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County Hall
Rhadyr
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NP15 1GA

Wednesday, 17 March 2021

Notice of Meeting

Audit Committee

Thursday, 25th March, 2021 at 2.00 pm,
Remote Meeting

AGENDA

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| 11. | To confirm the date of the next meeting as 20th May 2021 | |

Paul Matthews
Chief Executive

MONMOUTHSHIRE COUNTY COUNCIL
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

Philip White (Co-opted Member)

County Councillor Peter Clarke

County Councillor Tony Easson

County Councillor Mat Feakins

County Councillor Jim Higginson

County Councillor Malcolm Lane

County Councillor Phil Murphy

County Councillor Val Smith

County Councillor Brian Strong

County Councillor Jo Watkins

County Councillor Bryan Jones

Llangybi

Fawr;

Dewstow;

Drybridge;

Severn;

Mardy;

Caerwent;

Llanbadoc;

Usk;

Caldicot

Castle;

Goytre

Fawr;

Welsh Conservative Party

Welsh Labour/Llafur Cymru

Welsh Conservative Party

Welsh Labour/Llafur Cymru

Welsh Conservative Party

Welsh Conservative Party

Independent Group

Welsh Conservative Party

Liberal Democrats

Welsh Conservative Party

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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 25th February 2021

| Agenda Item: | Subject | Officer | Outcome |
|--------------|---------|---------|---------|
| No Actions | | | |

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| | |
|----------------------------------|-----------------------------------|
| SUBJECT: | Strategic Risk Assessment |
| MEETING: | Audit Committee |
| DATE: | 25th March 2021 |
| DIVISIONS/WARDS AFFECTED: | All |

1. PURPOSE:

- 1.1 To provide members with an overview of the current strategic risks facing the authority. This includes the impact of the coronavirus pandemic on strategic risks.
- 1.2 To fulfil Audit Committee's role in providing assurance of the adequacy of the Council's risk management framework, as an important part of the Council's corporate governance arrangements.

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. Audit Committee also have a role in assessing the authority's corporate governance arrangements, of which risk management is an important part. An integral part of the Council's risk management arrangements, which is reported to Audit Committee to inform this role, is the Whole Authority Strategic Risk Register. 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 assessment is one part of the Council's risk management arrangements. Risk is managed through a variety of processes, for example, through teams' service plans, through Emergency Management Plans and business continuity arrangements, specific project and programme management arrangements, health and safety procedures and insurance arrangements.

Coronavirus (COVID-19) pandemic

- 3.3 The Coronavirus (COVID-19) pandemic has posed a significant and unprecedented challenge to how the Council continues to provide a range of vital services. The Council has continued to rise to the challenge by adapting, innovating and establishing ways of delivering services that support residents and businesses, assists community activity and supports staff well-being. The Council continues to operate in a dynamic environment and has controls in place to manage and mitigate, as far as possible, a variety of risks to service delivery and the well-being of our staff and residents.

- 3.4 As the Council has progressed through its immediate response phase, it enacted its Emergency Management Plan and business continuity arrangements. In Spring 2020, the Council's Emergency Response Team (ERT) was formally stood down and the Council's Strategic Leadership Team (SLT) took on the responsibility of overseeing the ongoing response. A report on these arrangements was presented to Cabinet on 6th May 2020, with a further update provided on 29th July 2020.
- 3.5 As part of this, a COVID-19 Coordinating Group was established and continues to operate, meeting on a weekly basis. The role of this group is to maintain oversight of the ongoing emergency response and to ensure, from an emergency planning perspective, there is oversight and co-ordinated communication flowing between external and internal response structures. Risks that remain continue to be managed in line with the council's established risk management policy and specific arrangements set out in point 3.6. Should circumstances, evidence and guidance change, emergency response arrangements can be re-implemented at any time, if required.
- 3.6 Specific arrangements have also been established and operate as part of the Council's response, parts of which manage on-going risks, recognising the continuing uncertainty and fast changing environment the Council is operating in. These include:
- Assessing COVID-19 related risks via the COVID-19 Coordinating Group and reporting into SLT for consideration and action, where required. Alongside this, SLT also undertakes an ongoing review of the Whole Authority Strategic Risk Assessment.
 - Establishing the 'Winter Strategy', which sets the Council's plans to continue its work with the citizens and communities of Monmouthshire to reduce the spread of COVID-19, continue to support and protect vulnerable people, and give attention to rebuilding a local economy that reduces inequalities within and between communities. Activity to deliver these strategic aims will further identify action that is being undertaken to manage and mitigate, as far as possible, related risks.
 - Continuing links with external responding partner organisations via the Gwent Strategic Co-ordinating group (SCG). The SCG are responsible for setting the strategic objectives and coordination of the partner agency response to COVID-19.
 - Working with partner organisations as part of the Gwent COVID-19 Recovery Co-ordinating Group (RCG) to take a strategic overview of, and give direction to, recovery work in line with agreed priorities and timescales.
- 3.7 Arrangements are continually under review to evolve and adapt to changing circumstances, the latest evidence, learning gathered and changes to legislation and guidance. The risks identified are regularly reviewed as part of these arrangements and updated based on the latest evidence available.

