrangements with the Education Achievement Service (EAS) address the authority's concerns in challenging and supporting schools	EAS & MCC Ongoing	EAS continue to provide ongoing challenge, monitoring and evaluation work in schools with a continued focus on vulnerable learners. The EAS work with schools to track individual pupil performance over time. This will support us in gauging where schools are progressing well or where they may need additional support.	2018/19	Possible	Major	Medium	Will Mclean & Cllr Richard John	Select Committees: CYP  Objective: The best possible start in life			
			2019/20	Possible	Major	Medium				Continue to work closely with our primary schools to ensure that they are maximising the learning opportunities provided by the EAS and the professional learning offer around the development of the new curriculum.  Work closely with our secondary schools to ensure they are prepared for the new examination requirements	EAS & MCC Ongoing	Support for secondary schools for the new examination requirements continues  EAS continue to monitor where schools progress and where they may need additional support.	2019/20			Possible	Major	Medium
			2020/21	Possible	Major	Medium							Continue to improve the quality of self-evaluation in the CYP directorate.			Chief Officer Children & Young People Ongoing	A Chief Officer Report for Children & Young People was prepared in Spring 2018. A further report is scheduled for Spring 2019. Estyn Local Authority Link Inspection visits continue	2020/21
			Deliver the Welsh Education Strategic Plan in collaboration with neighbouring authorities	Head of Achievement and Attainment Timescales as per WESP	The Welsh in Education Strategic Plan (WESP) was developed in consultation with Welsh Government and the Monmouthshire Welsh Medium Education Forum and was subject to further consultation with stakeholders. The WESP has been approved by Welsh Government and an Action Plan is in place and progress will be monitored by Local Authority and Welsh Medium Forum.													
			9b revised	Potential risk that:  The Authority fails to provide sufficient support to promote equity and pupils' well-being which may result in children & young people not achieving their full potential	There is an increasing demand for additional support for children with additional learning needs  The Monmouthshire PSB well-being plan recognises the importance of greater supporting the well-being of children and young people. Students' responses to the 2017/18 School Health Research Network	2018/19	Possible	Major	Medium	Ensure that the Additional Learning Needs review delivers sustainable, adequate and appropriate support to pupils with Additional Learning Needs	Head of Achievement and Attainment September 2019	The statutory consultation process on a proposed new model for the delivery of ALN and Inclusion Services has been completed. Officers have analysed the responses and Cabinet have received a copy of the consultation report with recommendations on a delivery model, against which, statutory notices were produced. In December 2018, Cabinet agreed the reports setting out	2018/19			Possible	Major	Medium
2019/20	Possible	Major				Medium	2019/20	Possible	Major				Medium					
2020/21	Possible	Major				Medium	2020/21	Unlikely	Major				Low					

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
		<p>Student Health and Wellbeing Survey shows there are areas where students’ well-being can be further supported.</p> <p>Meeting the needs of vulnerable learners remains a priority. The gap in attainment between those not eligible and those eligible for Free School Meals (FSM) remains a concern. At Key stage 4, the FSM/non FSM attainment gap widened from 43.7 percentage points gap in 2017 to 47.9 percentage points in 2018 for the Level 2 threshold inclusive of English/Welsh and maths indicator.</p>						<p>alterations to be implemented during 2019.</p> <p>Work with PSB partners, through the Children &amp; Young People Strategic Partnership, to deliver the steps in the PSB well-being plan related to focusing on children &amp; young people’s well-being and supporting their mental health and emotional wellbeing.</p> <p>Ensure the commissioned arrangements with the EAS address the authority’s concerns in challenging and supporting schools</p>							
10a	<p>Potential risk of:</p> <p>Information security breaches due to mismanagement of information or external parties gaining access to the network could result in critical and sensitive data being lost, compromising the delivery or availability of Council services and the interaction with external agencies and partners.</p>	<p>There have been a number of high profile cyber-attacks leading to data breaches and compromise of systems in both the public and private sector, such as the ransomware attack in the NHS.</p> <p>Attacks are increasing in volume and there is a need to provide constant and sustained vigilance when mitigating against the possibility of attacks gaining entry to our critical data resources. In order to mitigate sufficiently against cyber threat sufficient funding needs to be available to implement security systems.</p> <p>There remain areas where the secure storage and handling of information requires strengthening.</p> <p>With an increased drive for digital services to improve effectiveness, more and more information is being stored digitally, and the need to ensure the confidentiality, integrity and availability of that data is critical</p>	<p>2018/19</p> <p>2019/20</p> <p>2020/21</p>	<p>Possible</p> <p>Possible</p> <p>Possible</p>	<p>Major</p> <p>Major</p> <p>Major</p>	<p>Medium</p> <p>Medium</p> <p>Medium</p>	<p>Undertake a structured and comprehensive training programme for all staff on cyber security and Data protection</p> <p>Participate in an SRS business case for partners to procure a robust and comprehensive system that minimises the risk of unauthorised access to MCC’s network.</p> <p>Continuous monitoring of cyber threat and mitigation by the security team, identifying technical solutions to potential risk areas.</p> <p>Deliver a programme of security work identified by the cyber security team, approved for implementation by MCC and undertaken by the SRS as part of their core service delivery</p>	<p>Cyber security service Ongoing</p> <p>completed</p> <p>Digital Projects Team Ongoing</p>	<p>A cyber security service shared between Gwent Police, TCBC and MCC has been commissioned which acts as an audit function of our technical arrangements, as well as providing training and advice on data security issues. This service also deals with MCC’s PSN and the SRS ISO accreditation.</p> <p>The business case has been agreed by SRS partner organisations and MCC has agreed to procure a Microsoft email and internet filtering service which was implemented in January 2018</p> <p>A central information security risk log is in place for all partners using the SRS. This is used to identify risk areas and the appropriate mitigations. This is monitored on an operational level by the Digital Projects Team and overall by the council’s SIRO. In addition, this is monitored by the independent security service.</p> <p>A significant and comprehensive security review has been undertaken in order to gain Public Sector Network (PSN) accreditation. The most recent</p>	<p>2018/19</p> <p>2019/20</p> <p>2020/21</p>	<p>Possible</p> <p>Possible</p> <p>Possible</p>	<p>Major</p> <p>Major</p> <p>Major</p>	<p>Medium</p> <p>Medium</p> <p>Medium</p>	<p>Sian Hayward &amp; Tracey Harry. Cllr Phil Murphy</p>	<p>Select Committee: Economy and Development</p> <p>Objective: All</p>



Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
		for future service delivery.						submission for accreditation has not been successful and PSN accreditation has not been achieved. Resubmission is anticipated in March 2019, once the remaining issue, an IT health check is undertaken by the SRS.							
							Implement the Information Strategy to safeguard the integrity and security of our data while taking-steps towards becoming a data-led organisation.	Information Governance Group Ongoing	The Information Strategy was reviewed and updated in October 2017 to cover the 3 inter-related strands of – Digital Information, Information Governance and Legislation & Data use, Open Data and Business Intelligence.  The strategy continues to be implemented with oversight from the Information Governance group.						
							Continue to provide a programme of data protection training and advice and support on information management processes and practice, particularly in identified areas for improvement.	Senior Information Risk Officer (SIRO) Ongoing	Mandatory data protection training continues to be provided to staff across the Council. A separate programme of events was undertaken for the introduction of General Data Protection Regulation (GDPR) (see 10b) to enhance our data security and information management arrangements.						
							Introduce a comprehensive digital EDRMS into the authority, reducing reliance on unmanaged network drive storage and assisting services to plan for the digitisation of paper records.  Developing a rigorous approach to data governance policies, ensuring that our data is correctly categorized, tagged, and stored with appropriate retention guidelines applied	Head of Digital, March 2020	Implementation of the EDRMS will be undertaken as a phased project to be completed in March 2020. An appointment of an EDRMS manager to implement this is in progress.  An information manager has been appointed in the Digital Programme Office (DPO). The post holder will work closely with the digital team and with the EDRMS manager to manage the data governance and standards  Detailed guidance on systems administrators' roles and responsibilities has been issued, including information regarding the need for business continuity plans and a requirement to develop and upgrade systems as soon as notified.						

