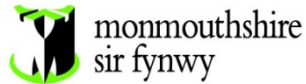


Public Document Pack



County Hall
Rhadyr
Usk
NP15 1GA

Wednesday, 5 February 2020

Notice of Meeting

Audit Committee

Thursday, 13th February, 2020 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 previous meeting	1 - 2
5.	Internal Audit Progress Report - quarter 3	3 - 12
6.	Treasury Policy and Strategy report (Annex D to follow)	13 - 40
7.	Whole Authority Strategic Risk Assessment	41 - 76
8.	Forward Work Plan	77 - 84
9.	To confirm minutes of the previous meeting	85 - 90
10.	To confirm the date of the next meeting as 19th March 2020	

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.B. Jones

Public Information

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

Welsh Language

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

Aims and Values of Monmouthshire County Council

Our purpose

Building Sustainable and Resilient Communities

Objectives we are working towards

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

Our Values

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

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

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

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

Agenda Item 4

Audit Committee Actions 9th January 2020

Agenda Item:	Subject	Officer	Outcome
3 (c/f 25 th July 2019)	Performance management	Chief Officer, Resources	Response to Audit Committee members via e-mail to provide update regarding performance management arrangements/ annual staff appraisal process. A full report to be presented after the outturn period.
3	Self-Evaluation	Chief Internal Auditor	Send questionnaire to Committee Members
10	Forward Work Plan	Chief Officer Resources	Populate plan
13	Unfavourable Audit Opinions	Head of People Services	Report for the next meeting requested with immediate responses to the IA recommendations
15	Restricted Item: Unfavourable opinions	Chair and Chief Internal Auditor	Invite Appropriate Officer to attend next Audit Committee meeting

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**SUBJECT: INTERNAL AUDIT SECTION
Progress Reports for 9 Months into 2019/20**

**DIRECTORATE: Resources
MEETING: Audit Committee
DATE: 13 February 2020
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 31st December 2019.

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 2019/20 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 2019/20 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 31st December 2019.

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 2019/20 Draft Audit Plan was agreed by the Audit Committee on 14th March 2019; final approved on 13th June 2019.

4. REASONS

- 4.1 Since the start of the financial year, the Internal Audit Section has completed 45 audit jobs to draft stage from its 2019/20 Operational Audit Plan; 16 of these being opinion related and these are shown in the table at Appendix 1. The team was involved with grant claim certification during Q2.
- 4.2 In relation to the normal audit opinion related reports, 16 have been issued in draft by the end of the 3rd Quarter; 1 provided *Substantial Assurance*, 5 *Considerable Assurance*, 3 *Reasonable Assurance* and 7 *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 2018/19 continued; of the 26 reviews at draft report stage at 31 March 2018, 22 have subsequently been finalised.
- 4.5 Audit management have also been involved with 3 ongoing special investigations to date this year, some of which have continued from 2018/19; 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 31st December 2019.
- 4.7 Of the finalised audit reviews, the acceptance of audit recommendations was good at 98%.
- 4.8 Draft reports have taken 30 days to issue following completion of audit work and the review process. It has taken 22 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 51% (53% 2018/19) is slightly lower than the same period of the previous year and in line with 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.
- 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. The team is 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. CONSULTTEES

Chief Officer Resources

Results of Consultation:

N/A

9. BACKGROUND PAPERS

Operational Audit Plan 2019/20

10. AUTHORS AND CONTACT DETAILS

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AUDIT COMMITTEE FEBRUARY 2020

INTERNAL AUDIT SECTION PROGRESS REPORT 2019/20 – 9 MONTHS

APPENDIX 1

Internal Audit reviews from the 2019/20 Operational Audit Plan where fieldwork has been completed and/or final reports issued since 1/4/19 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 31st December 2019

Internal Audit Services - Management Information for 2019/20 – Quarter 3

Opinion Summary	
Substantial	1
Considerable	5
Reasonable	3
Limited	7
Total	16

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Opinion given
P1920/28	Enterprise	Policy & Governance	National Performance Indicators	Medium	Substantial
P1920/08	Children & Young People	Schools	Ysgol Y Fenni	Low	Considerable
P1920/24	Enterprise	Tourism, Leisure & Culture	Youth Service Follow-up	Medium	Considerable
P1920/48	Resources	People	Term Time Working - new contractual arrangements	Medium	Considerable
P1920/52	Resources	Finance	Creditors 2018/19	Medium	Considerable
P1920/53	Resources	Finance	Cashiers	Medium	Considerable
P1920/60	Resources	Commercial & Integrated Landlord Services	Investment Property Acquisitions	High	Reasonable

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Opinion given
P1920/84	Corporate	Cross Cutting	Compliance with Bribery Act Follow-up	High	Reasonable
P1920/85	Corporate	Cross Cutting	General Data Protection Regulation	High	Reasonable
P1920/09	Children & Young People	Schools	Llandogo Primary School	Low	Limited
P1920/10	Children & Young People	Schools	Castle Park Primary School	Low	Limited (Final)
P1920/25	Enterprise	Tourism, Leisure & Culture	Caldicot Castle Follow-up	Medium	Limited
P1920/34	Enterprise	Passenger Transport Unit	PTU Vehicle Maintenance	High	Limited
P1920/62	Resources	Commercial & Integrated Landlord Services	Procurement (Food) Follow-up	High	Limited
P1920/66	Social Care & Health	Integrated Services	Direct Payments	Medium	Limited
P1920/80	Corporate	Cross Cutting	Business Continuity	High	Limited
P1920/03	Children & Young People	Standards	Pupil Deprivation Grant	Low	Unqualified
P1920/04	Children & Young People	Standards	Outside School Childcare Grant	Low	Unqualified
P1920/68	Social Care & Health	Integrated Services	Supporting People Grant - Outcomes Data (July)	High	Unqualified
P1920/69	Social Care & Health	Integrated Services	Supporting People Grant - Financial Data (Sept)	Medium	Unqualified
P1920/02	Children & Young People	Standards	Education Improvement Grant	Medium	Qualified

Non – opinion / Added Value Audit Work

Job number	Directorate	Service	Job Name	Opinion
P1920/05	Children & Young People	Standards	Monitoring Implementation of Audit Recommendations	Not applicable
P1920/14	Children & Young People	Schools	Monitoring Implementation of Audit Recommendations	Not applicable
P1920/15	Children & Young People	Schools	Audit Advice	Not applicable
P1920/17	Children & Young People	CYP Resources	Audit Advice	Not applicable
P1920/20	Enterprise	Business Growth & Enterprise	Audit Advice	Not applicable
P1920/27	Enterprise	Tourism, Leisure & Culture	Audit Advice	Not applicable
P1920/29	Enterprise	Policy & Governance	Local Performance Indicators	Not applicable
P1920/32	Enterprise	Planning, Housing & Place Shaping	Monitoring Implementation of Audit Recommendations	Not applicable
P1920/33	Enterprise	Planning, Housing & Place Shaping	Audit Advice	Not applicable
P1920/36	Enterprise	Passenger Transport Unit	Audit Advice	Not applicable
P1920/41	Enterprise	Transport	Audit Advice	Not applicable
P1920/42	Enterprise	Waste & Street Operations	Audit Advice	Not applicable
P1920/44	Enterprise	Highways & Flood Management	Audit Advice	Not applicable
P1920/50	Resources	People	Audit Advice	Not applicable
P1920/51	Resources	Digital Programme Office	Audit Advice	Not applicable
P1920/58	Resources	Finance	Monitoring Implementation of Audit Recommendations	Not applicable
P1920/59	Resources	Finance	Audit Advice	Not applicable

Job number	Directorate	Service	Job Name	Opinion
P1920/63	Resources	Commercial & Integrated Landlord Services	Monitoring Implementation of Audit Recommendations	Not applicable
P1920/64	Resources	Commercial & Integrated Landlord Services	Audit Advice	Not applicable
P1920/65	Resources	Business Planning & Redesign	Audit Advice	Not applicable
P1920/70	Social Care & Health	Integrated Services	Audit Advice	Not applicable
P1920/72	Social Care & Health	Children's Services	Audit Advice	Not applicable
P1920/75	Social Care & Health	Public Protection	Audit Advice	Not applicable
P1920/79	Corporate	Cross Cutting	Annual Governance Statement	Not applicable

Internal Audit Opinions

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

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

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

RATING	RISK DESCRIPTION	IMPACT
1	Significant	<p>(Significant) – Major / unacceptable risk identified.</p> <p>Risks 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>Risks identified which are not business critical but which require management attention 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>

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 FEBRUARY 2020

INTERNAL AUDIT SECTION PROGRESS REPORT 2019/20 – 9 MONTHS

APPENDIX 3

Performance Indicators

	2018/19	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	17%	30%	53%	84%	82%
2	Percentage of audits completed within planned time	N/A	100%	67%	64%	67%
3	Average no. of days from audit closing meeting to issue of a draft report	3 days	4 days	10 days	9 days	17 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	18 days	5 days
5	Percentage of recommendations made that were accepted by the clients	100%	98%	99%	98%	95%
6	Percentage of clients at least 'satisfied' by audit process	100%	100%	100%	100%	95%
7	Percentage of directly chargeable time (actual v planned)	112%	108%	108%	107%	100%
8	Number of special investigations	2	4	5	5	

N / A – not available

	2019/20	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	11%	27%	51%		50% (84% pa)
2	Percentage of audits completed within planned time	N/A	70%	60%		60%
3	Average no. of days from audit closing meeting to issue of a draft report	2 days	2 days	30 days		12 days
4	Average no. of days from receipt of response to draft report to issue of the final report	26 days	23 days	22 days		5 days
5	Percentage of recommendations made that were accepted by the clients	98%	98%	98%		90%
6	Percentage of clients at least 'satisfied' by audit process	N/A	100%	100%		90%
7	Percentage of directly chargeable time (actual v planned)	90%	98%	94%		100%
8	Number of special investigations	2	3	3		



REPORT

SUBJECT: Treasury Policy and Strategy Report 2020/21
DIRECTORATE: Resources
MEETING: Audit Committee
DATE: 13th February 2020

DIVISION/WARDS AFFECTED: Countywide

1. Purpose:

- 1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks.
- 1.2 The purpose of this report is to agree the 2020-21 Treasury policy and Strategy 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 2020/21 (Appendix 1) and
 - The proposed Treasury Management Strategy 2020/21 (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 Treasury Management Policy Statement and Treasury Management Strategy

- 3.1 As stated in the treasury management policy statement, the Council adopts the key recommendations of CIPFA's Code of Practice for Treasury Management in the Public Services (the "Code") (as revised in 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.

- 3.2 The Audit Committee in its role as the Council's delegated body 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
- 3.3 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 include the Investment strategy within the Treasury strategy and for Audit Committee to continue to review proposals and endorse or otherwise the Strategy for approval by full Council. Appendix 2 contains the Councils detailed proposed investment strategy.
- 3.4 Overall responsibility for treasury management remains with the Full Council. In effect, that body delegates the execution and administration of treasury management decisions to the Director 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.
- 3.5 The Council also adheres to the Prudential Code for Capital Finance in Local Authorities (as revised in 2017) 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 are included as part of the capital budget considerations. They are included in Annex C here for information.
- 3.6 The revised Prudential Code and Treasury Management Code were issued in 2017. The LA (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018 came into force in March 2018. The Welsh Government Guidance on Local Government Investments has been revised in 2019 and comes into force for the 2020/21 financial year. Changes required by these codes are incorporated into the 2020/21 Treasury Strategy and sits alongside the Authority's Capital Strategy which was approved by Council on 19th September 2019.
- 3.7 The PWLB increased its lending rates, which are set by reference to UK gilts, by 1% in October 2019. Due to the economic backdrop in the UK and worldwide, in the previous year gilt interest rates had fallen by almost as much, possibly increasing the demand for PWLB borrowing by Local authorities during that year. The treasury team will look at alternative options for borrowing as the need arises.

4 Other Considerations influencing the strategy

- 4.1 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, Inflation the Bank of England base rate and UK growth & the likelihood that European banks may create UK subsidiaries to trade in the UK.

- Growth in Europe remains soft and in the US, the Federal Reserve began easing monetary policy in 2019 so an upward impact on UK interest rates and growth are not expected during the coming year.
- Achieving a balanced budget continues to be a challenge for the council, so the Authority continued with its investments in strategic pooled funds, investing a total of £3m, to increase returns whilst maintaining a prudent level of security. The income return to date has been above 4%.

4.2 The limits proposed in the 2020/21 treasury strategy have not changed significantly from the 2019/20 strategy which means that most of our investments will be limited to £2 million per counterparty – see table 3 ‘Approved Investment counterparties & Limits’ in Appendix 2. 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.

5 Annual Minimum Revenue Provision (MRP) Policy Statement

- 5.1 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.
- 5.2 The Welsh Government issued revised MRP guidance in 2018. This is taken into account by the MRP Statement and Policy.

6 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 2018.

7 Resource Implications:

- 5.3 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.