Whole authority Strategic Risk Assessment

- 3.8 The Strategic Risk Assessment, latest full version attached in appendix 2, has continued to be updated based on the latest evidence, through the council's ongoing activity during the Coronavirus pandemic. This is in line with the Council's strategic risk management policy; a summary of this is provided in Appendix 3. This helps ensure strategic risks are identified and assessed robustly, risk controls are put in place that are appropriate and proportionate, and risks are supported by effective activity to ensure, as far as possible, risk reduction/risk management.

3.9 Due to its purpose, the strategic risk assessment is a detailed document; appendix 1 provides the committee with an overview of the strategic risks on the register. There have been a number of amendments to ensure it accurately manages the current strategic risks facing the Council, including the removal of two risks. The more significant changes, since the register was last presented to audit committee, are:

- Financial updates, in relation to the budget for 2021/22, the MTFP, funding associated with the pandemic, and the potential impact on services into the future
- Updates on service delivery and safeguarding arrangements for vulnerable children and adults during the pandemic
- Education updates in light of changes and risks associated with the pandemic
- Updated assessment of risk as a result of the United Kingdom leaving the European Union
- The review of the Social Justice Strategy and associated action plans
- Amendments to the majority of COVID-19 related activity, which is identified within numerous risks, in line with changing government guidelines, legislation, local circumstances and evidence-bases
- Removal of the risk of declining recycling rates affecting our ability to achieve the Welsh Government target of 70% recycling rates throughout Wales. This risk still needs to be managed at a service level
- Removal of the 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.

Updates have been made, where required, to the existing risks, including to the reason why the risk has been identified, the assessed risk level, mitigating actions being undertaken and the progress on these.

3.10 The risk assessment only covers high and medium level strategic risks. Lower level or operational risks, are not registered unless they are projected to escalate within the three years covered. These are managed and monitored through other arrangements, particularly those identified in points 3.2 and 3.6. The strategic risk assessment should continue to focus on medium term risks to service delivery.

3.11 Following presentation to Audit Committee, the risk assessment will be presented to Cabinet for sign-off. As the risk assessment is a live document, it will evolve as new information comes to light. Therefore Audit Committee should take into account that this is the latest position up to the point the agenda was circulated. The Council continues to operate in an uncertain and fast changing environment; the strategic risk register will regularly evolve and adapt to identify, assess, manage and mitigate, as far as possible, a variety of risks to council service delivery and the well-being of our staff and residents. 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.

3.12 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.

3.13 The Council has continued to clearly set its purpose and strategic aims that guide its work through the coronavirus pandemic as the Council continues to evolve and adapt to changing circumstances. The current aims are set in the Council's 'Winter Strategy', also referred to as the 'plan on a page'. Delivery continues to be monitored and will need to be flexible in timescale and content as circumstances and guidance changes. Further iterations of the plan on a page are scheduled to guide activity in the months ahead. The activity being undertaken to deliver these strategic aims will further identify action that is being undertaken to manage and mitigate, as far as possible, related risks.