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
10b	Potential risk of Not adequately transitioning to the requirements of the General Data Protection Regulation resulting in reputational damage and risk of fines to the Council	<p>The need to comply with General Data Protection Regulation (GDPR) by May 2018.</p> <p>The regulation impacts the way we process, store, protect and use personal data.</p> <p>Failure to comply could lead to adverse impacts on those whose data is affected, large fines and damage to the Council’s reputation.</p> <p>The Council is implementing an action plan to ensure compliance building on existing Data Protection Act process already in place. The risk levels will be reviewed in line with progress with the action plan.</p>	2018/19	Possible	Substantial	Medium	<p>Previous action: Deliver the GDPR Action Plan to ensure the Council complies with the regulation by May 2018</p> <p>New action: Following the implementation of GDPR in May 2018, monitor progress towards imbedding the regulations and ensure they are considered as a matter of business throughout the organisation.</p>	<p>SIRO (Tracey Harry)</p> <p>Ongoing</p>	<p>The GDPR action plan continues to be implemented with oversight from the Council’s Information Governance Group.</p> <p>Work to implement the GDPR is ongoing and action plans to monitor progress are in place. A Data Protection Officer has been appointed to support this.</p> <p>The GDPR Operational Group is being reinstated to oversee work and will consist of leads from each area to monitor the ongoing work streams.</p>	2018/19	Possible	Substantial	Medium	Tracey Harry & Cllr Phil Murphy	<p>Select Committee: Economy and Development</p> <p>Objective: All</p>
11a	<p>Potential Risk of a lack of appropriate infrastructure in the County to meet future needs due to key Local Development Plan housing policy targets not being met, in conjunction with the County’s changing demography and weak economic base, and other external changes such as removal of the Severn Bridge tolls impacting on the county.</p> <p><i>ICT infrastructure is also important to meet future needs and this has been identified as a specific related risk below (risk 11b)</i></p>	<p>Several key LDP policy indicator targets and monitoring outcomes relating to housing provision are not currently being achieved, including new dwelling completions and affordable dwelling completions.</p> <p>The ability for the current LDP to address emerging challenges such as the County’s changing demography and the impact of removing the Severn Bridge tolls on the housing market. These factors can also affect planning for other infrastructure such as transport and energy. There is a need to consider the Council’s future vision and the extent to which the current LDP aligns with that and its impact on wider infrastructure planning, such as transport, which could affect future economic, social, environmental and cultural well-being.</p> <p>There is potential for development to come forward outside the development plan system but this needs to be carefully managed to ensure it is sustainable.</p> <p>The Monmouthshire Joint Housing Land Availability Study (JHLAS) for</p>	2018/19	Possible	Major	Medium	<p>Prepare a replacement Monmouthshire LDP to address the shortfall in the housing land supply and facilitate the identification and allocation of additional housing land and appropriate employment land, with associated infrastructure.</p>	<p>Head of Planning</p> <p>Timescales in delivery agreement</p>	<p>Welsh Government agreed the Delivery Agreement for the replacement Monmouthshire Local Development Plan on 14th May 2018.</p> <p>Work on the replacement LDP has commenced. An Initial Call for Candidate Sites has been undertaken to assist the Council in understanding what land is available to inform the LDP Preferred Strategy. Work has commenced on identifying the issues facing the county and setting objectives to seek to address those issues as well as a vision for the new LDP.</p> <p>On 20 September 2018, Council resolved to give ‘appropriate weight’ to our housing land supply shortfall when considering planning applications for sites outside of the adopted LDP. Proposals will be considered against 11 ground rules.</p> <p>The replacement plan will ensure Monmouthshire maintains statutory Development Plan coverage to shape and manage development proposals. It also allows the Council and our communities to review future growth options and their relationship with the</p>	2018/19	Possible	Major	Medium	Mark Hand and Cllr Bob Greenland	<p>Select Committee: Economy and Development</p> <p>Objective: Thriving and well-connected county</p>

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
		2017-18 confirmed that the County has 3.9 years housing land supply. This is the third consecutive year that the land supply has fallen below the 5-year target.						pressing challenges and opportunities before us, such as our demography, affordability and availability of housing, economic growth and our role in the wider region.							
11b	Potential Risk that:  Insufficient ICT infrastructure and skills in the county have the potential to lead to social and economic disadvantages	The majority of premises now have access to superfast broadband, which presents them with further opportunities. Around 13% of premises remain without sufficient broadband provision.	2018/19	Likely	Substantial	Medium	Continue to collaborate with the Superfast Business Wales team to support their ICT Exploitation programme.	Head of Enterprise & Community Development Ongoing	We continue to work with Welsh Government to support access to Superfast Cymru Two. MCC is one of two local authorities represented on the Advisory Panel.	2018/19	Likely	Substantial	Medium	Cath Fallon & Cllr Sara Jones	Select Committee: Economy and Development  Objectives: Thriving and well-connected county
			2019/20	Likely	Substantial	Medium									
			2020/21	Likely	Substantial	Medium									
		Pockets of digital deprivation still exist in Monmouthshire with poor quality broadband connectivity					Enable the rollout and exploitation of high-speed broadband across the County for both businesses and communities.	Head of Enterprise & Community Development ongoing	Promotion of the Access Broadband Cymru scheme for areas outside the superfast Cymru roll out area continues.						
		Monmouthshire residents have high demand for broadband services, however, a significant skills issue exists in the County with approximately 20% adults in Monmouthshire not using the internet.							Superfast Cymru one is complete, there remains areas with a need for superfast broadband and Superfast Cymru two is yet to commence.						
		Other drivers include the council needs to prepare for increased digital public service delivery, the implementation of the Online Universal Credit system, children’s learning opportunities and the provision of digital health care.							Through funding secured via the Rural Community Development Fund, digital connectivity in community hubs is being trialled by focusing on four villages within the Llanover ward of Monmouthshire.						
							Trial the roll out of the TV white space broadband pilot, which will enable isolated rural communities to enjoy the same digital connectivity as in urban areas and, if successful, will be replicable in other rural areas.	Rural Programmes Manager, Ongoing	We continue to undertake digital connectivity pilots through the Rural Development Programme and Rural Community Development Fund. For example, the TV white space project trial has been completed and a report summarising the findings produced with future recommendations.						
					Benefit from the learning associated with the programme to trial the use of 5G technology.	Rural Programmes Manager, Ongoing	Monmouthshire is one of three locations to benefit from the learning associated with a £2m funding programme to trial the use of 5G technology acting as a testbed to bring world-class digital infrastructure to Monmouthshire.								
					Draft and gain approval of the digital deprivation action plan	Head of Enterprise & Community Development	A draft action plan is being developed to identify opportunities to address the issue of 13% of premises not having next generation access to broadband								

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
12	Potential Risk of:  Political, legislative and financial uncertainty for council services and local businesses as a result of the UK leaving the European Union	<p>The significant issues raised include:</p> <p>There is great uncertainty on the nature of the deal that will be agreed.</p> <p>The impact on the economy and public finances which could impact on local government financial settlements and what that might mean for the economic and social well-being of local communities, for example the impact on the agricultural sector.</p> <p>Restrictions on labour mobility may lead to county wide recruitment issues and skills shortages that impact on local business and council services, for example in social care.</p> <p>Many council services are governed by EU legislation or follow EU led policy, for example procurement rules and public protection services. There will be uncertainty while the process for extricating the UK from this law is established.</p> <p>Some projects rely directly on EU funding, such as the Rural Development Plan (RDP).</p> <p>Market volatility, inflation and financial uncertainty could impact on council revenue budgets and borrowing costs for capital schemes. Any market volatility could impact on the local government pension schemes.</p> <p>The leave vote created divisions: regionally and between age groups that could raise concern over social inclusion and a rise in hate crime.</p>	2018/19	Almost Certain	substantial	High	Continued liaison and work with partners such as Welsh Government, WLGA and treasury advisers to understand and plan for any implications for the Council.	Senior Leadership Team Ongoing	<p>Many of the negotiations and decisions on Britain leaving the EU are outside of the council's control, given this and the current uncertainty the post mitigation risk levels have not been assessed to change</p> <p>The Council has established working relationships with key partners, such as the Welsh Government, the WLGA and treasury advisers to work with in understanding and planning for any potential risk to Council services.</p> <p>The Chief Executive is a representative on the Welsh Government's Local Government Preparedness Advisory Panel, which is providing strategic oversight for local government and supporting the co-ordination of preparedness within local government.</p> <p>We are engaged with partners on the Gwent Local Resilience Forum Risk Group.</p>	2018/19	Almost Certain	substantial	High	Senior Leadership Team & Cabinet	<p>Select Committee: Economy and Development &amp; Strong Communities</p> <p>Objectives: All</p>
			2019/20	Almost Certain	substantial			<p>The Council has established working relationships with key partners, such as the Welsh Government, the WLGA and treasury advisers to work with in understanding and planning for any potential risk to Council services.</p>	2019/20	Almost Certain	substantial	High			
			2020/21	Almost Certain	substantial	High	<p>Establish a Council Brexit working group to further develop understanding and coordinate preparations</p>	Chief Officer Enterprise and Head of Enterprise & Community Development Ongoing	<p>A council Brexit working group has been established which is being led by the Chief Officer Enterprise and Head of Enterprise &amp; Community development. The group consists of a range of services most likely to be affected, including Environmental health, social care and People services. A specific Brexit risk register has been established.</p> <p>Close working with the WLGA has continued and the WLGA held a members seminar in January 2019</p>						
							Continue to refine and update the Medium Term Financial Planning model and assumptions for future service budgets.	Chief Officer Resources, Ongoing	The Council already has an established Medium Term financial plan to model financial assumptions and scenarios for planning future service budgets, which will continue to be updated.						