- 5.4 In order to keep the Authority's borrowing costs lower, the external borrowing total is split fairly equally between long and short term recurrent borrowing. The short term borrowing achieves a reduction in cost but causes an increase in interest rate risk. Although interest rates could rise, it is not expected that short term rates over the MTFP window will exceed current long term rates. The Treasury team continues to optimise its loans and investments to reduce the net cost of borrowing/investing while ensuring that security and liquidity levels are maintained at a suitable level and the various risks are properly managed.
- 5.5 The levels of Treasury debt and investments at the 31st December 2019 are provided in Annex B.
- 5.6 The medium-term treasury budgets contained within the 2020/21 revenue budget proposals to be presented to Council shortly, 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 indicative treasury budgets for the next 4 years are:

Subjective Classification	Indicative Base Budget 2020/21	Indicative Base Budget 2021/22	Indicative Base Budget 2022/23	Indicative Base Budget 2023/24
Interest and Investment Income	(251,639)	(249,809)	(251,541)	(253,032)
Interest Payable and Similar Charges	4,019,724	4,049,335	4,156,636	4,075,909
Charges required under Regulation (MRP)	6,455,882	6,195,975	6,332,859	6,765,008
Related Evidence based pressures & Disinvestments	(205,000)	219,000	331,000	90,000
Total Treasury Budgets	10,018,967	10,214,501	10,568,954	10,677,885

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

- The capital medium term financial plan for 2020/21 has been shared with members as part of the capital budget setting process which won't conclude until February/March. 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 risks associated with rising interest rates are indicated in the Treasury Strategy by the Interest rate risk indicator & limit. This figure is a full 12 month impact on all of the Authority's variable rate loans and loans maturing in the following 12 months, being impacted by a 1% rise in interest rates irrespective of their maturity date. A 1% rise is not considered likely as the Bank of England Base Rate has been 0.5% since March 2009 falling to 0.25% briefly & then rising to 0.75% in August 2018. Further rises have been debated since then but are only expected to be small and gradual if they occur at all. The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. A 1% increase from the current level over the MTFP window would be very

unexpected. The limit for this Interest rate Indicator has been set at £825,000, higher than the forecast for this indicator over the next 2 years. It should be noted that this indicator could only be reduced by less borrowing which would be difficult to implement or fixing external borrowing costs by taking out more expensive longer term loans. The anticipated future net borrowing costs for the Authority based on anticipated borrowing levels and at forecast rates is incorporated into the 2020/21 Revenue MTFP.

- The Authority continues to make plans to assess the capital receipts which can be obtained from selling property assets. Without these receipts being available to fund capital expenditure, new capital programs will have to be funded by additional borrowing.

8 Equality Impact Assessment

There is no equality impact arising directly from this report.

9 Sustainable Development Implications:

None

10 Background Papers:

Appendix 1 – Treasury Management & Minimum Revenue Provision (MRP) Policy Statement 2020/21

Appendix 2 – Treasury Management Strategy Statement 2020/21 including the Investment & Borrowing Strategies

11 Authors:

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TREASURY MANAGEMENT POLICY STATEMENT AND MINIMUM REVENUE PROVISION POLICY STATEMENTS 2020/21

1 TREASURY MANAGEMENT POLICY STATEMENT

- 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 Director 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 2020/21

- 4.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The Welsh Government's Guidance on Minimum Revenue Provision most recently issued in 2018 places a duty on local authorities to make a prudent provision for debt redemption. Local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

- 4.2 In line with WG guidance, this annual MRP Statement will be submitted to Council before the start of the 2020/21 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.
- 4.3 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 or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 4.4 MRP options recommended in the Guidance include:
- 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 2020/21:

- 4.5 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).

4.6 MRP on Supported Borrowing funded Expenditure

The Authority’s policy is to apply Option 3, the Asset life method in respect of supported capital expenditure funded from borrowing. The charge will be 2% per annum, equivalent to equal installments over a 50 year life.

4.7 MRP on Unsupported Borrowing funded Expenditure

The Authority’s policy is to apply Option 3, the Asset life method 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 life of the assets taking into account the real value of money. The first MRP charge will be in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

These lives may be reduced if it is prudent to do so because the resultant income stream or useful life to the Authority is shorter.

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

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

4.9 For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council may make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the WG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.

4.10 The 2020/21 budget proposals reflect these positions.

Treasury Management Strategy Statement 2020/21

Introduction

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.

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) which requires the Authority to approve a treasury management strategy before the start of each financial year. In addition, the Welsh Government (WG) issued revised Guidance on Local Authority Investments in November 2019 that requires the Authority to approve an investment strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.

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, or a material loss in the fair value of a non-financial investment identified as part of the year end accounts preparation and audit process.

External Context

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 2020/21.

UK Consumer Price Inflation (CPI) for September registered 1.7% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, rose to 1.7% from 1.5% in August. The most recent labour market data for the three months to August 2019 showed the unemployment rate ticked back up to 3.9% while the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased 1.9%.

GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

Growth in Europe remains soft, driven by a weakening German economy which saw GDP fall -0.1% in Q2 and is expected to slip into a technical recession in Q3. Euro zone inflation was 0.8% year on year in September, well below the European Central Bank's target of 'below, but close to 2%' and leading to the central bank holding its main interest rate at 0% while cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November.

In the US, the Federal Reserve began easing monetary policy again in 2019 as a pre-emptive strike against slowing global and US economic growth on the back of the ongoing trade war with China. At its last meeting the Fed cut rates to the range of 1.50-1.75% and financial markets expect further loosening of monetary policy in 2020. US GDP growth slowed to 1.9% annualised in Q3 from 2.0% in Q2.

Credit outlook: Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ringfenced banks embedded in the market.

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

Interest rate forecast: The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be mostly weighted to the downside, due to the continuing need for clarity on Brexit process despite the improved stability provided by the December 2019 election result and also due to the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even with a deal being days away at the time of writing.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

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

For the purpose of setting the budget, it has been assumed that treasury management investments will return an average rate of 1.2% during 2020/2021. This includes £3m of strategic pooled funds returning 4.5%, the balance being short term investments returning 0.7%. ; It has also been assumed - that new long-term loans will be borrowed at an average rate of 2.5% / 2.8% for 10 and 30 year PWLB loans & 0.9% for short term loans mainly from other Local Authorities.

Local Context

On 31st December 2019, the Authority held £178.4m of borrowing, £2.4m of other debt and £20.4m of treasury investments. This is set out in further detail at **Annex B**. Forecast changes to the Capital Financing Requirement and how this affects these sums over time are shown in the balance sheet analysis

in Table 1 below which concludes with the total amount of external new (or replacement) loans required by each year end when compared to 31st March 2019.

Table 1: Balance sheet summary and forecast

	31.3.19 Actual £m	31.3.20 Estimate £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m
General Fund CFR	151.2	160.4	162.2	164.1	178.3	179.3
Commercial Investments CFR	35.1	50.7	51.4	49.3	47.2	44.3
Total CFR	186.3	211.1	213.6	213.4	225.4	223.6
Less: Other debt liabilities *	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4
Loans CFR	183.9	208.7	210.2	210.0	222.0	220.2
Less: Existing external borrowing reducing as matures **	-178.4	-122.7	-87.0	-79.1	-77.3	-73.5
Internal borrowing requirement	5.5	86.0	123.1	130.9	144.7	146.8
Less: Usable reserves	-17.3	-21.0	-26.8	-27.4	-27.2	-27.2
Less: Working capital	-8.7	-8.7	-8.7	-8.7	-8.7	-8.7
<u>Cumulative New External borrowing requirement/ (Investments)</u> - Including Replacement of borrowing at 31/3/2019 maturing	-20.5	56.3	87.5	94.8	108.8	110.9
<u>Anticipated gross borrowing levels</u> ***	178.4	194.0	189.6	188.8	201.1	199.3

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

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

*** Based on £15m of investments being held but excluding other debt liabilities

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.

The Authority is expected to need to borrow in the region of £111m over the forecast period above due to maturing debt and due to the rising CFR. The Authority has an increasing CFR due to its borrowing funded capital programme, including 21st Century Schools Band B and the completion of the £50m of Property Investments (which whilst increasing CFR is expected to be afforded by additional income).

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. By comparing Anticipated gross borrowing levels to Loans CFR, table 1 shows that the Authority expects to comply with this recommendation during 2020/21.

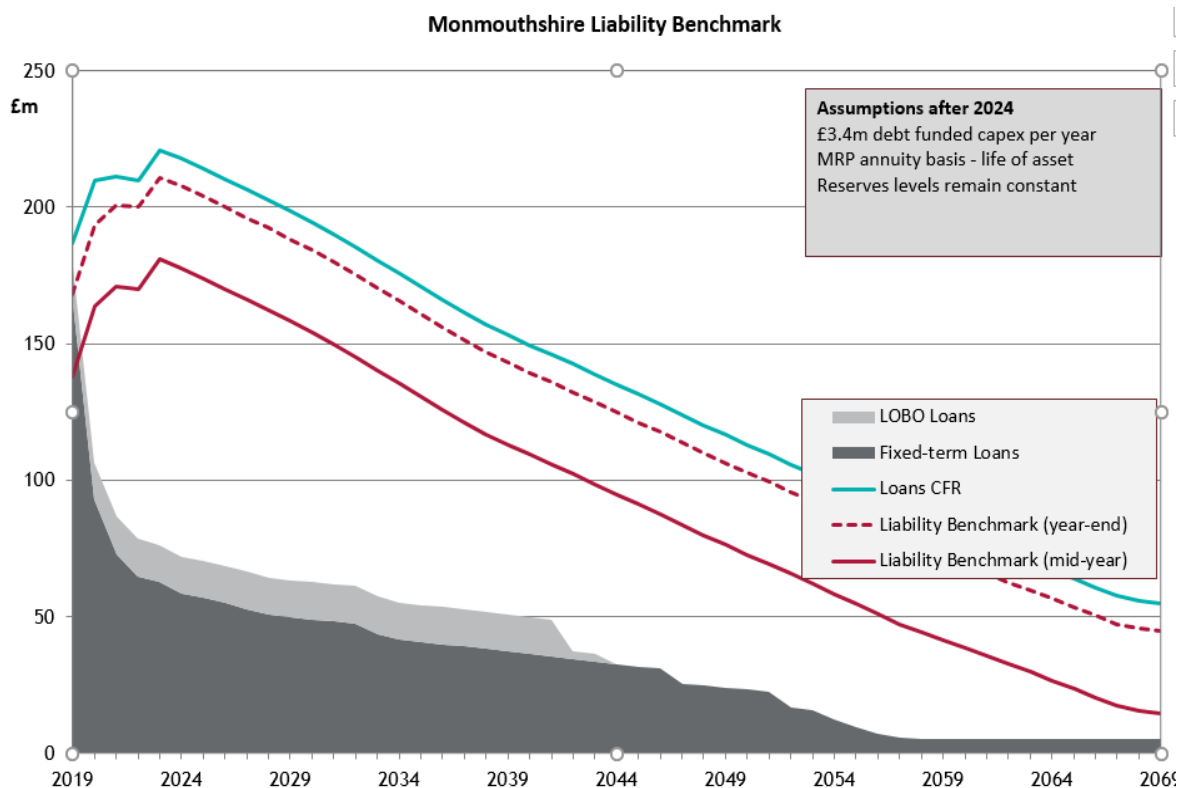
Liability benchmark: This is the lowest level of external borrowing required to fund the capital programme. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept at an average of £15m to comply with the minimum of £10m required of a professional investor under

Mifid II (Markets in Financial Instruments Directive II). This minimum level of borrowing is expected to rise by £5.3m from 1st April 2020 to 31st March 2024.

Table 2: Liability benchmark

	31.3.19 Actual £m	31.3.20 Estimate £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m
Loans CFR	183.9	208.7	210.2	210.0	222.0	220.2
Less: Usable reserves	-17.3	-21.0	-26.8	-27.4	-27.2	-27.2
Less: Working capital	-8.7	-8.7	-8.7	-8.7	-8.7	-8.7
Plus: Forecast investments	20.4	15.0	15.0	15.0	15.0	15.0
Liability Benchmark (Minimum level of gross borrowing needed)	178.3	194.0	189.6	188.8	201.1	199.3

Following on from the medium-term forecasts in Table 2 above, the long-term liability benchmark, below assumes capital expenditure funded by borrowing is as the draft 2020/21 capital MTFP and thereafter £3.4m per year, minimum revenue provision on new capital expenditure is based on asset life as in the MTFP or 25 years and, income, expenditure and reserves held are not increasing or decreasing beyond the MTFP window. This is shown in the chart below:



Our underlying need to borrow is shown by the top blue line. However, due to the use of reserves and working capital, the Authority is expected to need total external borrowing between the full red lower line and the dotted line above it. As our existing loans portfolio will reduce as loans mature as shown by the grey areas, new loans will therefore be required to fill the gap between the grey area and the red lines over the long term. The Authority intends to maintain about a 50% level or £63m of short term loans which will partly fill this gap, but will still need to take out long term loans, mainly to fund the rest of the Commercial investment program and also the 21C schools band B program, both built into the Draft Capital MTFP.

Borrowing Strategy

As shown in Annex B, at the 31st December 2019, the Authority held £174.3 million of loans, a decrease of £4.0 million compared to 31st March 2019 as part of its strategy for funding previous years' capital programmes. The Liability Benchmark in table 2 shows that the Authority expects to borrow up to £189.6m by the end of 2020/21.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

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

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 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 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority has previously raised the majority of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it now a relatively more expensive option. Before taking out PWLB loans to cover its future borrowing needs, the Authority will look at other sources including banks, pension funds and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

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

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
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

- CSC Foundry

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

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

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 2020/21, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

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

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

Treasury Investment Strategy

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. From the 1st April 2019 to 31st December 2019, the Authority's treasury investment balances ranged from £10 to £41 million, with an average of £25.1 million. The Authority is committed to holding a minimum of £10m as mentioned above due to the Mifid II regulation. 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.