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 the Council's purpose.

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Appendix 1: Monmouthshire County Council Whole Authority Strategic Risk Assessment: Summary – March 2021

| Ref | Potential Risk | Risk Level – Pre mitigation | Risk Level – Post mitigation |
|-----|--|--|--|
| 1 | The authority does not remain relevant and viable for future generations due to not having a sustainable delivery model | 2020/21 – Low 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium | 2020/21 – Low 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium |
| 2 | Without appropriate and effective governance infrastructure, the Council may not deliver its objectives | 2020/21 – Medium 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium | 2020/21 – Low 2021/22 – Low 2022/23 – Low 2023/24 – Low |
| 3 | The Council and partners do not make sufficient progress in delivering through new regional and collaborative structures | 2020/21 – Low 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium | 2020/21 – Low 2021/22 – Medium 2022/23 – Low 2023/24 – Low |
| 4a | Some services may become financially unsustainable in the short to medium term due to increasing demand and continuing financial pressures | 2020/21 – High 2021/22 – High 2022/23 – High 2023/24 – High | 2020/21 – Low 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium |
| 4b | The authority is unable to deliver its political priorities or maintain key infrastructure and meet other identified pressures due to insufficient capital funding availability | 2020/21 – High 2021/22 – High 2022/23 – High 2023/24 – High | 2020/21 – Medium 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium |
| 5 | Reduced staff well-being due to a range of factors will impact on the delivery of council services | 2020/21 – Medium 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium | 2020/21 – Medium 2021/22 – Medium 2022/23 – Low 2023/24 – Low |
| 6 | Significant harm to vulnerable children or adults due to a failure of safeguarding arrangements or factors outside the Council's control | 2020/21 – High 2021/22 – High 2022/23 – Medium 2023/24 – Medium | 2020/21 – Medium 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium |
| 7 | The robust delivery of the Council's corporate parenting responsibility and services related to vulnerable children as a result of an increase in demand and complexity in cases | 2020/21 – Medium 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium | 2020/21 – Medium 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium |
| 8 | The robust delivery of the Council's care responsibilities and services related to vulnerable adults as a result of an increase in demand, complexity in cases, and additional risks through coronavirus affecting some of our most vulnerable residents | 2020/21 – High 2021/22 – High 2022/23 – High 2023/24 – High | 2020/21 – High 2021/22 – High 2022/23 – Medium 2023/24 – Medium |
| 9 | 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. Failing to adapt to changes in the new curriculum and examination requirements | 2020/21 – High 2021/22 – High 2022/23 – Medium 2023/24 – Medium | 2020/21 – High 2021/22 – High 2022/23 – Medium 2023/24 – Medium |
| 10 | Loss or corruption of data due to cyber-attack or data mismanagement, which will compromise the delivery of essential council services | 2020/21 – Medium 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium | 2020/21 – Medium 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium |
| 11a | Delays to the adoption and implementation of the Replacement Local Development Plan, due to the impact of the pandemic, environmental considerations (i.e. phosphates) and other external influences, could result in a lack of appropriate infrastructure (including affordable housing) to meet the future needs of the county | 2020/21 – Medium 2021/22 – High 2022/23 – High 2023/24 – High | 2020/21 – Medium 2021/22 – High 2022/23 – High 2023/24 – High |