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
13. New	Potential risk that:  The authority cannot deliver its services due to potential internal/external factors resulting in service disruption due to lack of Business Continuity planning.	Due to a variety of threats/hazards, unforeseen circumstances can lead to service disruption issues resulting in loss of ICT, Staff, work premises, third party contractors/suppliers and equipment/specific resources.  There is a lack of evidence of the council's Service Business Continuity Management (BCM) Plans illustrating how such threats/hazards can be mitigated robustly	2018/19	Possible	Major	Medium	Development of MCC Service Area BCM Plans which present options for alternative service delivery – regardless of the reason / cause of disruption.  The Emergency Planning Service, based on Business Impact Criteria, produce a Register of Priority Services identified as P1, P2, P3 and P4. The focus in the next 12 months will be P1 services; year 2 will be P2 services and year 3 P3 & P4 services.	Emergency Planning Manager & Heads of Service Ongoing	Emergency Planning has already developed a list of priority services that is reviewed every two years. BCM Plan frameworks have been developed for Service Managers to follow and to assist in developing specific service BCM Plans. Further work is still required to develop service area BCM Plans.  The forecasted risk level will not be reduced until service BCM plans are validated/exercised, which is longer than the three-year strategic risk assessment.	2018/19	Possible	Major	Medium	Peter Davies & Cllr Phil Murphy	Select Committee: Economy and Development & Strong Communities  Objectives: All
			2019/20	Possible	Major	Medium				2019/20	Possible	Major	Medium		
			2020/21	Possible	Major	Medium				2020/2021	Possible	Major	Medium		

Risks removed from the strategic risk register at January 2019

Risk	Reason why identified	Mitigation undertaken and reason why removed from Strategic Risk assessment
<p>10c. Potential risk of: Major disruption to services due to the transfer of the Council's email and skype to Office 365.</p>	<p>We are planning to transfer our email and skype software to Office 365 to utilise the latest cloud technology and maximise further beneficial tools and functions included with the O365 package.</p> <p>The transfer to Office 365, if not effectively implemented, could result in major disruption to the Council's email and Skype facilities for up to 5 days which will impact on the delivery of services</p> <p>The transition period will require users to make amendments and updates to their profiles, which requires training and awareness raising.</p>	<p>Project management arrangements were implemented, including:</p> <ul style="list-style-type: none"> <li>- Identifying all potential interfaces with other systems and ensuring compatibility tests were undertaken.</li> <li>- Ensuring all employees had the required level of training and support for the transfer exercise.</li> <li>- Using a phased approach to the transfer over 10 days to minimise disruption in the event of a failure during transition.</li> <li>- Test transfers undertaken with a small group to identify potential problems and issues.</li> <li>- Transfer of the Council's email and skype to Office 365 is now complete.</li> </ul>

## Appendix 2 - Strategic Risk Management Policy – Summary

This sets out the Council’s policy and approach to strategic risk management. A copy of the full policy and guidance is available to staff and members on the council’s intranet the Hub (Finance & Performance Management section – risk assessment)

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

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

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

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

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

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

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





<b>SUBJECT</b>	<b>2018-19 RESERVE USAGE FORECAST</b>
<b>DIRECTORATE</b>	<b>Chief Executive's Unit</b>
<b>MEETING</b>	<b>Audit Committee</b>
<b>DATE</b>	<b>31st January 2019</b>
<b>DIVISIONS/WARD AFFECTED</b>	<b>All Authority</b>

## **1 PURPOSE**

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

## **2 REVISED RESERVES PROTOCOL**

- 2.1 The detailed report received by Cabinet in July 15 was prompted by;
  - Faster than expected use of earmarked reserves over the last 4 year period
  - Limited opportunities to replenish reserves from in year underspends as budgets get tighter
  - Limited opportunities to redistribute reserves as various reserves are used up
  - Risks around the on-going austerity measures, the projected gap in the MTFP and the lack of clarity on the Authority's future business model or longer term financial plan to respond to this, notwithstanding the work recently commenced around 'Future Monmouthshire'.
  - Huge commitment of capital resources to Future Schools
  - The need for reserves to work harder
  - The need to consider some issues as requiring base budgets rather than continued funding from reserves e.g. redundancy costs are unfortunately going to be an ongoing feature of expense for the Authority every year.

### 3 RESERVE ACTIVITY

3.1 The Council has unallocated reserves in the form of Council fund balance and school reserves. Realistically the level of surplus/deficit affecting Council Fund will commonly fluctuate before the end of the year, but for estimating purposes we will commonly presume services' activities influenced to avoid material adverse effect.

3.2 Revenue and Capital monitoring reflects an approved use of reserves. A specific analysis is undertaken at every formal periodic monitoring exercise to establish whether reserve cover conveyed to them by members will be fully utilised within the financial year. Where it is apparent this is not the case, both the reserve movement budget in appropriations budget and the expenditure within service directorate is adjusted. This is to prevent any imbalance in the bottom line position for net cost of services. The forecast outturn position based on month 7 activity is,

Account	Cat2(T)	2017/18	B/F	Contributions To Reserves	Reserve usage brought forward from previous year	2018/19 Revenue Contribution from Reserves	Capital Contributions From Reserves	Approved usage of reserves slipped into following year	2018/19 C/F
Council Fund (Authority)		-7,111,078							-7,111,078
School Balances		-175,225				832,981			657,756
<b>Sub Total Council Fund</b>		<b>-7,286,303</b>		<b>0</b>		<b>832,981</b>	<b>0</b>		<b>-6,453,322</b>
<i>Earmarked Reserves:</i>		0							
<b>Sub-Total Invest to Redesign</b>		<b>-1,302,343</b>		<b>-40,000</b>	29,000	169,828	152,214	-36,170	<b>-1,027,472</b>
<b>Sub-Total IT Transformation</b>		<b>-734,881</b>		<b>0</b>	111,913	114,000	16,573	-10,000	<b>-502,396</b>
<b>Sub-Total Insurance and Risk Management</b>		<b>-1,046,416</b>		<b>0</b>	0	0	0	0	<b>-1,046,416</b>
<b>Sub-Total Capital Receipt Generation</b>		<b>-347,139</b>		<b>0</b>	72,072	81,343	0	0	<b>-193,724</b>
<b>Sub Total Treasury Equalisation</b>		<b>-990,024</b>		<b>0</b>	0	0	0	0	<b>-990,024</b>
<b>Sub-Total Redundancy and Pensions</b>		<b>-496,813</b>		<b>0</b>	0	163,978	0	0	<b>-332,835</b>
<b>Sub-Total Capital Investment</b>		<b>-648,336</b>		<b>0</b>	0	0	0	0	<b>-648,336</b>
<b>Sub-Total Priority Investment</b>		<b>-686,751</b>		<b>0</b>	88,000	628,751	0	-330,000	<b>-300,000</b>
<i>Other Earmarked Reserves:</i>									
<b>Sub-Total Other Earmarked Reserves</b>		<b>-1,121,237</b>		<b>-53,000</b>	0	185,460	0	-86,471	<b>-1,075,248</b>
<b>Total Earmarked Reserves</b>		<b>-7,373,942</b>		<b>-93,000</b>	300,985	1,343,360	168,787	-462,641	<b>-6,116,452</b>
<b>Total useable revenue reserves</b>		<b>-14,660,245</b>		<b>-93,000</b>	<b>300,985</b>	<b>2,176,341</b>	<b>168,787</b>	<b>-462,641</b>	<b>-12,569,774</b>

Account	Cat2(T)	2017/18		2018/19		Approved usage of reserves slipped into following year	2018/19 C/F
		B/F	Contributions To Reserves	Reserve usage brought forward from previous year	Revenue Contribution from Reserves		
Council Fund (Authority)		-7,111,078					-7,111,078
School Balances		-175,225			832,981		657,756
<b>Sub Total Council Fund</b>		<b>-7,286,303</b>	<b>0</b>		<b>832,981</b>	<b>0</b>	<b>-6,453,322</b>
<i>Earmarked Reserves:</i>		0					
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<b>Sub-Total Capital Receipt Generation</b>		<b>-347,139</b>	<b>0</b>	72,072	81,343	0	<b>-193,724</b>
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<b>Sub-Total Redundancy and Pensions</b>		<b>-496,813</b>	<b>0</b>	0	163,978	0	<b>-332,835</b>
<b>Sub-Total Capital Investment</b>		<b>-648,336</b>	<b>0</b>	0	0	0	<b>-648,336</b>
<b>Sub-Total Priority Investment</b>		<b>-686,751</b>	<b>0</b>	88,000	628,751	0	<b>-300,000</b>
<i>Other Earmarked Reserves:</i>							
YG33	Museums Acquisitions Reserve	-55,885					-55,885
YG33	Elections Reserve	-58,183	-25,000				-83,183
YG33	Grass Routes Buses Reserve	-146,084	-5,000				-151,084
YG33	Youth Offending Team Trading Partnership	-248,989			98,989		-150,000
YG33	Building Control trading reserve	-22,254			0		-22,254
YG33	Outdoor Education Centres Trading Partnership	-129,500					-129,500
YG33	CYP maternity	-142					-142
YG33	Plant & Equipment reserve (Highways)	-150,000					-150,000
YG33	Homeless Prevention Reserve Fund	-9,536					-9,536
YG33	Solar Farm Maintenance & Community Fund	-23,000	-23,000				-46,000
YG33	Rural Development Plan Reserve	-277,665			86,471	-86,471	-277,665
<b>Sub-Total Other Earmarked Reserves</b>		<b>-1,121,237</b>	<b>-53,000</b>	0	185,460	0	<b>-1,075,248</b>
<b>Total Earmarked Reserves</b>		<b>-7,373,942</b>	<b>-93,000</b>	300,985	1,343,360	168,787	<b>-6,116,452</b>
<b>Total useable revenue reserves</b>		<b>-14,660,245</b>	<b>-93,000</b>	<b>300,985</b>	<b>2,176,341</b>	<b>168,787</b>	<b>-12,569,774</b>

3.3 Appreciating Audit Committee's reflection at last meeting, that it would be more helpful if they could see the individual draw on reserves proposed. Such detail has been added to Appendix 1 together with date and approval of report where appropriate to assist Members accessing background to any specific approval they wish.