Loans to organisations providing local public services and purchases of investment property are not normally considered to be treasury investments, and these are therefore covered separately in Annex D.

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

one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to continue during 2020/21 with the diversification practiced in 2019/20 into higher yielding asset classes such as pooled funds. This continues to take advantage of the £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.

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 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 will go through Other Comprehensive Income (OCI) and be held in the Financial Instruments Revaluation Reserve (FIRR) until the investments are sold. Dividends from these funds will be credited to the SDPS.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown. Any formal recommendations received from the Authority’s treasury advisors which reduces or increases the restrictions on certain counterparties in terms of eligibility, limits or duration of Investments will supersede the limits set below. . Any Investments with a credit rating of less than A-, or one which has a maturity of more than one year unless it is with another Local Authority, are classed in the 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. See Annex D for further information.

Table 3: Approved investment counterparties and limits

This table must be read in conjunction with the notes below

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

<p>'Unsecured' investments with Banks, Building Societies, Other Organisations and Securities whose lowest published rating from Fitch, Moody's and S&P's is (A-)</p> <p>As above but (A)</p> <p>As above but (A+)</p>	<p>75% of total investments at the time of deposit</p> <p>For Non-UK 50% of total investment at the time of deposit</p>	<p>Upper limit of £2m.</p> <p>An additional £1m can be held in the Authority's bank current account to cover the total of credit balances</p>	<p>£4m per foreign country with a credit rating of AA+ or above</p>	<p>Limit for negotiable instruments held in Brokers nominee accounts: the lower of 50% or £10m per Broker</p>	<p>6 months</p> <p>13 months</p> <p>2 years</p>
<p>Secured Investments with Banks, Building Societies, Other Organisations and Securities, (including Repo's) whose lowest published rating from Fitch, Moody's and S&P's is (A-)</p> <p>As above but (A) or (A+)</p>	<p>75% of total investments at the time of deposit (both secured and unsecured)</p> <p>For Non-UK 50% of total investments at the time of deposit (both secured and unsecured)</p>	<p>£4m per counterparty (both secured and unsecured)</p>	<p>£4m per foreign country with a credit rating of AA+ or above for all investment types</p>	<p>N/A</p>	<p>13 months</p> <p>2 years</p>
<p>Deposits with unrated UK Building Societies which have been assessed by our Treasury advisers as comparable with the Building Societies that have an A- credit rating or higher</p>	<p>25% of total investments</p>	<p>£1m per Counterparty</p>	<p>UK only</p>	<p>N/A</p>	<p>6 months</p>
<p>Money Market Funds with a Constant Net Asset Value (CNAV) or Low Volatility NAV if assessed by our Treasury advisers as being of high credit worthiness</p>	<p>50% of total investments at the time of deposit increased to 75% if total investments is £10m or less</p>	<p>The lower of £2m and 10% of investments rounded up to next £0.5m; not exceeding 0.50% of MMF size or 2% for Government MMFs</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>
<p>Pooled funds & Real Estate Investment Trusts (REITS) without credit</p>	<p>£6m total investment at the time of</p>	<p>£2m per fund</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

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	deposit				
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

* unless advised against lending by our Treasury Advisors

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.

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

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. 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.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made 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.

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.

Pooled funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares, property & some minority holdings. 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 can 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.

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.

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. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

Operational bank accounts: The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £50,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

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

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

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, 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.

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.

Investment limits: The Authority’s revenue reserves available to cover investment losses are forecast to be £13.5 million on 31st March 2020. In order that no more than 30% of available revenue 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 3). 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 & 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.

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 treasury team maintain an excel cashflow model which calculates the net cashflow movements expected per year based on the capital medium term financial plan and informs the timing and amount of any longer term investment and borrowing decisions. The team also uses a detailed excel cash flow forecasting spreadsheet for the current financial year to determine the optimum size and timing for new short term loans and investments to ensure sufficient liquid cash is available to make any payments required. The aim of short term liquidity management is to borrow only when the need arises and therefore to minimise net borrowing costs. 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.

Treasury Management Indicators

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

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

Interest rate exposures: This indicator is set to control the Authority’s exposure to interest rate risk. The value of this indicator is the total of ‘The 12 month impact of a 1% rise in interest rates on each loan’ which will mature in the following 12 months offset by the 12 month impact of investments maturing in the next 12 months. The forecast levels and the Upper limit for the total impact is:

Interest rate risk (Forecasts / Limit)	31 st Dec 2019 £’000	31 st Mar 2020 £’000	31 st Mar 2021 £’000	31 st Mar 2022 £’000	Limit £’000
Forecasts / Upper limit on 12 month revenue impact	534	626	699	657	825

of a 1% <u>rise</u> in interest rates					
Forecast / Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	(534)	(626)	(699)	(657)	0
Rise as a % of Council Fund balance at 31 st March 2019	7.5%	8.8%	9.8%	9.2%	11.6%

Note - This is a variation on the Interest rate exposure indicator from the 2019/20 strategy as 12 months of impact is included for each maturing loan irrespective of timing, so this indicator produces a higher figure but is less likely to vary due to small variations in maturity date which are not relevant for decision making. The impact is calculated assuming each maturing loan or investment will be replaced with a like for like instrument. In reality the type, counterparty and maturity might change, but it is however a good indicator of the interest rate risk of holding shorter maturity/variable rate instruments. The comparison to Council Fund balance is provided as any overspend resulting from an increase in interest rates would as a default be funded from the Council fund, £7.1m at 31st March 2019. As loan maturities are spread over the 12 months in question, the 12 month impact of all maturing loans being replaced by ones with higher rates would not be felt in the same financial year.

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 rate risk indicator	Forecast 31 st March 2020 % / £m	Lower limit	Upper limit
Under 12 months - LOBO loans	8.0% / £13.6m		
Under 12 months - short term loans	36.9% / £62.7m		
Under 12 months - variable rate loans	8.0% / £13.5m		
Under 12 months - maturing LT loans	0.8% / £1.4m		
Total - Under 12 months	53.7% / £91.2m	0.0%	60%
12 months and within 24 months	5.2% / £8.8m	0.0%	20%
24 months and within 5 years	7.7% / £13.1m	0.0%	30%
5 years and within 10 years	7.5% / £12.8m	0.0%	30%
10 years and within 20 years	7.5% / £12.7m	0.0%	100%
20 years and above	18.4% / £31.3m	0.0%	100%
Total	100% / £169.9m		

The maturity periods in the table above are measured from the first day of the financial year for existing loans, loan start dates for new loans & with matured loans removed if relevant. The maturity date of borrowing is the earliest date on which the lender can demand repayment so LOBO loans are under 12 months despite not being expected to mature until 2041/3.

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 having to seek early repayment of long-term investments. The limits on the total of any long-term investments arranged before 31st March 2021, maturing in each of the following periods are:

Price risk indicator	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	£6m	£6m	£2m

the limits are measured at invested amount if different to sum received at maturity

This indicator excludes Pooled funds, which, although intended to be held for 3 - 5 years, do not have a fixed maturity.

Prudential Indicators

Prudential indicators have traditionally been included in the Treasury Strategy but are now included with the 2020/21 budget papers as an Appendix. They are included in Annex C for information.

The Actual External Debt is reported against the Operational Boundary and Authorised Limit after the end of each year in the Treasury Outturn report.

Related Matters

The CIPFA Code requires the Authority to include 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.

Government Guidance: Further matters required by the WG Guidance are included in Annex D.

Financial Implications

The budget for investment income in 2020/21 is £250,000, based on an average investment portfolio of £17 million at an interest rate of 0.7% plus £3m of strategic pooled funds at an average income return of 4.5%. The budget for debt interest paid in 2020/21 is £4.1 million excluding new debt required to fund the remainder of the Commercial Investment purchase program. This figure is based on an average debt portfolio of £174 million at an average interest rate of 2.4% made up of approximately half long and half short term and variable rate debt. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The WG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The S151 Officer and his team, having previously consulted the Audit Committee believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and	Impact on risk management
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	expenditure	
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

Annex A - Arlingclose Economic & Interest Rate Forecast November 2019

Underlying assumptions:

- The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.
- Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.
- Brexit has been delayed until 31 January 2020. While the General Election has maintained economic and political uncertainty, the opinion polls suggest the Conservative position in parliament may be strengthened, which reduces the chance of Brexit being further frustrated. A key concern is the limited transitional period following a January 2020 exit date, which will maintain and create additional uncertainty over the next few years.
- UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggest falling household and business confidence. Both main political parties have promised substantial fiscal easing, which should help support growth.
- While the potential for divergent paths for UK monetary policy remain in the event of the General Election result, the weaker external environment severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to loosen monetary policy. Indeed, two MPC members voted for an immediate cut in November 2019.
- Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.
- Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- Although we have maintained our Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependant on General Election outcomes and the evolution of the global economy.
- Arlingclose judges that the risks are weighted to the downside.
- Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.
- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.21
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
3-month money market rate														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
1yr money market rate														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	0.23
Arlingclose Central Case	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.60
5yr gilt yield														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	0.37
Arlingclose Central Case	0.50	0.50	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.56
10yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.85	0.85	0.90	0.90	0.95	0.95	1.00	1.00	1.00	0.88
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.45
20yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45
50yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%

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

Annex B - Existing Investment & Debt Portfolio Position

	31 st Dec 2019 Actual Portfolio £m	Average Rate %
External borrowing:		
Public Works Loan Board - Fixed rate	75.7	3.6
Public Works Loan Board - Variable rate	13.5	0.9
LOBO loans from banks	13.6	4.8
Welsh Government Loans	4.6	0.0
Local authority & other LT loans	0.9	0.95
Local authority & other ST loans	66.0	0.87
Total external borrowing	174.3	2.3
Other long-term liabilities:		
Private Finance Initiative	0.7	
Leases	0.1	
Other	1.6	
Total other long-term liabilities	2.4	NA
Total gross external debt	176.7	NA
Treasury investments:		
Banks & building societies (unsecured)	5.8	}
Government (incl. local authorities)	5.5	0.7
Money Market Funds	6.8	}
Strategic pooled funds	3.0	4.5
Total treasury investments	21.1	1.2
Net debt	155.6	NA

Annex C - Prudential Indicators

Capital Expenditure £m	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget
General Fund services	39.6	27.6	27.9	20.3	19.6	5.9
Commercial investments (£50m total pool)	30.7	16.7	2.6	0.0	0.0	0.0
TOTAL	70.3	44.3	30.5	20.3	19.6	5.9

Proportion of Financing Costs to net revenue stream	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget
Interest £m	3.3	3.8	3.8	3.8	3.9	3.8
MRP £m	4.6	5.7	6.3	6.4	6.6	6.8
Total Financing costs £m	7.9	9.5	10.1	10.2	10.5	10.6
Net Revenue Stream (£m)	150.4	154.3	160.8	163.3	165.9	168.6
Proportion of net revenue stream %	5.2%	6.1%	6.3%	6.2%	6.3%	6.3%

Capital Financing Requirement	31.3.19 Actual £m	31.3.20 Estimate £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m
Commercial Investments CFR (including solar farm)	35.1	50.7	51.4	49.3	47.2	44.3
Other Loans CFR	148.8	158.0	158.8	160.7	174.8	175.9
Total Loans CFR	183.9	208.7	210.2	210.0	222.0	220.2
Other Debt Liabilities CFR	2.4	2.4	3.4	3.4	3.4	3.4
Total CFR	186.3	211.1	213.6	213.4	225.4	223.6

A comparison of Net and Gross Debt to Capital Financing Requirement (Loans CFR)	31.3.20 19 actual	31.3.2020 forecast	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget
Net Debt	158.0	182.0	174.8	170.1	181.4	178.1
Gross Debt	178.3	197.0	189.8	185.1	196.4	193.1
Loans CFR	183.9	208.7	210.2	210.0	222.0	220.2

<u>Authorised & Operational Borrowing Limits</u>	2019/20 for comparison	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit
Authorised limit - borrowing	248.2	230.0	225.3	236.6	233.3

Authorised limit - PFI, leases & Right of use assets	4.4	5.4	5.4	5.4	5.4
Authorised limit - total external debt	252.6	235.5	230.7	242.0	238.7
Operational boundary - borrowing	218.0	210.8	206.1	217.4	214.1
Operational boundary - PFI, leases & Right of use assets	2.9	3.9	3.9	3.9	3.9
Operational boundary - total external debt	220.9	214.8	210.0	221.3	218.0

nb - Authorised limit is higher than CFR as CFR is not a limit but an indicator of debt requirement

SUBJECT:	Strategic Risk Assessment
MEETING:	Audit Committee
DATE:	13th February 2020
DIVISIONS/WARDS AFFECTED:	All

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 the extent to which the strategic risks facing the authority are appropriately captured.
- 2.2 That members scrutinise, on an on-going basis, the risk assessment and responsibility holders to ensure that risk is being appropriately managed.

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.
- 3.3 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.
- 3.4 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 plans.

- 3.5 An internal audit report on the Council's strategic risk management arrangements identified a number of areas for improvement. Work has continued to address these and they 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, along with a refresh of the Council's strategic risk management policy and guidance. Further action to address any remaining areas for improvement from the internal audit report on the Council's strategic risk management arrangements continue to be implemented.
- 3.6 In line with the Well-being of Future Generations Act, identification and mitigation of longer-term risks that will impact on future generations at community level, but will have a lesser impact on the medium term delivery of council services is an area for continued development. Through working with the Public Service Board we are developing our understanding of future risks and opportunities and how we respond to them in Monmouthshire. This will inform the strategic risk register as relevant.
- 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. 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.