3.4 Earmarked reserves remain at limited levels unlikely to provide any material capacity/headroom to meet unanticipated volatility or significantly facilitate future service re-engineering and design.

As a useful reminder, with regard to the allocation of bottom line surplus to replenish reserves, the Sc151 officer's considered advice at last year's outturn was

Priority Investment Fund	£155k (to extinguish ADM deficit)
Capital Receipts Generation Reserve	£70k (Capital receipts generation reserve part funds Valuation team's cost, and a top up is necessary to accord with their indicative 2018-19 costs.)
Balance Invest to Redesign Reserve	£448k
<b>Total</b>	<b>£653k</b>

3.5 Despite those top ups, the current predicted use of the Priority investment reserve means that it will likely expire by the end of 2018-19 as a funding source, as the £300k yearend balance is earmarked/allocated to local development plan purposes. Given the forecast use of earmarked reserves, Cabinet has previously approved a policy on earmarked reserves to ensure that earmarked reserves are focused on investment in areas where they can achieve most impact hence putting the balance for redistribution into “Invest to Re-design”.

### **Schools Reserves**

3.6 Each of the Authority’s Schools is directly governed by a Board of Governors, which is responsible for managing their school’s finances. However, the Authority also holds a key responsibility for monitoring the overall financial performance of schools.

3.7 The net effect of an individual school’s annual surplus or deficit is shown in a ring-fence reserve for the particular school. Details of which for each school are included in Appendix 2, together with an indication of any recovery plan targets agreed and how close the Governing Body is in satisfying that responsibility in current year.

3.8 In summary form the anticipated outturn school balances are predicted to be,

	<b>Opening Reserves 2018-19 (surplus)/deficit</b>	<b>In year position at Month 7 (surplus)/deficit</b>	<b>Anticipated Outturn Position (surplus)/deficit</b>
<b>Combined balance</b>	<b>(£175,225)</b>	<b>£832,981</b>	<b>£657,756</b>

3.9 Whilst any extraordinary funding from WG and beneficial revisions to budgeted draw on reserves will sustain the reserve situation for longer than is often predicted, it remains unlikely that the collective level of reserves will sustain the traditional annual draw by schools on reserves in recent years, which will add additional focus by schools to address the need to remain within budget going forward rather than passporting the consequences to their reserves, given that collective flexibility is now pretty much exhausted.

3.9 Our Fairer Funding Regulations adopted by Council and Governing Bodies have traditionally precluded governing bodies from planning for a deficit position. This was changed in 2016-17, (which coincides quite closely with declining net balance above) to allow licensed deficits where a recovery plan is agreed and followed. However this flexibility only extended as far as there being a collective schools reserve surplus.

3.10 The following table exhibits the net trend in use, indicating collectively schools are currently using reserves at a considerably faster rate than they have replenished them traditionally.

<b>Financial Year-end</b>	<b>Net level of School Balances £’000</b>
2011-12	(965)
2012-13	(1,240)
2013-14	(988)

2014-15	(1,140)
2015-16	(1,156)
2016-17	(269)
2017-18	(175)
2018-19 forecast	658

- 3.11 There are however weaknesses in the forecasting approaches of individual schools, such that the budgeted forecast in the last row above will seldom match the reality.

For instance, whilst extraordinary Welsh Government grant of £344k in the last quarter of 2017-18 would have had a beneficial effect on balance levels, collectively they only actually used £94k of their reserves for the year, a £900k variation in original forecasting. That sort of volatility potentially makes it very difficult for senior colleagues and Members to predict the necessary action from year to year.

- 3.12 At month 2 Cabinet agreed to alterations to Fairer Funding guidance available to governing bodies, in an attempt to strengthen forecasting arrangements helpfully recognising that the problem is not so much with schools actual use of reserves but more to do with their forecast or budgeted draw. The bringing forward of Recovery Plan submissions, to be consistent with annual budget consideration, is designed to provide a better quality of data/information on which to consider the approval of any deficit budget, and would be reassuring to Members that any annual deficit volatility is accommodated within a multiyear budget strategy.
- 3.13 There is some evidence from narratives in Appendix 2 and extent of recovery figures provided, that this change is reducing the hiatus between reporting problem and reporting solution. However the month 7 prediction is £35k worse than forecast at month 2, so there's still a way to go, this deficit at month 7 is materially skewed by an unanticipated £156k adverse movement at Chepstow secondary school movement.
- 3.14 Based on school's predictions, general trends can be extrapolated, so 12 schools started this year in deficit. There is an increasing trend of schools entering deficit, (net further 5 predicted at present by schools), and that position looks particularly acute in secondary schools. Further insight/reassurance has been requested in respect of Chepstow secondary school, as whilst they still predict a small surplus by end of year, it is sensible to check the potential for them to yo-yo back into deficit and a need for a further recovery exercise, which wouldn't be advantageous to Governing body's administration.
- 3.15 It is questionable whether LEA colleagues have the capacity to facilitate the level of engagement and interaction necessary to resolve 18+ adverse financial scenarios within reasonable timeframes without extending recovery plans beyond usual 3 years. They will of course be prioritising the more significant aspects, but it can be seen from the recovery plan indicators included alongside the reserve position in Appendix 2, that some of the schools starting the year in deficit still had no agreed recovery plan, whilst others showed a perverse agreement to an increasing deficit.

## **4 REASONS**

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

## **5 RESOURCE IMPLICATIONS**

- 5.1 As a financial planning assumption, the level of Council Fund reserves should be between 4% - 6% of net expenditure. Based on a budgeted net expenditure (excluding Police and Community Council precepts) and before financing totalling £144.2 million, the anticipated outturn Council fund reserve level equates to 5.06%, which is towards the middle of agreed acceptable levels. This reduces to 4.5%, if net year end schools balances position remains as initially predicted in para 3.8.
- 5.2 There is an immaterial level of earmarked reserve replenishment built into the annual budget, and by necessity Head of Finance considers the replenishment of specific reserves where year-end surpluses allow.
- 5.4 Earmarked reserves remain at limited levels unlikely to provide any material capacity/headroom to meet unanticipated volatility or significantly facilitate future service re-engineering and design consequential with setting an annual budget that involves generating circa £5million savings annually.

## **6 EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS**

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

## **7 CONSULTEES**

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

## **8 BACKGROUND PAPERS**

Appendix 1 – Detailed Call upon Earmarked Reserves  
Appendix 2 – Individual School balance forecast

## **9 AUTHOR**

Mark Howcroft – Assistant Head of Finance

## **10 CONTACT DETAILS**

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## Appendix 1 – Detailed Call Upon Earmarked Reserves

Account	Cat2(T)	Authority	2017/18 B/F	Contributions To Reserves	Reserve usage brought forward from previous year	2018/19 Revenue Contribution from Reserves	Capital Contributions From Reserves	Approved usage of reserves slipped into following year	2018/19 C/F
Council Fund (Authority)		Not applicable, informed by year end	-7,111,078						-7,111,078
School Balances		Not applicable, informed by year end	-175,225			832,981			657,756
<b>Sub Total Council Fund</b>			<b>-7,286,303</b>	0		832,981	0		<b>-6,453,322</b>
<i>Earmarked Reserves:</i>									
YG33	Invest to Redesign Reserve MAIN	Reserve balance	-1,346,174		29,000		152,214		-1,164,960
YG33	Vehicle advances	Treasury Decision	0	0		72,013			72,013
YG33	Developing a new Social Services ICT System	Cabinet 16/07/14	80,000	-40,000					40,000
YG33	Innovation & marketing business case	Cabinet 15/04/15	-36,170			36,170		-36,170	-36,170
YG33	Inspire to Work	Cabinet 05/07/17 & Cabinet 05/09/18	0			61,645			61,645
<b>Sub-Total Invest to Redesign</b>		Reserve balance	<b>-1,302,343</b>	<b>-40,000</b>	29,000	169,828	152,214	-36,170	<b>-1,027,472</b>
YG33	IT Reserve MAIN	Reserve balance	-729,969		40,000	60,000	16,573		-613,396
YG33	Accounts payable strategy	Individual Member Decision 08/03/17	-4,913		4,913				0
YG33	Cash Receipting System	Cabinet 04/10/17	0		67,000			-10,000	57,000
YG33	Document Management System	Cabinet 07/03/18	0			54,000			54,000
<b>Sub-Total IT Transformation</b>		Reserve balance	<b>-734,881</b>	0	111,913	114,000	16,573	-10,000	<b>-502,396</b>
<b>Sub-Total Insurance and Risk Management</b>		Reserve balance, provision calculated at year end taking account of year's activity	<b>-1,046,416</b>	0	0	0	0	0	<b>-1,046,416</b>
<b>Sub-Total Capital Receipt Generation</b>		Reserve balance, allowing for Valuation Team's costs of disposal	<b>-347,139</b>	0	72,072	81,343	0	0	<b>-193,724</b>
<b>Sub Total Treasury Equalisation</b>		Reserve balance	<b>-990,024</b>	0	0	0	0	0	<b>-990,024</b>
<b>Sub-Total Redundancy and Pensions</b>		Reserve balance, allowing for pension strain costs of redundancy decisions made during the year	<b>-496,813</b>	0	0	163,978	0		<b>-332,835</b>
<b>Sub-Total Capital Investment</b>		Reserve balance	<b>-648,336</b>	0	0	0	0	0	<b>-648,336</b>
YG33	Priority Investment Reserve MAIN	Reserve balance	-586,751						-586,751
YG33	14/15 Evidence based pressures - Local Development Plan	Part of annual budget build	-100,000			375,000		-300,000	-25,000
YG33	Social Care Senior Leadership review	Cabinet 27/07/16	0			38,751			38,751
YG33	Community Infrastructure Levy Introduction	Budget setting Cabinet 15/02/17	0			30,000		-30,000	0
YG33	Legal costs for revocations	2016/17 budget setting	0		88,000				88,000
YG33	Alternate Delivery Model Facilitation - Tourism, Leisure and Culture (Monlife)	Cabinet 15/02/18 & Cabinet 06/06/18	0			185,000			185,000
<b>Sub-Total Priority Investment</b>		Reserve balance	<b>-686,751</b>	0	88,000	628,751	0	-330,000	<b>-300,000</b>

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Account	Cat2(T)	Authority	2017/18	B/F	Contributions To Reserves	Reserve usage brought forward from previous year	2018/19 Revenue Contribution from Reserves	Capital Contributions From Reserves	Approved usage of reserves slipped into following year	2018/19 C/F
<b>Other Earmarked Reserves:</b>										
YG33	Museums Acquisitions Reserve		-55,885							-55,885
YG33	Elections Reserve	Top up as revenue position allows	-58,183		-25,000					-83,183
YG33	Grass Routes Buses Reserve	Cabinet 24/03/2010	-146,084		-5,000					-151,084
YG33	Youth Offending Team Trading Partnership	Trading a/c year end balance	-248,989				98,989			-150,000
YG33	Building Control trading reserve	Trading a/c year end balance	-22,254				0			-22,254
YG33	Outdoor Education Centres Trading Partnership	Trading a/c year end balance	-129,500							-129,500
YG33	CYP maternity	Trading a/c year end balance	-142							-142
YG33	Plant & Equipment reserve (Highways)		-150,000							-150,000
YG33	Homeless Prevention Reserve Fund		-9,536							-9,536
YG33	Solar Farm Maintenance & Community Fund	Council 28/7/16	-23,000		-23,000					-46,000
YG33	Rural Development Plan Reserve	Cabinet 16/10/14	-277,665				86,471		-86,471	-277,665
<b>Sub Total Other Earmarked Reserves</b>			<b>-1,121,237</b>		<b>-53,000</b>	0	185,460	0	<b>-86,471</b>	<b>-1,075,248</b>
<b>Total Earmarked Reserves</b>			<b>-7,373,942</b>		<b>-93,000</b>	300,985	1,343,360	168,787	<b>-462,641</b>	<b>-6,116,452</b>
<b>Total useable revenue reserves</b>			<b>-14,660,245</b>		<b>-93,000</b>	<b>300,985</b>	<b>2,176,341</b>	<b>168,787</b>	<b>-462,641</b>	<b>-12,569,774</b>



## Appendix 2 – Individual School Balance Forecast

	Opening reserves 2018/19 (Surplus)/Deficit	In Year position at Month 7 (Surplus)/Deficit	Projected carry forward at year end 2018-19 (Surplus)/Deficit	Notes	Recovery Plan Y/E target balance 2018-19	Recovery Plan Y/E target balance 2019-20	Recovery Plan Y/E target balance 2020-21	Recovery Plan Y/E target balance 2021-22	Recovery Plan Comments
<b>Abergavenny cluster</b>									
E003 King Henry VIII Comprehensive	162,460	(44,867)	117,593	Recovery Plan Meetings held and recovery path agreed - awaiting signed copy of plan for years 4 and 5.		105,232	125,533	137,424	5 year recovery plan required and confirmation of Education Achievement Service income awaited.
E073 Cantref Primary School	(65,965)	7,590	(58,375)	Extra grant income helping year end figure along with staffing changes					
E072 Deri View Primary School	(40,000)	(1,711)	(41,711)	Additional Learning Needs Funding has been confirmed with pupil support costs already included in the staff costs forecast.		(30,402)	(7,690)		Senior Teacher Secondment and Support Staff reorganisation
E035 Gilwem Primary School	(52,253)	25,865	(26,388)	Building Improvement works funded by the School Budget.					
E037 Goytre Fawr Primary School	(10,803)	13,698	2,895	Increase in Additional Learning Needs funding with costs of support staff already within the staff forecast.					
E093 Llanfoist Fawr Primary School	(49,580)	41,464	(8,116)	School budget contribution to the costs of three Teaching Assistants appointed from October to support Additional Learning Needs pupils.					
E044 Llantillio Pertholey CiW Primary School (VC)	(4,440)	(5,596)	(10,036)	Secondment of a Senior Teacher to another Local Authority and Higher Level Teaching Assistant replaced by a lower scale Teaching Assistant.		(2,866)	(17,755)		Full year effect of 3 Teaching Assistant redundancies.
E045 Llanvihangel Crucorney Primary School	(511)	(9,405)	(9,916)	Additional costs associated with the Federation with Llanfoist including Leadership and Administration.	(4,857)				
E090 Our Lady and St Michael's RC Primary School (VA)	7,084	15,043	22,127	The School continues to make progress in reducing costs including its photocopying contract.		10,182	(1)		Additional pupil numbers, Full Year Effect of Staff changes and revised contracts.
E067 Ysgol Gymraeg Y Fenni	(58,965)	56,718	(2,247)	Resources and Staffing employed in preparation for increased Nursery and main School pupil numbers. School Administrator increased to full time, Read Write Inc Resources, and New Telephone System.					
Teachers pay award		(17,750)	(17,750)	This will be allocated across the cluster to offset the pay award pressure for teaching staff					



	Opening reserves 2018-19 (Surplus)/Deficit	In Year position at Month 7 (Surplus)/Deficit	Projected carry forward at year end 2018-19 (Surplus)/Deficit	Notes	Recovery Plan Y/E target balance 2018-19	Recovery Plan Y/E target balance 2019-20	Recovery Plan Y/E target balance 2020-21	Recovery Plan Y/E target balance 2021-22	Recovery Plan Comments
<b>Caldicot cluster</b>									
E001 Caldicot School	100,637	(17,086)	83,551	Changes to staffing for SLT increases in costs		30,645		1.35% of funding (£6.2)	Meeting with the school at Month 3. It is anticipated that sufficient efficiencies will be identified to bring school back into surplus by end of 19-20.
E068 Archbishop Rowan Williams CiW Primary School (VA)	(79,455)	33,169	(46,286)	Savings linked to the Head teachers 60% Executive Head appointment to another Monmouthshire Primary School.					
E094 Castle Park Primary School	43,659	(13,340)	30,319	School contribution to Additional Learning Needs support staff reviewed.	18,544	34,659	28,975	28,394	Recovery plan being updated as Head Teacher leaving at end of summer term. This will generate additional savings that should see school back in surplus.
E075 Dewstow Primary School	(105,626)	53,936	(51,690)						
E034 Durand Primary School	(71,665)	52,673	(18,992)	Overspend is staffing, marginally better than reported figure in M5					
E048 Magor CiW Primary School (VA)	19,227	13,370	32,597	Revised Support Staff Structure (Teaching Assistants and Midday Supervisors) from 1/9/18 and additional secondment and supply compensation income confirmed.	13,370	13,348			The long term effect of the staff changes implemented by the Executive Head teacher to be built into an amended recovery plan.
E056 Rogiet Primary School	(26,145)	9,365	(16,780)	Improvement due to members of staff coming back later than anticipated and part time.					
E063 Undy Primary School	28,221	54,674	82,895	An additional Foundation Phase Teacher employed from 1/9/18 plus the associated Foundation Phase Teaching Assistants (£40,000). Also the long term absence of a member of staff (£16,000). There are also one off costs of flooring and Furniture for the Foundation Phase classrooms (£17,000). This is a combined total cost of £73,000 - had these costs not been incurred the deficit would have been reduced to £7k rather than the £60k forecasted at Month 2.					
E069 Ysgol Gymraeg Y Ffin	37,616	11,521	49,137	Recoupment of Residential trips money has been poor. 4 teachers on mainscale.					
Teachers pay award		(17,750)	(17,750)	This will be allocated across the cluster to offset the pay award pressure for teaching staff					