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Appendix 1: Strategic Risk Assessment – January 2020

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale & 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>Budget assumptions modelled in September 2019 indicated a gap of £5.39 million in 2020/21 rising to a gap of £21.07 million over the medium term. Further work to refine this assumption based on local work and updated settlement announcements is being undertaken.</p>	2019/20	Possible	Major	Medium	<p>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>	<p>Chief Executive, March 2019</p> <p>Completed</p>	<p>The Future Monmouthshire programme was about ensuring the council remains relevant and viable for the next generation, while continuing to meet the day-to-day needs of residents, visitors and businesses. A range of transformation opportunities were incorporated within the 2019/20 Medium Term Financial Plan.</p> <p>The specific programme of Future Monmouthshire has concluded. The guiding principles of Future Monmouthshire continue to be applied in work ensuring the council remains relevant and viable, for example in the budget setting process.</p>	2019/20	Unlikely	Major	Low	Paul Matthews & Cllr Peter Fox	<p>Select Committee: All</p> <p>Objectives: All</p>		
			2020/21	Possible	Major	Medium				2020/21	Unlikely	Major	Low				
			2021/22	Possible	Major	Medium				2021/22	Unlikely	Major	Low				
							<p>Implement and track progress of the revised key delivery strategies: Digital Strategy, People Strategy and Asset Management Strategy.</p>	<p>Chief Officer Resources Timescales as per strategies</p>	<p>The council's key delivery strategies to enable the delivery of corporate plan have been revised. The revised strategies continue to be implemented and activity has been embedded in the relevant service business plans.</p> <p>The people strategy will be reconsidered informed by the learning from recent leadership development sessions, wider organisational learning and input.</p>								
							<p>Previous action: 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>Head of Policy and Governance October 2019 Completed</p>	<p>The Council' Corporate Plan Annual Report was published in October 2019. The plan provides an overview of progress towards the objectives in the plan during the past year and updates on performance indicators.</p>								
							<p>New action: Complete the midterm review of the Corporate Plan.</p>	<p>Senior Leadership Team, February 2020</p>	<p>A mid-term review of the commitments in the Corporate Plan is being undertaken to ensure that the aspirations and activity set remain relevant, that they are</p>								

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								deliverable with the resources we have available and ensure they reflect the latest thinking on issues of importance to our communities.							
							Strengthen medium to long term strategic financial planning as part of the Medium term financial plan.	Chief Officer Resources, March 2021	Work will continue to be progressed, as part of Medium term financial plan, on strengthening medium to long term strategic financial planning, this will build on work from the draft financial strategy developed. This will be impacted by the lack of multi-year indicative financial settlements from Welsh Government.						
							Apply and update learning from work on future trends and plan for how they might impact at a local level in Monmouthshire.	Head of Policy and Governance ongoing	The learning from work on future trends undertaken with the Public Service Board 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. Working with the Public Service Board we are developing our understanding of future risks and opportunities and how we respond to them in Monmouthshire.						
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. New joint arrangements require robust governance arrangements to be established.	2019/20 2020/21 2021/22	Possible Possible Possible	Substantial Substantial Substantial	Medium Medium Medium	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 June 2020 Head of Policy and Governance Complete	In December 2017, Council adopted changes to the council's constitution. A thorough review is currently being undertaken to ensure it reflects the latest legislation and council's governance structures. This is due to be presented to Council in May 2020. A community governance review identified the need to consider new arrangements for area committees and North Monmouthshire Area Committee was subsequently identified as a pilot. A review of the pilot was presented to the committee. It	2019/20 2020/21 2021/22	Unlikely Unlikely Unlikely	Substantial Substantial Substantial	Low Low Low	Matthew Gatehouse and Matthew Phillips & Cllr Paul Jordan	Select Committees: Audit Committee Objectives: All

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		<p>Monmouthshire County Council recognises the important and valuable contribution made by volunteers in enhancing service delivery. There is a need to continue 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 Local Government and Elections Bill was published in November 2019. The Bill is a significant and substantial piece of legislation and includes provision related to democracy, regional working, structures, governance and performance.</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 2019-20.” There remains proposals for improvement from Wales Audit Office relating to the Councils’ governance and scrutiny arrangements that are still being addressed.</p>						<p>was decided to continue with Area Committees in their current format.</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>Submit evidence in response to the Local Government & Elections (Wales) Bill</p> <p>Work with the Democratic Services Committee to respond to areas in the Bill which require changes to MCC processes</p> <p>Manage our actions in response to Estyn, CIW and WAO via existing mechanisms</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>Head of Tourism, Leisure & Culture</p> <p>Complete</p> <p>Head of Policy and Governance,</p> <p>February 2020</p> <p>Senior Leadership Team, timetable as per action plans</p> <p>HR Manager & Communities and Partnership Development Team</p> <p>Timescale as implementation plan</p>	<p>Following extensive investigative work and thorough consideration of the business case, Council decided not to progress with externalising Tourism, Culture, Leisure and Youth Services, but to retain services in-house with a commitment to a fundamental programme of renewal and transformation.</p> <p>A consultation response has been submitted to the Committee scrutinising the Bill.</p> <p>The potential financial cost of changes to the council chamber to reflect the impact of boundary changes and updates to equipment to sustain live streaming have been recognised in the capital budget.</p> <p>A new post of Policy and Scrutiny Officer has been appointed which will help create the capacity to increase participation in local democracy.</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>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 Leading Volunteering training is delivered to staff that support volunteers.</p> <p>A Volunteer Kinetic digital management system is in place.</p>						

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									Service area champions have also been introduced to ensure that all current and new volunteers are recruited through the appropriate channels. In June 2019, the first Volunteering Conference was held to put volunteering at the forefront of council planning for the future.						
3.	<p>Potential Risk that:</p> <p>The Council and partners do not make sufficient progress in delivering through regional and partnership working.</p>	<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 and implemented. Arrangements to monitor delivery need to be further developed and embedded. The Council, as a statutory partner, has an important role in taking these forward.</p> <p>The Local Government and Elections Bill was published in November 2019. The Bill is a significant and substantial piece of legislation and includes provision related to democracy, regional working, structures, governance and performance.</p> <p>The Council is already part of regional and partnership-working arrangements in a variety of services; some of these require further development, for example, Joint Scrutiny of the Cardiff Capital Region is in its infancy.</p>	2019/20	Possible	Substantial	Medium	To deliver 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 2020	<p>The Public Service Board has published its first annual report for 2018/19, which sets out the progress made so far by the PSB to deliver the objectives set out in the well-being plan, with a particular focus on the six steps prioritised by the PSB. Supported by the Council's Community and Partnership team, the PSB is developing a detailed action plan and performance management arrangements that capture the activity to deliver each step and link to the activity of the wider partnership groups that support delivery.</p> <p>Regional working with other PSB's in Gwent on some of the common well-being issues identified in well-being plans continues to be progressed. Opportunities and options to further strengthen partnership working between Gwent PSB's are being explored.</p> <p>A change in title and terms of reference has been agreed for the Public Service Board Select Committee. The newly entitled Public Services Select Committee will allow for wider scrutiny of public service provision and, where powers allow, will provide greater accountability of services delivered in collaboration or by external partners.</p>	2019/20	Possible	Substantial	Medium	Matthew Gatehouse, Cllr Peter Fox & Cllr Paul Jordan	<p>Select Committees: Audit Committee</p> <p>Public Service Board Select Committee</p> <p>Objectives: All</p>

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							<p>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.</p> <p>Submit evidence in response to the Local Government & Elections (Wales) Bill.</p> <p>Work with Welsh Government on the development of Corporate Joint Committees</p>	<p>The Leader, Ongoing</p> <p>Complete</p> <p>Head of Policy and Governance,</p> <p>January 2020</p>	<p>The group concluded its work in May 2019 with a series of recommendations. Progress made by the group includes a renewed commitment to partnership governance, a revised approach to early engagement regarding finances, and the re-establishment of sector-led improvement support within WLGA.</p> <p>A consultation Response has been submitted to the Committee scrutinising the Bill.</p> <p>Officers continue to engage with Welsh Government on the development of the Corporate Joint Committees which will provide the structure for collaborative working in the areas prescribed within s79(3) of The Bill</p>						
4a.	<p>Potential Risk that:</p> <p>Some services may become financially unsustainable in the short to medium term due to increasing demand and continuing financial pressures</p>	<p>After several years of taking significant resource out of the budget the means of achieving further savings is increasingly more challenging.</p> <p>Budget assumptions modelled in September 2019 indicated a gap of £5.39 million in 2020/21 rising to a gap of £21.07 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 in recent years. The Welsh Government proposed settlement increase for Monmouthshire in 2020/21 is the lowest of any Council in Wales at 3%. Welsh Government funding is not adequate to meet the significant financial pressures the council faces</p>	<p>2019/20</p> <p>2020/21</p> <p>2021/22</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>Ensure that services deliver within budget, deliver savings targets and continue to identify, review and challenge pressures.</p> <p>All services to model savings for 2020/21 and continue a longer-term programme that aligns with the medium Term Financial Plan and corporate plan.</p>	<p>Chief Officer Resources</p> <p>March 2020</p> <p>Chief Officer Resources</p> <p>March 2020</p>	<p>Overall the net revenue forecast at Month 7 2019/20 is a £3.99million deficit. 85% of savings are forecast to be achieved. This outturn forecast presents a significant and increased overspend. Limited opportunity has been identified for in year recovery action, one off adjustments have been identified that are designed to return a balanced position.</p> <p>The budget proposals for 2020/21 see a continuation of our preparedness to challenge all services to sustain themselves rather than to see the closure of services that matter to citizens and consider supporting commitments set out in the Corporate Plan. The significant in-year over spend, whilst being managed via a recovery plan, sees significant pressures carried through into 20/21 and with this already challenging backdrop has made the budget challenge even more acute.</p>	<p>2019/20</p> <p>2020/21</p> <p>2021/22</p>	<p>Unlikely</p> <p>Unlikely</p> <p>Unlikely</p>	<p>Major</p> <p>Major</p> <p>Major</p>	<p>Low</p> <p>Low</p> <p>Low</p>	<p>Peter Davies and Cllr Phil Murphy</p>	<p>Select Committee: All</p> <p>Objectives: All</p>

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		<p>In overall terms there are some £9.742 million of new unavoidable pressures that need to be accommodated as part of the 2020/21 budget. The 2020/21 budget shortfall was £1.178 million (December 2019), if all the savings proposals reported to cabinet are approved.</p> <p>Pressures on the budget have been increasing in terms of demographic growth, demand on services and expectations and pay and pension increases.</p> <p>Overall the net revenue forecast at Month 7 2019/20 is a £3.99million deficit.</p> <p>Earmarked reserve usage over the MTFP period is projected to decrease the balance on earmarked reserves from £5.48 million in 2019/20 to £5.28 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 £4.5 million.</p> <p>Along with the rest of the organisation, schools are facing a challenging financial settlement. School balances have been declining over a number of years and for the year end 2018-19, balances were in a collective deficit. This forecast deficit has increased in the current financial year. By the end of the financial year 2019/20, it is anticipated 16 schools will be in a deficit reserve</p>						<p>The draft revenue budget proposals 2020/21 were presented to cabinet in December 2019 and are open for a period of consultation via various methods until 31st January 2020. The 2020/21 budget shortfall was £1.178 million (December 2019), if all the savings proposals reported to cabinet are approved. The provisional Welsh Government financial settlement has since indicated a 3% increase in funding, the impact of this will be modelled and factored into the budget, with confirmation of the final settlement anticipated in March 2020.</p> <p>Work continues to develop ideas and proposals such that they can be brought into the budget once they are sufficiently progressed. The mid-term review of the Corporate Plan being presented to Council in the New Year will also need to consider any policy changes needing to be considered to put services on a more sustainable footing for the future.</p> <p>Final budget proposals following consultation and receipt of the final settlement will go to a special Cabinet on 19th Feb 2020 and approval of Council Tax and final budget proposals will then take place at Full council on 5th March 2020.</p>							
							Develop and implement a commercial strategy aligned to the Corporate Plan	Chief Officer Resources Timescales as per strategy	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-						

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		position. This position is a concern to the Local Authority, if the deficit balances for schools continue to increase this could over time have an impact on the overall reserves for MCC						<p>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>The council has acquired two commercial investments to generate income to support Council services. Any further investments will be considered by the Investment Committee. In 2020/21 on commercial income, Newport Leisure Park is outperforming the £400k saving target by £48k. However, Castlegate is reporting a shortfall against budget income of £56k as a result of vacant units. However, this should be seen as part of a balance portfolio that is already contributing in excess of £600k of net income to the Authority.</p>							
						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 Enterprise and Community Animation Timescales as per strategy	A new Procurement strategy was approved in July 2018. In order to deliver the aspirations set out within the procurement strategy, the Council has commissioned an independent company to undertake a health check of the procurement function. The primary purpose is to establish whether there are any opportunities to reduce our external costs, as well as to examine our current level of capacity to deliver against stretching targets identified within the procurement strategy. The results of this piece of work are due later in the year.							