	Opening reserves 2018-19 (Surplus)/Deficit	In Year position at Month 7 (Surplus)/Deficit	Projected carry forward at year end 2018-19 (Surplus)/Deficit	Notes	Recovery Plan Y/E target balance 2018-19	Recovery Plan Y/E target balance 2019-20	Recovery Plan Y/E target balance 2020-21	Recovery Plan Y/E target balance 2021-22	Recovery Plan Comments
<b>Chepstow cluster</b>									
E002 Chepstow School	(158,456)	156,005	(2,451)	Changes in staffing, progression through the pay scales. Increase cost of supply costs for teaching staff					
E091 Pembroke Primary School	(181)	20,954	20,773	Compassionate and Sickness absence of a teacher plus the renegotiation of a Photocopying contract which will yield savings in future financial years	20,954	(209)	(3,760)		A recovery plan was agreed with the Head and Deputy Head teacher on 13/7/18.
E057 Shirenewton Primary School	(118,599)	21,833	(96,766)						
E058 St Mary's Chepstow RC Primary School (VA)	(6,055)	79,191	73,136	Head teacher absence and the employment of a replacement has added unforeseen pressure to the budget and Recovery Plan.					A recovery plan meeting was held on 19/11/18. However the substantive Head teacher does not take over the finances until December.
E060 The Dell Primary School	(22,165)	22,164	(1)						
E061 Thornwell Primary School	9,565	25,476	35,041	Welsh Government class size funding means capacity for the School to increase its pupil roll and trigger additional funding from 2019/2020.		9,058	(10,981)		Additional Pupil Numbers anticipated to be on roll January 2019.
Teachers pay award		(17,750)	(17,750)	This will be allocated across the cluster to offset the pay award pressure for teaching staff					

	Opening reserves 2018-19 (Surplus)/Deficit	In Year position at Month 7 (Surplus)/Deficit	Projected carry forward at year end 2018-19 (Surplus)/Deficit	Notes	Recovery Plan Y/E target balance 2018-19	Recovery Plan Y/E target balance 2019-20	Recovery Plan Y/E target balance 2020-21	Recovery Plan Y/E target balance 2021-22	Recovery Plan Comments
<b>Monmouth cluster</b>									
E004 Monmouth Comprehensive	423,951	121,843	545,794	Staffing changes including one off costs for the school. The school are still looking to recover in the agreed time scale		240,781	56,720	(67,015)	School presented recovery plan in June 2018 to Cabinet Member. Currently on target.
E032 Cross Ash Primary School	(59,356)	23,878	(35,479)	Support Staff have resigned as at 31/8/18, a Maternity Leave has resulted in savings and Education Achievement Service Income has been anticipated within the forecast					
E092 Kymin View Primary School	(34,657)	20,228	(14,429)	Staff changes required for the new academic year have resulted in a projected overspend. These changes include: part time deputy head teacher being replaced with a full time deputy; a class teacher on main pay scale leaving and being replaced by a teacher on upper pay scale, and an additional TA required to support a pupil with ALN					
E039 Llandogo Primary School	12,449	54,941	67,390	The school have faced high levels of sickness resulting in supply costs.	(1,141)	(1,141)			
E074 Osbaston CiW Primary School (VC)	(635)	17,592	16,957	Staffing changes for maternity and sickness has led to the increase in costs.					
E051 Overmonnow Primary School	(28,389)	44,190	15,801	Staff have been employed to provide one to one support for pupils with Additional Learning Needs and funding has not been back dated.					Meeting scheduled for 11/12/18 however Nursery teacher to be replaced as at 1/1/18 and an experienced teacher retiring 31/8/18 so opportunities to reduce costs are available to the Head teacher
E055 Raglan CiW Primary School (VC)	147,743	(58,972)	88,771	Staffing changes have resulted in additional savings		62,644	35,366	17,177	Recovery plan projects surplus of £24,921 in 2022/23
E062 Trellech Primary School	(87,650)	48,427	(39,223)						
E064 Usk CiW Primary School (VC)	(62,920)	80,331	17,411	Additional Foundation Phase teacher and Teaching Assistant to be employed from 1/9/18 which has resulted in a planned deficit. Additional Key Stage 1 top up funding will be triggered in 2019/20 and there will be an increasing pupil roll.					Education Achievement Grants anticipated but not yet confirmed plus confirmation and details of a Water Leak Rebate required
Teachers pay award		(17,750)	(17,750)	This will be allocated across the cluster to offset the pay award pressure for teaching staff					
	(151,857)	904,161	752,304						
<b>Special Schools</b>									
E020 Mounton House Special School	33,584	(115,464)	(81,880)	Some staff savings due to a member of staff finishing in August and not being replaced.	28,968	4,947	(39,683)		Month 2 indicates school will return to surplus this financial year.
E095 PRU	(56,951)	44,284	(12,667)						
	(23,367)	(71,180)	(94,547)						

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**SUBJECT: INTERNAL AUDIT SECTION  
PROGRESS REPORT 9 Months into 2018/19**

**DIRECTORATE: Resources  
MEETING: Audit Committee  
DATE: 31 January 2019  
DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 31<sup>st</sup> December 2018.

To consider the performance of the Internal Audit Section over the first 9 months of the current financial year.

## 2. RECOMMENDATION(S)

That the Committee note the audit opinions issued.

That the Committee note the progress made by the Section towards meeting the 2018/19 Operational Audit Plan and the Section's performance indicators at the 9 months stage of the financial year.

## 3. KEY ISSUES

3.1 The Section has started to undertake its programme of audits in accordance with the 2018/19 agreed Operational Audit Plan.

3.2 This report gives brief details of the work undertaken in the year to date. The report also gives details of the Section's performance indicators for the 9 months to 31<sup>st</sup> December 2018.

3.3 The Public Sector Internal Audit Standards came into force in April 2013 (updated March 2017) which the Internal Audit team needs to demonstrate it is compliant with; these replaced the former Code of Practice for Internal Audit within Local Government.

3.4 A requirement of the PSIAS is for the Internal Audit team to be externally assessed once every five years to ensure compliance with these Standards. The Welsh Chief Auditors' Group proposed an option of a peer review in order to meet the requirements of this external

assessment, which has been agreed by respective S 151 Officers of local authorities in Wales. Monmouthshire's peer review took place during 2017/18 with the outcome being that the team is generally compliant; no significant areas of non compliance.

- 3.5 The 2018/19 Draft Audit Plan was agreed by the Audit Committee on 16<sup>th</sup> March 2018; final approved on 6<sup>th</sup> July 2018.

#### **4. REASONS**

- 4.1 Since the start of the financial year, the Internal Audit Section has completed 49 audit jobs to draft stage from its 2018/19 Operational Audit Plan. 14 of these being opinion related and these are shown in the table at Appendix 1.
- 4.2 In relation to the normal audit opinion related reports, 14 have been issued by the end of the 3<sup>rd</sup> Quarter; 1 provided *Substantial Assurance*, 4 *Considerable Assurance*, 6 *Reasonable* and 3 *Limited Assurance*. One report related to the AGS where no opinion was given, but this forms part of the Council's annual financial statements and financial advice was given in several areas; work was also undertaken on the National Fraud Initiative (NFI). The team was involved with auditing grant claims which they have certified as either *qualified* or *unqualified*.
- 4.3 The definitions of the four internal audit opinions and the finding ratings used by the Section are provided at Appendix 2 for Members' information.
- 4.4 Finalisation work from 2017/18 continued; of the 24 reviews at draft report stage at 31 March 2018, 21 have subsequently been finalised; 2 x Substantial opinions, 7 x Considerable opinions, 7 x Reasonable opinions, 4 x Limited opinions and 1 qualified grant claim.
- 4.5 Audit management have also been involved with 5 ongoing special investigations to date this year, some of which have continued from 2017/18; these are often very sensitive and time consuming. Work has been undertaken on 3 unplanned areas, providing additional advice and support for service managers.
- 4.6 Appendix 3 of the report gives details of the Section's performance indicators as at 31<sup>st</sup> December 2018.
- 4.7 Of the finalised audit reviews, the acceptance of audit recommendations was good at 99%; of these, evaluation questionnaires have been returned from 6 operational managers therefore the data is not yet representative in terms of how satisfied they were with the audit service they had received.