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							Strengthen medium to long term strategic financial planning as part of the Medium term financial plan.	Chief Officer Resources, March 2021	Work will continue to be progressed, as part of Medium term financial plan, on strengthening medium to long term strategic financial planning, this will build on work from the draft financial strategy developed. This will be impacted by the lack of multi-year indicative financial settlements from Welsh Government.						
							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. Including, considering the offer of providing loans to schools.	Finance Manager – Children & Young People Ongoing	15 schools started 2019/20 year in deficit. Indications are 16 schools will end the year in deficit based on month 7 forecasts. The deficit position remains particularly acute for the 4 secondary schools. Schools are working closely with the Local Authority to minimise any overspends and agree recovery plans, monitoring of these plans continues to ensure they are met. To help manage this situation Cabinet is considering the offer of a loan to schools as part of the draft budget proposals for 2020-21. Should it be approved there will be strict criteria around the offer, including the criteria that schools who take a loan cannot enter a deficit position and must be able to manage the repayments from the funding delegated to the school.						
4b.	Potential Risk that: The authority is unable to deliver its political priorities or maintain key infrastructure and meet other identified pressures due to insufficient capital funding availability.	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. 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 coming to a successful conclusion. Officers	2019/20	Possible	Major	Medium	Regularly review assumptions as part of the capital MTFP taking account of any new information that is relevant and the consequential impact on the revenue MTFP.	Deputy Head of Finance Ongoing	The 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. It provides a framework through which our resources, and those matched with key partners, are allocated to help meet strategic priorities.	2019/20	Possible	Major	Medium	Deb Hill-Howells, Peter Davies & Cllr Phil Murphy	Select Committees: Economy and Development & Strong Communities Objectives: All
		2020/21	Possible	Major	Medium	2020/21				Possible	Major	Medium			
		2021/22	Likely	Major	High	2021/22				Possible	Major	Medium			

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		<p>are working through options in relation to a future Welsh Government Band B programme.</p> <p>There 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. These include property and highways infrastructure, DDA work, Public rights of way etc.</p> <p>In addition to this there are various schemes/proposals (e.g. Monlife, tranche C Future schools, climate emergency response, any enhanced DFG spending etc.) 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>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 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>						<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 strategy better reconciles resourcing with affordability and will increasingly form the Council's capital budget deliberations going forward.</p> <p>The draft outline proposed capital budget for 2020/21 and the indicative capital budgets for the three years 2021/22 to 2023/24 was presented in to Cabinet in December 2020. Future schools and other identified schemes that need to be accommodated in the capital MTFP are being developed.</p> <p>There will still remain a considerable number of pressures that sit outside of any potential to fund them within the Capital MTFP, and this has significant risk associated with it. These pressures are undergoing further review and risks are being assessed to determine whether there needs to be any further capital budget provision afforded to mitigate any significant risks requiring more immediate action. The results of this review will be reflected in the final capital budget proposals submitted to Cabinet in February 2020.</p>							
							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	A programme of property condition surveys are currently being undertaken by external consultants, these will be used to inform prioritisation of capital maintenance spend. A programme						

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								Placemaking, Housing, Highways and Flood	of Health and safety surveys is currently being commissioned. Independent condition assessments of key highways infrastructure are completed as required depending on condition. These inform prioritisation of available capital budget.						
							Deliver the Asset Management Plan to manage the Council's land and property portfolio	Head of Commercial and Integrated Landlord Services Timescales as per plan	The Asset Management strategy is being implemented and actions from the plan have been integrated into the relevant business plans for ongoing monitoring and progress reporting.						
							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	Head of Commercial and Integrated Landlord Services Ongoing – see Asset Management strategy	The council has acquired two commercial investments to generate income to support Council services. Any further investments will be considered by the Investment Committee. In 2020/21 on commercial income, Newport Leisure Park is outperforming the £400k saving target by £48k. However, Castlegate is reporting a shortfall against budget income of £56k as a result of vacant units. However, this should be seen as part of a balance portfolio that is already contributing in excess of £600k of net income to the Authority.						
5. Revised	Potential Risk that: Reduced organisational capacity, including skills and knowledge, and recruitment and retention issues will impact on our ability to deliver organisational aims and objectives	Our people are central to the success of our council and county. To maximise the opportunities to deliver our objectives we need to develop knowledge and skills that are not always widespread within our sector. Sickness levels were an average of 11.5 days per FTE employee in the year to March 2019, which was amongst the highest of	2019/20 2020/21 2021/22	Possible Possible Possible	Substantial Substantial Substantial	Medium Medium Medium	To implement a revised people and organisational development strategy following development of the corporate plan and the workforce planning arrangements required to deliver.	Head of People Services Timescales as per strategy	The People strategy continues to be implemented and activity has been embedded in the relevant service business plans. The People Strategy will be reconsidered informed by the learning from recent leadership development sessions, wider organisational learning and input. The Cadetship programme was introduced in 2018 to help support	2019/20 2020/21 2021/22	Possible Possible Possible	Substantial Substantial Moderate	Medium Medium Low	Tracey Harry & Cllr Phil Murphy	Select Committee: Strong Communities Objectives: All

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		<p>welsh local authorities. 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. Staff turnover is fairly stable at 8.73%.</p>						<p>succession planning in areas under the programme. The programme is currently undergoing a change in management structure and will be reviewed in the coming months.</p> <p>The Apprentice, Graduate and Intern (AGI) Strategy was approved in July 2019. A recruitment process has resulted in the appointment of an AGI Coordinator post to deliver on the priorities and actions within the strategy.</p>							
							<p>Previous action: Continue to implement Directorate workforce planning using HR business partnering meetings to engage and support teams in workforce planning.</p> <p>New action: embed workforce planning into team management processes to ensure the right skills, expertise and knowledge are available for future changes</p>	<p>HR lead & Training Lead Completed</p> <p>HR lead & Training Lead Ongoing</p>	<p>A workflow has been developed to enable service leaders to effectively focus on succession and workforce planning. HR attend DMTs, and other management meetings, where the workforce data is discussed, organisational insight is provided, and relevant actions undertaken where appropriate.</p> <p>A Recruitment and Selection policy has been developed, which prompts managers to think about apprenticeships, forward thinking and future planning, 3 to 5 years ahead.</p> <p>The Leaders Induction includes information for managers on knowing their people, understanding performance and identifying future plans, i.e. if someone is approaching retirement, what skills will they take when they leave? By empowering managers. It is hoped that workforce planning will be integrated into the unique and specific team/department.</p> <p>To assist managers, the current payroll and HR system is being reviewed. Supplier days have been carried out. A visioning piece has</p>						

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								<p>also been conducted across the organisation to determine what is required from a HR/Payroll system. This has resulted in a system specification and a decision is pending on next steps.</p> <p>Embed the attendance and wellbeing policy.</p> <p>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.</p>	<p>Head of People Services</p> <p>Ongoing</p>	<p>The revised attendance and wellbeing policy was approved by Cabinet in June 2017. It will be reviewed, as a recent internal audit identified a lack of compliance in some areas. The average number of working days lost to sickness absence per employee in 2018/19 was 11.5 days, above the Councils targeted rate of 10.5, although it does appear to be plateauing.</p> <p>Training is ongoing; there has been greater focus on the use of Department Management Teams to challenge where work is not being undertaken to promote accountability.</p> <p>It is hoped that new payroll and HR system will help by enabling prompts, e.g. absence is recorded so prompts are provided throughout the duration of the absence to ensure all steps of the process are adhered to.</p> <p>The Staff Handbook, which has been designed by colleagues, is now available to all. Currently, it is handed out at Induction and placed in staff access venues.</p> <p>The Go To Group is proving to be successful amongst staff; feedback has identified that employees appreciate the informal nature of the group. Attendee numbers are deliberately not recorded but volunteers report that the service is being used by the workforce. It is</p>					

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								<p>now being promoted at Induction and Leadership sessions.</p> <p>A Counselling service is available for employees to access via HR or management referral. This is a service funded by the council and offers up to six sessions.</p> <p>In additional to the counselling service, a self-referral system is available via DWP. This is an external source of support, but is being advertised to all.</p>							
						<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</p>	<p>HR lead</p> <p>Ongoing</p>	<p>A recording module was developed that allowed managers to record the completed CICO directly into the HR system. This had varying degrees of success due to a number of factors. To enable managers to complete the reviews in a way that suits them and their teams, all managers have been instructed to input the completed CICO numbers into their quarterly business plan updates.</p> <p>Information has been provided via service business plan update guidance to support managers to utilise the plans to record rates of completed CICOs. Further advice continues to be provided to managers. When the Q4 (outturn) service plans are produced and PI data for annual staff appraisals provided, a further QA process will be undertaken by HR colleagues to validate and confirm the robustness and accuracy of information provided.</p> <p>The new HR/payroll system will consider performance appraisal in its list of requirements.</p>							

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							Continue with perpetual recruitment and advertising for Social Care staff and implement the We Care campaign.	Transformation Lead Social Care & Health & Chief Officer Social Care & Health September 2020	Work is underway to raise the profile of care work as part of a national programme called “We Care”, which aims to recruit 20,000 care workers across Wales by 2030. We have been using a coordinated approach to ensure we attract people to consider this very valuable role. This will be an on-going process.						
6. revised	Potential risk of: Significant harm to vulnerable children or adults due to failure of arrangements or factors outside the Council’s control	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. 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. 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. Progress has been made in addressing these; there remains further work to fully address them. Internal audit have issued a reasonable level of assurance in an organisational report on	2019/20 2020/21 2021/22	Possible Possible Possible	Major Major Major	Medium Medium 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 2018/19, 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 embedding and sustaining the highest standards of safeguarding is a continuous endeavour. This evaluation report forms an integral part of the improvement of safeguarding practice across the Council, and drives the work of the Whole Authority Safeguarding Group. A safeguarding ‘self-assessment’ is undertaken every other year on a directorate basis via the Safeguarding Assessment Framework for Evaluation (SAFE). This is currently underway and will be completed over the next 6 months. The key development this year, has seen directorates sharing the outcomes of their SAFEs through a work-shop approach, using real case studies from their service areas to demonstrate safeguarding in action.	2019/20 2020/21 2021/22	Possible Possible Possible	Major Major Major	Medium Medium 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

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		<p>volunteering, issued in November 2019.</p> <p>The continued upward trend in demand within both children’s and adult’s services puts services under pressure.</p> <p>There has been a significant increase in adult safeguarding concerns being referred to the Adult safeguarding team and an increased Safeguarding function with the demands of the Gwent Adult Safeguarding Board, and Corporate Safeguarding. This has impacted the timescales in which the safeguarding process can be completed.</p>					<p>Drive the strategic agenda and the associated programme of activities for safeguarding through the Whole Authority Safeguarding Group (WASG).</p>	<p>Chief Officer, Social Care, Health & Safeguarding Ongoing</p>	<p>The Corporate Safeguarding Policy was reviewed and updated in January 2019 to include a clearer link to Data Protection issues and Whistleblowing.</p> <p>The Whole Authority Safeguarding Group meets 6-weekly, chaired by the Statutory Director (Chief Officer) and minutes are retained. Every directorate is represented. The WASG continues to provide leadership, direction, oversight, support and challenge to strengthen safeguarding activity in the Council.</p>						
							<p>Ensure that robust systems are in place within the authority to respond to any concerns regarding child protection and protection of adults at risk.</p>	<p>Chief Officer, Social Care, Health & Safeguarding Ongoing</p>	<p>There is a comprehensive range of mechanisms across children and adult services that allow for a robust approach to quality assurance.</p> <p>The continued upward trend in demand within both children’s and adult’s services puts services under pressure.</p> <p>Monmouthshire has also had an active role in the new All Wales Child and Adult Protection Procedures consultation processes, and is ensuring that there is good awareness across the Council of these new All Wales Child and Adult Protection Procedures</p>						
							<p>As a statutory partner of the regional safeguarding boards, 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</p>	<p>Chief Officer, Social Care, Health & Safeguarding Ongoing</p>	<p>There continues to be full representation at all levels of the work of the regional safeguarding board and VAWDSV board. There is strong engagement in regional approaches to Multi-Agency Sexual Exploitation meeting (MASE) Child Sex Exploitation (CSE), Violence Against Women Domestic Abuse and Sexual Violence (VAWDASV)</p>						

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							<p>learning from any Domestic Homicide review, adult practice review or child practice review that is undertaken under the safeguarding board.</p>		<p>and Contest (PREVENT anti radicalisation).</p> <p>There continues to be a strong Monmouthshire engagement with regional safeguarding boards and involvement in the Strategic and Operational Safeguarding groups. Across Gwent Monmouthshire is leading in terms of the development of Exploitation and Modern Day Slavery processes and training, including Criminal Exploitation and “County Lines” Drug supply.</p>						
							<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 & Communities and Partnership Development Team Timescale as implementation plan</p>	<p>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 Leading Volunteering training is delivered to staff that support volunteers.</p> <p>A Volunteer Kinetic digital management system is in place. This means we have a live central record of volunteer safe recruitment information and activity. The system is structured so dependent on the role the proportionate amount of safe recruitment checks are carried out and logged on the volunteers’ profile, also training is logged on the system for example Safeguarding Level 1. This data is checked and reported on a quarterly basis. We have resource to support the implementation and training for our colleagues using the system.</p> <p>Service area champions have also been introduced to ensure that all current and new volunteers are</p>						

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								recruited through the appropriate channels. In June 2019, the first Volunteering Conference was held to put volunteering at the forefront of council planning for the future.							
							To implement the Action Plan established in response to the Wales Audit Office led review of children's safeguarding.	Chief Officer, Social Care, Health & Safeguarding Timescale as in action plan	The Council's management response and associated action plan to address the report was presented to Children & Young People Select Committee in October 2018, alongside the WAO report. The WAO conducted a follow up 'light touch' inspection on this in September 2019, the final report has not yet been issued. Our evaluation of progress shows progress has been made in addressing a number of proposals. There remains further work to fully address some of the proposals including central recording and monitoring employee data regarding safeguarding training and rolling out across further service areas the matrix for self-assessment of Minimum Standards for Safeguarding Across Commissioned Services.						
							Identify and implement proposals to address capacity issues specifically for adult protection	Chief Officer, Social Care, Health & Safeguarding January 2020	A Review of Adult Safeguarding team performance and structure has demonstrated the significant increase in safeguarding concerns being referred to the department and an increased Safeguarding function with the demands of the Gwent Adult Safeguarding Board, and Corporate Safeguarding. This has impacted the timescales in which the safeguarding process can be completed and has led to recommendations in relation to structure, capacity and workload in order to meet current demand and prepare for the Wales Adult						

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								Safeguarding Procedures to be launched in November 2019.							
7.	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 increased substantially from 73 to 116 at the end of 2018/19. The increase during 2018/19 meant the rate per 10,000 child population exceeded the Wales rate at the same point in time. At the end of September 2019 there were 108 children on the register.</p> <p>The number of looked after children has increased from 173 at the end of 2018/19 to 190 at the end of September 2019 continuing the upward trend.</p> <p>The 2019/20 net budget for Children Services is £11.9m, over half of which relates to looked after children, in particular, placements for looked after children. At month 7 2019/20 Children's Services are forecasting a £2.774M overspend, experiencing significant demands placing pressure on the placement budget, plus the knock on effect in the associated legal and transport provision to support care packages and the need to cover internal staff shortages</p>	2019/20	Possible	Major	Medium	<p>Continue to review and evaluate performance of Early Help and Family Support service.</p> <p>Continue to review and embed MyST, a Multi-disciplinary Intensive Therapeutic Fostering Service and assess impact on placement activity with children with complex needs.</p> <p>Continue to implement the fostering strategy on the recruitment, retention and skills development of in house fostering.</p>	Head of Children's services March 2021	<p>There has been a real focus in the last year in Children's Services to implement a co-ordinated approach to early intervention and prevention. Early help and support services are developing well. The service has continued to respond to the demand pressure, expanding and developing services particularly through the family support offer so that the right help is provided at the right level of intensity. Early evaluation of our family support services indicates clear and positive outcomes for families (for example our Achieving Change team is currently working with 50 plus children on the 'edge of care' to enable them to remain living safely with their parents).</p> <p>We have collaborated with Blaenau Gwent and implemented the MYST service, a Multi-disciplinary Intensive Therapeutic Fostering Service for Looked After Children and Young People, which will help to support children with complex needs within a foster care setting.</p> <p>Monmouthshire is aiming to attract more foster carers to offer placements to looked after children. Active campaigns are being run to increase the rates of in house foster carers. During 2018/19, the overall number of foster carers increased from 51 to 65 By September 2019 there was an increase to 71 foster carers which includes kinship carers (friends or relative caring for a specific child). Although this is a positive increase, the increasing number of looked after children</p>	2019/20	Possible	Major	Medium	Julie Boothroyd & Cllr Penny Jones	<p>Select Committee: Children & Young people</p> <p>Objective: The best possible start in life</p>

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								means that demand remains high and therefore recruitment campaigns are continuing. It is hoped that the 20 for 20 reasons to foster will create an additional boost and impetus.							
							Implement next phase of children's services development programme focused on achieving the best outcomes for children and families.	Head of Children's services April 2021	Children Services have completed a 3 year improvement programme (2016-2019) which concentrated on, securing stability in the workforce, developing a delivery model of practice, commissioning and service critical issues, the service is now moving onto a further 2 year programme (2019-2021). The focus will be on practice development and will shape the way we work with families over the next number of years. The importance of relationships and how we work with families to support their strengths, manage risks and achieve good enough outcomes will be key indicators of success.						
							Deliver the action plan in response to findings of an Internal Audit report on children's services placements	Service Manager – Children's services Completed	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						
							Review and monitor the Looked after Children population rises in line with Welsh Government expectations	Head of Children's services As per plan provided to WG.	The number of looked after children has increased from 173 at the end of 2018/19 to 190 at the end of September 2019 continuing the upward trend in recent years. Whilst we develop interventions to address early identification, and manage appropriately pre- and post-statutory intervention with families, the growing numbers mean that services are under pressure. Work is underway to maximise the opportunities to reduce the current trends, Welsh Government recently carried out a						

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								<p>Looked after Children's review across Wales. As part of this we have submitted plans to reduce the numbers of children being looked after. This relies heavily on all parts of the system being geared to support the plans for reduction.</p> <p>Over the next year as well as continuing to embed preventative services, we are expanding our offer to ensure that children are equally supported to leave care safely.</p>							
8. revised	<p>Potential Risk of:</p> <p>Failing to meet the needs of learners, including vulnerable learners, and failing to promote pupil well-being within Monmouthshire's schools, which may result in children and young people not achieving their full potential.</p> <p>Failing to adapt to changes in the new curriculum and examination requirements.</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.</p> <p>There is variation in standards across schools, with some schools judged by Estyn to be only adequate or unsatisfactory, and some schools remain in amber support categories.</p> <p>Poor leadership, management, capacity and performance has been identified in some schools.</p> <p>There are challenges in meeting the demand for Welsh Medium education provision in the future.</p> <p>There is an increasing demand for additional support for children with additional learning needs.</p> <p>The Monmouthshire PSB well-being plan recognises the importance of greater support for the well-being of children and young people. Students' responses to the 2017/18 School</p>	<p>2019/20</p> <p>2020/21</p> <p>2021/22</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>Ensure the commissioned arrangements with the Education Achievement Service (EAS) address the authority's concerns in challenging and supporting schools</p>	<p>EAS & MCC Ongoing</p>	<p>EAS continue to provide ongoing challenge, monitoring and evaluation work in schools with a continued focus on vulnerable learners.</p> <p>The EAS work with schools to track individual pupil performance over time. This supports us in gauging where schools are progressing well or where they may need additional support.</p> <p>From our agreed work with the EAS, we will: Strengthen leadership and teaching and learning capacity in identified schools to ensure that all pupils make appropriate progress from their starting points. Improve the outcomes for all vulnerable learners, particularly those eFSM, at the secondary stages (key stages 3 and 4) and at the higher levels. Reduce variance in outcomes between schools and departments particularly at key stage 4. Work with all stakeholders to develop effective mechanisms to help reduce the amount of exclusions.</p>	<p>2019/20</p> <p>2020/21</p> <p>2021/22</p>	<p>Possible</p> <p>Possible</p> <p>Unlikely</p>	<p>Major</p> <p>Major</p> <p>Major</p>	<p>Medium</p> <p>Medium</p> <p>Low</p>	<p>Will Mclean & Cllr Richard John</p>	<p>Select Committees: CYP</p> <p>Objective: The best possible start in life</p>

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		Health Research Network Student Health and Wellbeing Survey shows there are areas where students' well-being can be further supported.					<p>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.</p> <p>Work closely with our secondary schools to ensure they are meet the needs for the full range of learners.</p>	EAS & MCC Ongoing	MCC and EAS to continue to work with schools in ensuring that they are preparing for the new curriculum and meeting the needs of students. EAS continue to monitor where schools progress and where they may need additional support.						
							Continue to improve the quality of self-evaluation in the CYP directorate.	Chief Officer Children & Young People Ongoing	The Chief Officer Report for Children and Young People was presented to Council in May 2019. The report informed Council of the progress that the education system made in the previous twelve months since the last report. This is an ongoing annual report. Estyn Local Authority Link Inspection visits continue and the authority will be inspected in February 2020.						
							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 develop 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.						
							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 2020	The statutory consultation process on a proposed new model for the delivery of ALN and Inclusion Services was completed. In December 2018, Cabinet agreed to the implementation of a number of regulated alternations from 29th						

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								<p>April 2019. These included changes to the type and capacity of provision to Special Need Resource Bases in specified schools.</p> <p>As a part of the December 2018 Cabinet decision, the extended 'in-reach' services by the Pupil Referral Unit have been implemented and the staff recruited. From September 2019, this will provide significant additional resource to challenging behaviour in schools, supporting vulnerable learners and will form a key part of the graduated response to behaviour in our schools.</p> <p>Following consultation on the closure of Mounton House Special School, a report was presented to Cabinet in September 2019 and the decision was made to publish notices for the closure of the school.</p> <p>In January 2020, a report was presented to Cabinet to conclude the statutory process relating to the proposed closure of Mounton House Special School. Following the publication of statutory notices, members were presented with the details of any statutory objections received and agreed to the closure of Mounton House with effect from 31st August 2020.</p>							

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							Work with PSB partners, through the Children & Young People Strategic Partnership, to deliver the steps in the PSB well-being plan related to focusing on children & young people’s well-being and supporting their mental health and emotional wellbeing.	Chief Officer Children & Young People Timescales as in developing PSB delivery plan	The Monmouthshire Public Service Board has prioritised the step in its well-being plan. The Children and Young People’s Strategic Partnership is being developed to bring key partners together to lead on the delivery plan. The Council continues to work on the Public Service Board well-being plan step on Adverse Childhood Experiences (ACEs). The response to this in Monmouthshire involves an understanding of the impact of ACE’s within our communities, and coordination with a range of partners, to develop a long-term approach to prevention, taking account of the complexity of issues involved.										
9. revised	Potential risk of: Loss or corruption of data due to cyber-attack or data mismanagement which will compromise the delivery of essential council services.	<p>There are a number of high profile cases across both public and private organisations where cyber-attacks and data breaches have compromised service delivery and financial loss. This can also affect safeguarding of our vulnerable people in communities.</p> <p>Aside from physical security, there is evidence that cyber security risks are introduced via a workforce that is unaware of information management, information governance and cyber security through their personal actions.</p> <p>There is a risk of cyber security being compromised through a lack of structured governance arrangements and planning.</p> <p>There is evidence that incomplete, inaccurate and unstructured digital data will</p>	2019/20	Possible	Major	Medium	Undertake a structured and comprehensive training programme for all staff on cyber security, information management and GDPR. Incorporate specific cyber-crime training into the Data Protection Training	Cyber security service Ongoing	<p>A digital trainer is now located within the Digital Programme Office and is producing focussed e-learning modules, as well as sitting alongside teams to deliver targeted training.</p> <p>The Digital Programme Office are delivering cyber security training sessions via face to face and e-learning sessions. This training will be mandatory from April 2020</p> <p>The network of Digital Champions is regularly being upskilled in cyber threat awareness through regular Digi champion’s workshops and meetings.</p> <p>Cyber security training has been incorporated into induction and across the authority via e-learning. Specific cyber security awareness raising has been held through a ‘cyber security awareness week’.</p>	2019/20	Possible	Major	Medium	Sian Hayward & Tracey Harry. Cllr Phil Murphy	<p>Select Committee: Economy and Development</p> <p>Objective: All</p>				
			2020/21	Possible	Major	Medium						2020/21	Possible			Major	Medium		
			2021/22	Possible	Major	Medium				Continuous monitoring of cyber threat and mitigation by the security team and the DPO	Digital Projects Team Ongoing	A cyber security service shared between Gwent Police, TCBC and MCC has been commissioned which acts as an audit function of	2021/22			Unlikely	Major	Low	

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		inhibit accurate data analysis, compromise decision making and ultimately compromise service delivery, service efficiency and budget management.					identifying technical solutions to potential risk areas.		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.						
							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. The strategy will be reviewed in august 2020.						
							Introduce a comprehensive digital EDRMS into the authority ensuring data is categorized, tagged, and stored with appropriate retention guidelines applied.	Head of Digital March 2020	An officer has been appointed to manage the MS suite of products, starting with SharePoint online. Implementation has started in January 2020 with a programme to transfer all data and information off unmanaged network drives onto a managed and structured EDRMS that's available 24/7 to authorised personnel. An information manager has been appointed to work closely with the digital team and with the EDRMS manager to manage the data governance and standards.						
							Develop a rigorous approach to data governance policies, ensuring that our data is structured and clean in order to aid BI, RPI and AI.	Head of Digital Ongoing	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.						
							Make use of the security features within O365 licencing to protect mobile devices and information sharing		Licencing arrangements have incorporated Multi Factor Authentication for mobile devices.						