- 4.8 Draft reports have taken 10 days to issue following completion of audit work and the review process. It has taken 16 days to issue final reports following the receipt of management comments.
- 4.9 Getting audit reports out to service managers are key indicators. The audit management will endeavour to continue to turnaround the work within the target time set for draft and final reports.
- 4.10 The percentage coverage of the audit plan at 53% (36% 2017/18) is higher than the same period of the previous year and above the profiled target of 50% at this stage of the financial year. Management will keep this indicator under careful review for the rest of the year to ensure that the audit coverage by the year end is as comprehensive as possible. The operational plan will be re-prioritised to ensure the higher risk areas are covered by the year end if resources become an issue again.
- 4.11 The team started the year with a full complement of staff in the team.
- 4.12 In Quarter 1 the team was involved with the verification and validation of the Council's annual performance indicators before they were submitted to Welsh Government. This is often a time consuming exercise with tight timescales. The team are also involved with the administration of the National Fraud Initiative (NFI) data sets on behalf of the Council.

## **5. SERVICE MANAGEMENT RESPONSIBILITIES**

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

## **6. FOLLOW UP AUDIT REVIEWS**

- 6.1 Where 'Limited Assurance' opinions are issued, they are followed up within a twelve month timescale to ensure that the agreed actions have been taken by management and that the internal control systems are improved. These will be reported separately to the Audit Committee.

**7. RESOURCE IMPLICATIONS**

None.

**8. CONSULTEES**

Chief Officer Resources

**Results of Consultation:**

N/A

**9. BACKGROUND PAPERS**

Operational Audit Plan 2018/19

**10. AUTHORS AND CONTACT DETAILS**

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David Walton, Audit Manager

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## AUDIT COMMITTEE JANUARY 2019

### INTERNAL AUDIT SECTION PROGRESS REPORT 2018/19 – 9 MONTHS

#### APPENDIX 1

Internal Audit reviews from the 2018/19 Operational Audit Plan where fieldwork has been completed and/or final reports issued since 1/4/18 are listed in the table below.

Internal Control Opinions give the auditor's overall conclusion on the control environment operating in each system/establishment under review. Opinions range from Substantial Assurance through to Limited Assurance.

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

### Status of reports as at 31<sup>st</sup> December 2018

#### Internal Audit Services - Management Information for 2018/19 – Quarter 3

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Complete when FINALISED	Opinion given
P1819/12	Children & Young People	Schools	Gilwern Primary School	Low	Draft	Substantial
P1819/11	Children & Young People	Schools	Kymin View Primary School	Low	Finalised	Considerable
P1819/13	Children & Young People	Schools	Goytre Fawr Primary School	Low	Finalised	Considerable
P1819/30	Enterprise	Policy & Governance	National Performance Indicators	Medium	Draft	Considerable
P1819/48	Resources	People	Payroll	Medium	Draft	Considerable
P1819/16	Children & Young People	Schools	Raglan Primary School Follow-up	Medium	Finalised	Reasonable
P1819/17	Children & Young People	Schools	Ysgol Y Ffin Primary School Follow-up	Medium	Finalised	Reasonable
P1819/60	Resources	Finance	IR35	Medium	Draft	Reasonable
P1819/61	Resources	Finance	Direct Bank Payments	Medium	Draft	Reasonable

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Complete when FINALISED	Opinion given
P1819/70	Social Care & Health	Integrated Services	Former Monmouthshire Enterprises Services Follow-up	Medium	Draft	Reasonable
P1819/75	Social Care & Health	Children's Services	External Placements Follow-up	High	Draft	Reasonable
P1819/26	Enterprise	Tourism, Leisure & Culture	Caldicot Castle	Medium	Draft	Limited
P1819/76	Social Care & Health	Children's Services	Review of Imprest Account	Medium	Draft	Limited
P1819/86	Corporate	Cross Cutting	Agency Workers	Medium	Draft	Limited
P1819/22	Enterprise	Enterprise and Community Delivery	Agri-Urban URBACT Scheme Final Claim	Low	Finalised	Qualified
P1819/71	Social Care & Health	Integrated Services	Supporting People Grant - Outcomes Data (May)	High	Draft	Qualified
P1819/03	Children & Young People	Achievement & Extended Services	Education Improvement Grant	Medium	Finalised	Unqualified
P1819/04	Children & Young People	Achievement & Extended Services	Pupil Development Grant	Low	Finalised	Unqualified
P1819/05	Children & Young People	Achievement & Extended Services	Outside School Childcare Grant	Low	Finalised	Unqualified
P1819/72	Social Care & Health	Integrated Services	Supporting People Grant - Financial Data (Sept)	Medium	Finalised	Unqualified

## Non – opinion / Added Value Audit Work

Job number	Directorate	Service	Job Name	Opinion
P1819/07	Children & Young People	Achievement & Extended Services	Audit Advice	Not applicable
P1819/19	Children & Young People	Schools	Audit Advice	Not applicable
P1819/20	Children & Young People	CYP Resources	Monitoring Implementation of Audit Recommendations	Not applicable
P1819/21	Children & Young People	CYP Resources	Audit Advice	Not applicable
P1819/23	Enterprise	Enterprise and Community Delivery	Audit Advice	Not applicable
P1819/28	Enterprise	Tourism, Leisure & Culture	Monitoring Implementation of Audit Recommendations	Not applicable
P1819/29	Enterprise	Tourism, Leisure & Culture	Audit Advice	Not applicable
P1819/31	Enterprise	Policy & Governance	Local Performance Indicators	Not applicable
P1819/32	Enterprise	Policy & Governance	Monitoring Implementation of Audit Recommendations	Not applicable
P1819/33	Enterprise	Policy & Governance	Audit Advice	Not applicable
P1819/35	Enterprise	Planning, Housing and Place Shaping	Audit Advice	Not applicable
P1819/38	Operations	Passenger Transport Unit	Audit Advice	Not applicable
P1819/42	Operations	Transport	Audit Advice	Not applicable
P1819/44	Operations	Waste & Street Operations	Audit Advice	Not applicable
P1819/45	Operations	Highways and Flood Management	Monitoring Implementation of Audit Recommendations	Not applicable
P1819/46	Operations	Highways and Flood Management	Audit Advice	Not applicable
P1819/52	Resources	People	Audit Advice	Not applicable
P1819/53	Resources	Digital & Agile	Audit Advice	Not applicable

<b>Job number</b>	<b>Directorate</b>	<b>Service</b>	<b>Job Name</b>	<b>Opinion</b>
P1819/62	Resources	Finance	Monitoring Implementation of Audit Recommendations	Not applicable
P1819/63	Resources	Finance	Audit Advice	Not applicable
P1819/67	Resources	Commercial & Integrated Landlord Services	Audit Advice	Not applicable
P1819/68	Resources	Business Planning and Redesign	Audit Advice	Not applicable
P1819/74	Social Care & Health	Integrated Services	Audit Advice	Not applicable
P1819/78	Social Care & Health	Children's Services	Audit Advice	Not applicable
P1819/80	Social Care & Health	Public Protection	Audit Advice	Not applicable
P1819/81	Social Care & Health	Social Services Finance Unit	Audit Advice	Not applicable
P1819/82	Corporate	Cross Cutting	National Fraud Initiative	Not applicable
P1819/83	Corporate	Cross Cutting	Annual Governance Statement	Not applicable
P1819/93	Corporate	Cross Cutting	Future Monmouthshire Audit Advice	Not applicable

**Internal Audit Opinions**

Each report contains an opinion which is an overall assessment of the control environment reviewed. Opinions were revised during 2015/16 to reflect a better understanding of the level of assurance given. The full list of audit opinions to be used from 2016/17 onwards is shown below:

<b>SUBSTANTIAL</b>	Substantial level of assurance.  Very well controlled, with numerous strengths identified and any risks being less significant in nature.
<b>CONSIDERABLE</b>	Considerable level of assurance  Generally well controlled, although some risks identified which should be addressed.
<b>REASONABLE</b>	Reasonable level of assurance.  Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.
<b>LIMITED</b>	Limited level of assurance.  Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.

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

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

**For grant claim audits:**

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

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



**AUDIT COMMITTEE JANUARY 2019**

**INTERNAL AUDIT SECTION PROGRESS REPORT  
2018/19 – 9 MONTHS**

**APPENDIX 3**

**Performance Indicators**

	<b>2017/18</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Target</b>
1	Percentage of planned audits completed	13%	23%	36%	82%	12% (80% pa)
2	Percentage of audits completed within planned time	0%	0%	30%	43%	60%
3	Average no. of days from audit closing meeting to issue of a draft report	8 days	21 days	59 days	52 days	12 days
4	Average no. of days from receipt of response to draft report to issue of the final report	17 days	16 days	32 days	19 days	5 days
5	Percentage of recommendations made that were accepted by the clients	98%	99%	97%	96%	90%
6	Percentage of clients at least 'satisfied' by audit process	100%	100%	100%	82%	90%
7	Percentage of directly chargeable time (actual v planned)	102%	108%	110%	108%	100%
8	Number of special investigations	4	4	5	6	

	<b>2018/19</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Target</b>
1	Percentage of planned audits completed	17%	30%	53%		50% (84% pa)
2	Percentage of audits completed within planned time	N/A	100%	67%		60%
3	Average no. of days from audit closing meeting to issue of a draft report	3 days	4 days	10 days		12 days
4	Average no. of days from receipt of response to draft report to issue of the final report	12 days	17 days	16 days		5 days
5	Percentage of recommendations made that were accepted by the clients	100%	98%	99%		90%
6	Percentage of clients at least 'satisfied' by audit process	100%	100%	100%		90%
7	Percentage of directly chargeable time (actual v planned)	112%	108%	108%		100%
8	Number of special investigations	2	4	5		

N /A – not available

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<b>14TH MARCH 2019</b>	
<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
<b>2ND MAY 2019</b>	
<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
<b>Jun-19</b>	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section</i>	
Review of Reserves outturn	Mark Howcroft

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# Public Document Pack Agenda Item 15

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held  
at The Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 8th  
November, 2018 at 2.00 pm

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

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

### **OFFICERS IN ATTENDANCE:**

Nicola Perry	Senior Democracy Officer
Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Peter Davies	Chief Officer, Resources
Terry Lewis	Wales Audit Office
Richard Jones	Performance Manager
Lesley Russell	Accountant
Matthew Gatehouse	Head of Policy and Governance

### **APOLOGIES:**

Councillors J.Watkins

#### **1. Apologies for Absence.**

#### **2. Declarations of Interest.**

No declarations of interest were made.