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									New licencing being introduced in December 2020 will incorporate a seamless mobile device management solution. Licencing will also bring in enhanced security for file sharing and working with new secure communications technology via 'Teams'.						
10a. revised	<p>Potential Risk of: a lack of appropriate infrastructure, including affordable housing, in the County to meet future needs arising due to the County's changing demography and weak economic base, external changes such as removal of the Severn Bridge tolls, and as a result of the growth of the County as set out in the emerging new Local Development Plan.</p> <p>ICT infrastructure is also important to meet future needs and this has been identified as a specific related risk below (risk 10b)</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>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>	2019/20	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>	Head of Placemaking, Housing, Highways and Flood	<p>Welsh Government agreed a revised Delivery Agreement for the replacement Monmouthshire Local Development Plan on 6th March 2020.</p>	2019/20	Possible	Major	Medium	<p>Mark Hand and Cllr Bob Greenland</p>	<p>Select Committee: Economy and Development</p> <p>Objective: Thriving and well-connected county</p>
		2020/21	Likely	Major	High			Ongoing	<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. Consultation and community engagement has been undertaken to identify the issues facing the county, set objectives to seek to address those issues, to clarify a vision for the new LDP, and to seek opinions on options for the amount and spatial distribution of growth.</p>	2020/21	Likely	Major	High		
		2021/22	Likely	Major	High				<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 address the pressing challenges and opportunities before us, such as our demography, affordability and availability of housing, economic growth and our role in the wider region. The LDP will be drafted in the light of the Council's Climate Emergency declaration, placemaking and active travel considerations, and will be</p>	2021/22	Unlikely	Substantial	Low		

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								<p>accompanied by an Infrastructure Plan and a new Local Transport Plan</p> <p>A pragmatic approach to seek to address some of these issues in advance of the new LDP has been trialled but this is under review in the light of a clear emerging policy direction from the Welsh Government.</p>							
10b. revised	Potential Risk that: Insufficient broadband infrastructure and a lack of digital skills in the county have the potential to lead to social and economic disadvantages	<p>Although the majority of premises now have access to superfast broadband, there are pockets of digital deprivation with around 13% of premises still without sufficient broadband provision.</p> <p>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.</p>	2019/20	Likely	Substantial	Medium	Continue to collaborate with the Superfast Business Wales team to support their ICT Exploitation programme.	Head of Enterprise & Community Animation	The Council continues to be one of the three local authorities represented on the Superfast ICT Exploitation Panel.	2019/20	Likely	Substantial	Medium	Cath Fallon & Cllr Sara Jones	<p>Select Committee: Economy and Development</p> <p>Objectives: Thriving and well-connected county</p>
			2020/21	Likely	Substantial	Medium		Ongoing		2020/21	Likely	Substantial	Medium		
			2021/22	Likely	Substantial	Medium	Enable the rollout and exploitation of high-speed broadband across the County for both businesses and communities.	Head of Enterprise & Community Animation	The Council has continued to work with Welsh Government to support access to Superfast Cymru and is one of the rural local authorities represented on the newly formed Wales Digital Infrastructure Group Welsh Government have targeted 1580 premises under Superfast Cymru 2 for Monmouthshire, all to be fibre to the premise.	2021/22	Possible	Moderate	Low		
							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	Rural Programmes Manager,	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						

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							successful, will be replicable in other rural areas.		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 was one of three locations benefitting from the learning associated with a £2m DCMS fund programme to trial the use of 5G technology acting as a testbed to bring world-class digital infrastructure to Monmouthshire. The project provided one village, Llanddewi Rhydderch, with gigabit speeds.						
							Draft and gain approval of the digital deprivation action plan	Head of Enterprise & Community Development Timescales as per action plan	Cabinet approved the Digital Infrastructure Action Plan in September 2019. The plan identifies opportunities to address the issue of 13% of premises not having next generation access to broadband						
11.	Potential Risk of: Political, legislative and financial uncertainty for council services and local businesses as a result of the UK leaving the European Union	The Withdrawal Agreement Bill has been enacted taking the United Kingdom out of the European Union on 31st January, the UK is in a transition period after leaving the EU until 31 December 2020. During this time, the future UK-EU relationship will be negotiated and agreed. While these negotiations continue there remains uncertainty on future arrangements. The areas where there are potential risks for the council include: Disruption to the Council's supply chain (in particular Food Supply) Threat to EU funded projects/lack of clarity over future funding streams; Financial implications on budgets due to increased costs in relation	2019/20	Almost Certain	substantial	High	Continue to further develop understanding and coordinate preparations through the Council Brexit working group	Chief Officer Enterprise and Head of Enterprise & Community Development Ongoing	Many of the negotiations on Britain leaving the EU are outside of the council's control, given this and remaining uncertainty the post mitigation risk levels have not been assessed to change. A council Brexit working group has been established which is being led by the Chief Officer for Enterprise. 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. The group will continue to monitor any impacts and the transition. A Brexit getting ready webpage providing information for residents and businesses has been established, information has also been shared on social media.	2019/20	Almost Certain	substantial	High	Senior Leadership Team & Cabinet	Select Committee: Economy and Development & Strong Communities Objectives: All
			2020/21	Almost Certain	substantial	High				2020/21	Almost Certain	substantial	High		
			2021/22	Almost certain	substantial	High				2021/22	Almost Certain	substantial	High		

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale & 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>to supply chain directly attributed to Brexit and continued austerity measures</p> <p>Potential rise in social conflict and hostility - social cohesion</p> <p>Medication / medical needs could be disrupted</p> <p>Impact on construction projects including 21st Century Schools projects due to availability of skilled trade and supplies</p> <p>Impact on the agricultural sector and wider rural economy which could have further consequences upon the Animal Welfare and Public Protection service</p>						<p>Service level planning has continued and business continuity mitigation strategies for services to consider/implement developed.</p> <p>Close working with and support from the WLGA has continued</p>							
							Continue to refine and update the Medium Term Financial Planning model and assumptions for future service budgets.	Chief Officer Resources, Ongoing	The Council has an established Medium Term financial plan to model financial assumptions and scenarios for planning future service budgets, which will continue to be updated.						
							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>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>We are engaged with partners on the Gwent Local Resilience Forum Risk Group.</p> <p>£45k was awarded to LA's to assist Local Resilience Forums to monitor the impacts of Operation Yellowhammer and to undertake 'Business as Usual' activities displaced by Brexit planning.</p> <p>Welsh Government funded Community Cohesion grant has also been used to appoint a Community Cohesion Officer until 2021/22. The purpose of the role is to identify and support EU citizens living and working in Monmouthshire and to help them apply for settled status, understand their rights and also to mitigate and report any incidences of hate crime or community tension.</p>						

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale & responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
12.	Potential risk that: 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	2019 /20 2020 /21 2021 /22	Possible Possible Possible	Major Major Major	Medium Medium 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 developed a list of priority services, which 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. More awareness sessions have been completed, particularly in light of Brexit. Despite this, Internal Audit have reviewed business continuity preparedness and a draft report indicates that service managers still need to develop their business continuity 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.	2019 /20 2020 /2021 2021 /22	Possible Possible Possible	Major Major Major	Medium Medium Medium	Peter Davies & Cllr Phil Murphy	Select Committee: Economy and Development & Strong Communities Objectives: All
13. New	Potential risk to: Communities and public service delivery in Monmouthshire due to Global climate changes could impact on the future social, economic, environmental and cultural well-being in the County	Tackling climate change and moving to a low carbon economy is one of the biggest challenges facing our society. Rising temperatures bring increased risks to our communities and are causing long-term and potentially irreversible damage to our planet's eco-systems, with significant local impacts such as flooding and loss of species. If we are to stand a chance of slowing the rise in the Earth's temperature we need to act now. Earlier this year, councillors in Monmouthshire were unanimous in declaring a climate emergency. We intend to play our part in tackling this issue. We will strive to reduce our own emissions and work with communities and local businesses to help them reduce their emissions. This will require engagement, community involvement and commitments	2019 /20 2020 /21 2021 /22	Almost certain Almost certain Almost certain	Major Major Major	High High High	Deliver the Monmouthshire County Council Climate Emergency Strategy	Head of Policy and Governance Timescales as per strategy	In October 2019, Council received the report to set out Monmouthshire's strategy and action plan to respond to the Climate Emergency declared by Council in May 2019. The strategy describes the objectives and actions in place to reduce the council's carbon emissions. Council approved the ten objectives within the plan, which cover the areas of activity that the council will need to focus on to achieve its goal of reducing carbon emissions to net zero by 2030. Council endorsed the action plan, agreeing that this will be an evolving document as new technologies develop and other opportunities arise. A working group comprising of members, officers and community has been created to accelerate	2019 /20 2020 /21 2021 /22	Almost certain Almost certain Almost certain	Major Major Major	High High High	Senior Leadership Team & Cllr Jane Pratt	Select Committee: Strong Communities Objectives: Maximise the potential of the natural and built environment

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale & 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>from third parties.</p> <p>When considering climate change, it is important to consider both how Monmouthshire is contributing to climate change, but also how resilient is the county to the likely impacts of climate change. Flooding along with other extreme weather, can cause significant impacts on infrastructure, homes and businesses along with disruption to business, community life and public services, particularly critical public services people rely on such as care services.</p>						<p>progress and take responsibility for ensuring the action plan continues to evolve and be shaped by emerging evidence and cutting-edge practice and opportunities.</p> <p>Prepare and adapt for the impact of climate change.</p>	Senior Leadership Team Ongoing	<p>There are lots of things that the council is doing to make sure that we are prepared for the impacts of climate change. In recent years, council services have thought about what the potential risks to their services are, in order to start thinking about how to adapt to these risks. The Local Development Plan has a key role to play in making sure that our communities are sustainable and resilient to the impacts of climate change.</p> <p>Much of the work to co-ordinate emergency responses is organised through the Gwent Local Resilience Forum (LRF). We will continue to work with partners on the LRF to make sure that we are prepared for severe weather events.</p>						
14. New	Potential risk that: Declining recycling rates will prevent achievement of the Welsh Government target of 70% recycling rates throughout Wales.	<p>Monmouthshire’s recycling rate peaked in 2016 at 67% and there has been a slow but steady decline in performance since then. Recycling performance for 2019 is predicted to be between 62.5% and 63.4%, placing Monmouthshire in the lower quartile in performance in Wales. We are facing potential recycling target fines of between £53,400 and £133,500.</p> <p>Monmouthshire tries to ensure that focus is given to reducing waste production wherever possible, with campaigns to reduce food waste and single use plastics, and use of returnable</p>	2019/20	Likely	Moderate	Medium	Deliver the actions identified in the Household Recycling report (part 1: kerbside provision)	Head of Neighbourhood Services As per report timescales	<p>This was presented to Cabinet in December 2019. Waste and recycling service provision must continually evolve to meet challenging targets, volatile markets and increasing costs. This report sets out measures that will be necessary to achieve national recycling targets, minimise budget increases and provide sustainable waste services going forward.</p>	2019/20	Likely	Moderate	Medium	Frances O’Brien & Cllr Jane Pratt	<p>Select Committee: Strong Communities</p> <p>Objectives: Maximise the potential of the natural and built environment</p>	
			2020/21	Likely	Moderate	Medium	Deliver the actions identified in the Household Recycling report (part 2: HWRC provision)	Head of Neighbourhood Services As per report timescales	<p>This report sets out measures that will be necessary with regard to HWRC provision in order to achieve national recycling targets, minimise budget increases and provide sustainable waste services going forward. HWRC provision must continually evolve to meet challenging targets, volatile</p>	2020/21	Possible	Moderate	Low			
			2021/22	Likely	Moderate	Medium				2021/22	Possible	Moderate	Low			

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale & 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>milk bottles. However, these campaigns can have a negative impact on recycling rates. It is likely that public awareness of climate change will continue to see a reduction in the available material for recycling.</p> <p>Reduced expenditure at national and local government level on promotional campaigns that enforce and support positive recycling behaviour, coupled with increased scepticism and negative media coverage of recycling, impacts on public participation in local services.</p>						<p>markets and increasing costs. Behavioural change interventions that reduce waste and increase recycling at the household waste recycling centres are proven to be effective across Wales. Due to the high tonnage throughput at our sites compared to other local authorities these changes will have the potential to deliver a significant positive impact on recycling rates. Rationalising service provision will allow investment in the service and drive up recycling performance.</p>							

Risks removed from the strategic risk register at January 2020

Risk	Reason why identified	Mitigation undertaken and reason why removed or amended from Strategic Risk assessment
<p>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>	<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>	<p>GDPR has been in place for 18 months and has been implemented throughout the organisation. Work is continuing to update systems and processes in line with the regulation but this is being managed at a local level, and is overseen by the Data Protection and Information Manager.</p>

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			

High risk	The risk is highly likely to occur and the impact will be major. Management action/control evaluation and improvement is required coupled with continued pro-active monitoring
Medium risk	The risk is unlikely to result in a major issue, however, if it did the impact would be significant or serious . 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.
Low risk	The risk is very unlikely to occur and the impact will be minor or moderate at worst. Risk will be managed by seeking control improvements where practical and / or monitoring and reviewing at regular intervals

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AUDIT COMMITTEE FORWARD PLANNER						
19TH MAR						
19/03/20	Annual Governance Statement review 2019-20	Provides overall assurance on the governance arrangements in place within MCC during financial year.		Andrew Wathan		
19/03/20	Annual Performance Review of Investment Committee			Deb Hill-Howells		
19/03/20	WAO Annual Audit Plan			WAO		
19/03/20	WAO safeguarding Review			Emma Davies		

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DRAFT - AUDIT COMMITTEE FORWARD PLANNER 20 - 21

In order to add an item to the forward plan for Audit, the following information is needed to go on the forward plan. Please complete the relevant fields and send back to cherylcook@monmouthshire.gov.uk to add new items to the planner

Date of Meeting	Title	Description/Purpose	Ward Affected	Lead Officer	Report Type	Exempt?
11th June 2020						
11.06.20	Internal Audit Section Outturn report 2019/20			Andrew Wathan		
11.06.20	Internal Audit Section Operational Plan 2020/21			Andrew Wathan		
11.06.20	WAO Certificate of Compliance for the Audit of Monmouthshire County Councils Improvement Plan			Richard Jones		
11.06.20	Draft Annual Governance Statement 2019/20			Andrew Wathan		
30th July 2020						
30.07.20	Treasury Outturn report			Mark H		

30.07.20	Draft Statement of Accounts report including Annual Governance Statement. Appendices include 1. Summary of accounts information 2. Statement of Accounts (prior to Audit) 3. MCC Welsh Church Fund Accounts			Mark/Jon Davies		
30.07.20	20-21 Reserves Useage Forecast			Mark H		
30.07.20	Annual Improvement Report 2019/20			WAO/Emma Davies		
30.07.20	Implementation of Audit Recommendations			Andrew Wathan		
30.07.20	CPR Exemptions 6 monthly			Andrew Wathan		
3rd Sept 2020						
03.09.20	Audited Statement of Accounts			Mark H		
03.09.20	ISA260 Response to Accounts			WAO/Mark H		
03.09.20	Anti bribery risk assessment			Peter Davies		
03.09.20	Internal Audit Progress report			Andrew Wathan		
15th Oct 2020						

26th Nov 2020						
26.11.20	Quarter 2 update and Progress			Andrew Wathan		
26.11.20	Self Evaluation			Andrew Wathan		
26.11.20	Overview of Performance Management arrangements	To present an update on the current effectiveness of the Authority's performance management arrangements	Not Applicable	Performance Manager	Performance Review	
26.11.20	Mid Year Treasury Report	A mid year update to Members on the Authority's Treasury Management activities in the first 6 months of the year. The report will compare key measures in the first half of 19/20 to levels budgeted or forecast in the 2019/20 Treasury Strategy. As the Prudential code now covers non-treasury investments, the half year report will do also at a high level. Any recommendations due to variances or observations will be included.	All Wards	Jon Davies/Lesley Russell		No
26.11.20	Audited Trust fund Accounts (Welsh Church Fund/Mon Farms/Llanelli Hill)	Annual Report and Financial Statements for the year ended the 31 March 2019	Not Applicable	Dave Jarrett/Nikki Wellington		

26.11.20	ISA 260 or equivalent for Trust Funds			WAO		
7th Jan 2021						
07.01.21	Anti bribery Audit Training	To raise awareness and impact of the Bribery Act 2010: to provide Members and Officers sufficient information to avoid being accused of bribery and corruption in undertaking their duties for MCC.	Not applicable	Andrew Wathan/John McConnachie		
07.01.21	6 month update on unfavourable opinions - Internal Audit	At the conclusion of Internal Audit jobs an opinion on the adequacy of the internal control environment, governance and risk management processes is given. This report provides Audit Committee with an update of how services are progressing in order to demonstrate improvements		Andrew Wathan		
07.01.21	Mon Farm Trust Accounts 2019-20			Dave Jarrett		
07.01.21	Internal Audit Progress report - quarter 3	This is a regular quarterly report which identified the performance of the IA team along with how well it is progressing against the agreed plan and the level of assurance it gives by way of opinions issued to service areas.		Andrew Wathan		

07.01.21	Treasury Policy and Strategy report 2020-21	This suite of documents includes the Treasury Policy, The Treasury Management Strategy, the Minimum Revenue Provision Policy & the Investment and Borrowing strategies for 2020/21. If approved the targets and limits included will be used to guide and control the management of the Authority's treasury activities for the year and also non treasury Investment activity.	All Wards	Jon Davies/Lesley Russell		
25th Mar 2021						
25.03.21	Whole Authority Strategic Risk Assessment	To provide Audit Committee with an overview of the current strategic risks facing the authority in the Whole Authority Strategic Risk Assessment.		Richard Jones		
25.03.21	Annual Governance Statement review 2019-20	Provides overall assurance on the governance arrangements in place within MCC during financial year.		Andrew Wathan		
25.03.21	Annual Performance Review of Investment Committee			Deb Hill-Howells		

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Public Document Pack Agenda Item 9

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held
at Council Chamber, County Hall, The Rhadyr USK - County Hall, The Rhadyr, Usk on
Thursday, 9th January, 2020 at 2.00 pm

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

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

OFFICERS IN ATTENDANCE:

Matthew Phillips	Head of Law/ Monitoring Officer
Andrew Wathan	Chief Internal Auditor
Peter Davies	Chief Officer, Resources
Tracey Harry	Head of People Services and Information Governance
Wendy Barnard	Democratic Services Officer
Frances O'Brien	Chief Officer, Enterprise
Gareth Lucey	Wales Audit Officer
Rhodri Davies (WAO)	Wales Audit Office Team Leader
David Jones	Head of Public Protection
Ian Saunders	Chief Operating Officer, MonLife
Sally Thomas	HR Manager
Gillian Dicken	Principal Environmental Health Officer (Commercial)
Charlotte Owen	Wales Audit Officer
Nikki Wellington	Finance Manager
Alison Rees	Wales Audit Officer
Richard Simpkins	Business and Commercial Manager - MonLife
Emma Davies	Performance Officer
Richard Jones	Performance Manager

APOLOGIES:

County Councillors P. Clarke and B. Strong

1. Declarations of Interest

County Councillors M. Feakins, A. Easson and P. Murphy declared personal, non-prejudicial interest regarding Items 7,8 and 10 as a trustees of Monmouthshire Farms School Endowment Trust.

2. Public Open Forum

No members of the public were present.

3. To note the Action List from the previous meeting

The Action List from the previous meeting was noted, with updates as follows:

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at Council Chamber, County Hall, The Rhadyr USK - County Hall, The Rhadyr, Usk on Thursday, 9th January, 2020 at 2.00 pm

- Performance Management: The Chief Officer, Resources updated the Committee on progress with improvements to the annual appraisal process and referred to some delaying factors being encountered. A detailed response on progress will be sent to Committee Members following the meeting, and a report will be presented to Audit Committee after the outturn period.
- Unfavourable Audit Opinion: The item is listed on the agenda for today's meeting.
- Self-Evaluation: The Chief Internal Auditor has circulated a self-evaluation questionnaire to Members to acquire perceptions of the effectiveness of Audit Committee. Responses will be collated and feedback to be provided at a future meeting.

4. Anti Bribery Audit Training (Presentation)

The Chief Internal Auditor gave a presentation regarding the Anti-Bribery Act. Compliance with the Act has been given an unfavourable audit opinions during the last two years; the most recent opinion being reasonable. A training package has been produced to raise awareness of the need to comply with the Act. The package will be rolled out to Audit Committee Members, Senior Leadership Team and then to be made available to all staff on The Hub.

The slides were circulated to members after the meeting.

Questions were invited:

- A Member commented that the training was thorough with sufficient opportunity for group discussion to assist staff members to identify their own position and potential risks.
- A Member expressed confidence in licensing officers commending the high standard of their work.
- It was confirmed that there is a Gifts and Hospitality procedure that contains a value of £25 limit for gifts. However, members were reminded to be aware of possible ulterior motives, even within that limit, and to exercise caution.

5. Wales Audit Office Review of Whistleblowing and Fairness at Work (Grievance) arrangements

Wales Audit Officers presented a review of Whistleblowing and Fairness at Work (Grievance) arrangements. Information was provided to the Audit Committee on how the review had been carried out, who had been interviewed and how evidence had been sought. Proposals for improvement and the Management response were noted. It was stated that steps are being taken towards the proposals and also confirmed that whilst informal feedback was already being sought from cases, these measures will now be strengthened. It was reported that the Council has responded positively to the review. Questions and comments were invited, as follows:

A Member was not reassured by the report commenting that in improving arrangements for whistleblowing, no whistle-blowers were spoken to. Results of a staff survey did not give confidence that staff would feel comfortable raising concerns. It would be preferable that Wales Audit Office had spoken confidentially to staff with a grievance and whistle-blowers about their experience. It was suggested that the matter should have been resolved much sooner, and that the recommendations should be implemented as soon as possible. A further report on the strengthening of arrangements was welcomed.

It was responded that some whistle-blowers wish to remain anonymous and are not contactable.

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Officers confirmed that it is standard practice to invite feedback from grievances and any recommendations are acted upon.

A Member asked when the Standards Committee would be considering this matter. The Head of Law/Monitoring Officer responded that the Standards Committee currently has purview over the conduct of Councillors and receives feedback from whistle-blowing cases. Other councils more usually receive feedback at Audit Committees. It was proposed that this point is addressed in the review of the Constitution and should also include an annual report to Senior Leadership Team.

The report was noted, comments were made and consideration given to the recommendations.

6. Monmouthshire Farms School Endowment Trust Fund Accounts (2018-19)

Rhodri Davies presented the independent examiners report on Monmouthshire Farm School Endowment Trust Fund Financial Statements ending 31st March 2019.

It was pointed out that the process is not an audit and should not be relied upon to provide the same level of assurance. The outcome is an unqualified examination report.

It was confirmed that there were no material misstatements uncorrected. One misstatement has been corrected and was drawn to management's attention. This was in relation to one of the comparators for creditors that was not brought forward correctly.

It was confirmed that this was a good set of accounts, and officers were thanked for providing information in a timely and helpful manner.

The independent examination report was noted.

7. ISA Monmouthshire Farms School Endowment Trust

Items 6 and 7 were considered together.

8. Wales Audit Office Environmental Health Follow Up Review and Management Response

The Wales Audit Officers introduced a report into the follow up review of the impact of reduced resources on Environmental Health Services. It was confirmed that the Council has acted upon the proposals for improvement identified in the previous report. Two proposals for improvement have been made in the report, mainly to assist the Council to consider how to sustain the services going forward.

The Head of Public Protection introduced the management response and explained the difference between statutory and non-statutory services and how it will be key to achieve a balance. Assurances were given that performance is closely monitored, and that the proposals for improvement have been added into the annual report.

In terms of income generation, the Principal Environmental Officer explained that this is beneficial as it provides a good understanding of businesses and how they work, and engenders a good working relationship. Providing advice reduces the amount of compliance work. Measures have also been introduced to assist residents to resolve issues (e.g. Noise) without unnecessarily escalating matters.

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It was confirmed that Environmental Health works well with partners, across the region and nationally.

In response to a question about structured training for Members, it was suggested that training and information for Members is provided via Strong Communities and an Annual Report. Specific overview of topics, where more than general knowledge is required, can also be provided.

The Committee considered the report and recommendations.

9. Wales Audit Office Leisure Services Follow Up Review

Wales Audit Officers introduced a follow-up review of Leisure Services looking at how the Council was addressing the recommendations of the previous report and was assured that services offered value for money.

It was found that the Council was making progress in addressing the national recommendations and has considered if the services offered provide value for money. This is evidenced by the Council having a long term vision for its leisure services, by looking at alternative delivery models in 2017 and the MonLife business plan and commercial and investment strategy being approved in September 2019.

The Chief Operating Officer, MonLife provided the management response. The report was welcomed and was a true representation of progress over the last few years. MonLife was launched this week providing services with a clear direction and a known performance evaluation framework. There was thorough consideration and scrutiny. Questions were invited:

A Member supported the move forward. The report and its recommendations were accepted.

10. Forward Work Plan

The Chair highlighted the need to better populate the Forward Work Plan. This point was agreed.

Members of the Committee requested that the competence of the Shared Resource Services (SRS) is added to the Forward Work Plan to include the adequacy of services and support, and waiting times.

The Chief Officer Resources suggested that specific concerns should be logged with Democratic Services, to progress to Democratic Services Committee as necessary. There is work being undertaken by Wales Audit Office currently looking at the relationship with the SRS and its value benefit. The scope is being defined currently.

Members recounted their concerns with the service provided. The importance of logging problems with Democratic Services was reiterated.

11. To confirm minutes of the previous meeting

The minutes of the previous meeting were confirmed as a true record.

12. To confirm the date of the next meeting as 13th February 2020

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at Council Chamber, County Hall, The Rhadyr USK - County Hall, The Rhadyr, Usk on Thursday, 9th January, 2020 at 2.00 pm

13. 6 Month Update on Unfavourable Opinions

The Chief Internal Auditor presented the report and apologised that the last report was a year ago. The Committee was reminded that 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.

An update on improvements since 2016/17 to date was provided.

In terms of the need for significant improvements at Caldicot Castle, it was confirmed that the service manager generally agrees with the recommendations made and will take action to make improvements.

Regarding the limited opinion on the imprest account in Childrens Services, and issues concerning agency workers, it was explained that service managers and Corporate have some responsibility for improvements.

Significant issues were identified with Attendance Management; management has agreed to implement the suggested improvements.

There are 2 significant opinions in relation to health and safety and council buildings.

In 2019/20, The Headteachers of Llandogo Primary School and Castle Park Primary School have agreed to implement the suggested improvements

A Member referred to Caldicot Castle and commented that she was pleased with the report and looks forward to an improved report at the next update.

Regarding Events, it was noted that there have been no events organised recently to be audited.

A Member asked why the managers of the agency workers did not follow agency workers' right and responsibilities. It was confirmed that Audit check that the Council's policies and procedures have been complied with, which in this instance, they hadn't. Non-compliance with other legislation may also have been picked up. The Chair was also concerned about agency workers and procedures not being followed. A report was requested for the next meeting.

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

It was resolved to exclude the Press and Public from consideration of the following item.

15. 6 Month Update on Unfavourable Opinions (Part 2)

The item was considered by the Audit Committee under the exclusion of press and public.

The meeting ended at 3.30 pm

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Audit Committee held
at Council Chamber, County Hall, The Rhadyr USK - County Hall, The Rhadyr, Usk on
Thursday, 9th January, 2020 at 2.00 pm**