#### **3. Public Open Forum.**

No members of the public were present.

The Chair opted to change the Agenda order and brought forward Item 10 – Action List.

#### **4. To note the action list from 13th September 2018.**

The Chair felt that the Action List would be relevant at the beginning of meeting to allow Officers to answer outstanding queries and they then have opportunity to leave. The Chair confirmed that as a general rule the Action List will be at this stage in the meeting.

The Action List from the last meeting was noted.

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at The Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 8th November, 2018 at 2.00 pm

1. **Officers to attend re Compliance with Bribery Act** - a substantive update will be provided at the next meeting.
2. **To seek comparison with other councils in Wales regarding the increase in school budget deficits and reduction in total school budget surpluses.**

A Verbal update was provided by Wales Audit Office. Councillor Murphy confirmed that the information was already available in-house in the education section and the schools that are in deficit have an actively managed recovery plan.

Councillor Easson asked if there was any correlation between overall school deficits across the 22 authorities in Wales in relation to the settlement grant from the WG and what proportion of each council's commitment to the school varies across Wales. Wales Audit Office confirmed that it was very complex and had not been covered in the work they had done.

The Assistant Head of Finance gave context stating that Welsh Government expects Local Authorities to agree upon the level of resourcing. He explained that with regard to funding for a school child, in terms of primary level Monmouthshire was sixth in the list of 22 authorities, and in relation to secondary schools we were 19<sup>th</sup>. This might explain the pressure within the secondary school sector but not of primary school.

3. **To provide more detail in Quarter 2 report in response to identified training need**

The Assistant Head of Finance confirmed that for future reports, rather than give summary movements, he would capture the extent of approval given for Members to better understand the consequences.

4. **Provide scrutiny refresher training for Select Committee Members** – Scrutiny Manager to attend next meeting to give an update.

#### 5. CPR Exemptions 6 monthly update

The Committee were presented with a report and asked to consider the adequacy and appropriateness of the exemption process from the Authority's Contract Procedure Rules since the last report in November 2017. Also, to inform the Audit Committee of the number of exemptions requested by operational managers and to identify any non-compliance with the process or adverse trends.

Since information had been requested over the last seven years there has been 259 requests for exemptions and Appendix 2 shows detailed individual requests.

A Member commented that we need to ensure we get the appropriate responses as and when asked for and to see what happens in six months. No one should avoid making the response.

In terms of the work going on with regards to procurement and the sharpening up of rules it was asked if pressure could be put on senior management to ensure that the

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at The Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 8th November, 2018 at 2.00 pm

officers did not have to be in the position of chasing up and a response should also be given even if the exemption no longer required. In response the Chief Internal Auditor explained that it is now on the management induction programme to make managers aware of the processes they need to follow. SLT have also been informed.

The Chief Officer added that SLT is aware of the importance of reinforcing the process and ensuring the message is passed to their respective management teams He added that the processes in place are robust but appropriate and they are looking to bolster the resourcing capacity to take forward the strategy.

A Member highlighted that the matter of procurement and extensions of exemptions has been a matter brought to this committee on numerous occasions and asked how many more times it will be brought before the Audit Committee, and what confidence is there in what is being assured is being put into practice.

The Chair concluded that a presentation has been given to the committee on the topic. He did state, however, that the list of unresolved or non-return forms was longer and broader than first thought and sought clarity around follow-up items. The Officer responded that he would investigate further and report back in December. He considered it fit for purpose but could review at any time, and welcomed suggestions

**To conclude, the Audit Committee resolved to accept the recommendations:**

**That the Audit Committee accepts and acknowledges the justifications for the exemptions provided by operational officers.**

**If the justifications are not accepted, then consideration should be given to calling in the respective operational officer and their respective Head of Service to further account for the reasons why they could not comply with the Council's Contract Procedure Rules at the time of the procurement.**

**That the Audit Committee receive an updated report in 6 months to include any further responses obtained by the Chief Internal Auditor.**

#### **6. Mid Year Treasury Report 2018/19.**

Audit Committee received a report 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.

The Senior Accountant for Treasury & Fixed Assets confirmed that the Prudential Code has been updated as per the report. She also stated that the Assistant Head of Finance is preparing a report on the background to the capital strategy which will be presented in the new-year for Members' approval.

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of Audit Committee held at The Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 8th November, 2018 at 2.00 pm**

The Assistant Head of Finance explained that with regards to the commercial investment that came via full council for consideration, the primary requirement is that the return from investment, whether it be by renting out or the annual income derived from it, has to be more than the borrowing costs associated with it. Therefore in the situation where there is no return, those would be considered investments that fail the test of reasonableness and an investment committee would not take them forward.

It was noted that the Welsh Church Fund and the Monmouthshire Farm School Endowment Trust had proved positive with regards to pooled investments. The Officer commented that an important consideration with pooled funds is that you need to commit over a three to five year period as market can go up and down.

In response to a question, officers anticipated that the decisions of the investment committee will be reported through the Select route, likely to be Economy and Development Select Committee. A report would be expected annually and in conjunction with the end of the financial year.

#### **The Committee resolved to accept the recommendations:**

**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.**

**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.**

#### **7. Internal Audit Progress Report 2018-19 - Quarter 2**

The Audit Committee received the report to consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30th September 2018. Also, to consider the performance of the Internal Audit Section over the first six months of the current financial year.

County Councillor Easson declared an interest as a governor of Ysgol y Ffin School

Members were pleased and encouraged by the report.

With regards to the Agri Improvement Scheme, the scheme is still continuing but coming to its end stages.

#### **The Committee resolved to accept the recommendations:**

**That the Committee note the audit opinions issued.**



## MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Audit Committee held  
at The Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 8th  
November, 2018 at 2.00 pm**

**That the Committee note the progress made by the Section towards meeting the 2018/19 Operational Audit Plan and the Section's performance indicators at the 6 months stage of the financial year.**

### **8. Overview of Performance Management Arrangements.**

The Committee received a report to ensure that members understand the Council's performance framework, and to present an update on the current effectiveness of the authority's performance management arrangements.

Discussion around the completion of staff appraisals took place and the Policy and Performance manager stated this is being worked on so they can accurately report on the numbers being completed. They are also looking at possible alternative arrangements using voting buttons.

The Chair requested that a figure be supplied to the Committee. The Chief Officer for Resource confirmed the action would reside with him and he would provide a response back to the committee.

The Chair asked the committee if they were satisfied with the overall level as most of the reports were adequate which is not unsatisfactory but is there an ongoing strategy to raise these levels

A Member suggested that it may be helpful to receive previous years' outcomes, to see where we are at in the process and to measure our current performance. The Policy and Performance Manager agreed to take this on board for next report.

**The Committee resolved to accept the recommendations:**

**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.**

### **9. Progress Report: Wales Audit Office Proposals for Improvement.**

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

Members commended the work of officers in linking the corporate plan and the medium term financial plan together with the current budget deliberations.

We noted a correction to the statement page 11 of the report, which read:

*"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."*

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at The Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 8th November, 2018 at 2.00 pm

Councillor Easson felt the second use of the word attendance was a contradiction and ought not to be in the statement. Councillor Murphy responded that the attendance of a cabinet member is normally requested by the chair. Officers will check the wording matches the appropriate code.

#### **The Committee accepted the recommendations:**

**That members consider the current position of proposals and future actions being taken to address them seeking assurance that adequate progress is being made.**

**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.**

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

The minutes of the meeting of Audit Committee held on 13<sup>th</sup> September 2018 were approved and signed by the Chair.

#### **11. Forward Work Programme.**

Noted.

#### **12. To confirm the date and time of the next meeting as 20th December 2018 at 2.00pm.**

It was decided that the next meeting be cancelled due to lack of business, and therefore the next meeting would be held on Thursday 31<sup>st</sup> January 2019 at 2pm.

**The meeting ended at 3.30 pm**