| Ref | Potential Risk | Risk Level – Pre mitigation | Risk Level – Post mitigation |
|-----|--|--|--|
| 11b | Insufficient broadband infrastructure and a lack of digital skills in the county have the potential to lead to social and economic disadvantages | 2020/21 – Medium 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium | 2020/21 – Medium 2021/22 – Medium 2022/23 – Low 2023/24 – Low |
| 12 | Political, legislative and financial uncertainty for council services and local businesses as a result of the UK leaving the European Union | 2020/21 – High 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium | 2020/21 – High 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium |
| 13 | The scale and complexity of the challenge could result in the authority failing to deliver on its policy commitment to reduce carbon emissions resulting in social, economic and environmental harm to current and future Monmouthshire residents and businesses | 2020/21 – High 2021/22 – High 2022/23 – High 2023/24 – High | 2020/21 – High 2021/22 – High 2022/23 – High 2023/24 – High |
| 14 | The spread of Coronavirus (COVID-19), and the emergence of variants of concern, will impact on staff and residents' health and cause delays or reductions in the Council's service delivery | 2020/21 – High 2021/22 – High 2022/23 – High 2023/24 – High | 2020/21 – High 2021/22 – High 2022/23 – Medium 2023/24 – Medium |
| 15 | The coronavirus pandemic will have a considerable economic impact resulting in business closures and job losses | 2020/21 – High 2021/22 – High 2022/23 – High 2023/24 – High | 2020/21 – Medium 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium |
| 16 | The coronavirus pandemic could have a disproportionately negative impact on the well-being of some sections of our communities, resulting in increased poverty and inequality | 2020/21 – High 2021/22 – High 2022/23 – High 2023/24 – High | 2020/21 – Medium 2021/22 – Medium 2022/23 – Medium 2023/24 – Medium |

Appendix 2: Monmouthshire County Council Whole Authority Strategic Risk Assessment – March 2021

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|--|--------------------------------|------------------------------|---|--|------------|----------------------------|------------|
| Ref & Status | 1 | Risk | Potential Risk that: The authority does not remain relevant and viable for future generations due to not having a sustainable delivery model | | | | |
| Risk Owner and cabinet Member responsible | Paul Matthews & Cllr Peter Fox | | Select Committee | All | | Strategic objective | All |
| Reason why Identified | | | | | | | |
| <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>The Corporate plan sets out a clear purpose and aims for an ambitious five-year programme, with many areas focused on the longer-term future of the county and which addresses many complex challenges. The council's key delivery strategies to enable this have been revised. We have lessened our focus on some of the priorities in the Corporate Plan to re-direct capacity towards our Coronavirus emergency response effort. To provide clarity and ensure accountability through this time, Cabinet have continued to set a revised purpose and set of strategic aims.</p> <p>The Coronavirus pandemic is likely to impact on economic, social, environmental and cultural well-being of the County. There is a need to continue to understand the impact and adapt/develop plans accordingly.</p> <p>Since the start of 2020, the Council has faced significant and unprecedented challenges from flooding, and the COVID-19 pandemic and resulting lockdown restrictions. Each of these draws significantly on the Council's resources, both in terms of capacity and finances, and places an unprecedented strain on the Council. The long-term financial costs of dealing with the pandemic will place a financial strain on public finances for many years, which is likely to result in significant pressures on public finances in the medium to long-term</p> | | | | | | | |
| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Unlikely | Major | Low | 2020/21 | Unlikely | Major | Low |
| 2021/22 | Possible | Major | Medium | 2021/22 | Possible | Major | Medium |
| 2022/23 | Possible | Major | Medium | 2022/23 | Possible | Major | Medium |
| 2023/24 | Possible | Major | Medium | 2023/24 | Possible | Major | Medium |
| Mitigating Actions | | | | | | | |
| Mitigating Action | | Responsibility Holder | Timescale | Mitigation action progress | | | |
| <p>Continue to monitor progress with delivery of the Corporate Plan and keep under review in consideration of the impact and learning of the coronavirus pandemic on the Council and county.</p> <p>Review the aspirations in the Corporate Plan as we face up to a new financial reality and the response needed to changing issues of well-being in the county.</p> | | Senior Leadership Team | Ongoing | <p>The Corporate Plan Annual Report was published in October 2020.</p> <p>To provide clarity and ensure accountability through our response to the coronavirus pandemic, a set of strategic aims were set by Cabinet in May 2020. These were updated in July, and again in November. We have lessened our focus on some of the priorities in the Corporate Plan to re-direct capacity towards dealing with COVID-19.</p> <p>The current strategic aims contained within the 'Winter Strategy' set out the Council's priorities until March 2021. After this, the aims will be reviewed based on the latest circumstances, evidence and guidance to set the direction for Council services through the next phase.</p> | | | |
| Strengthen medium to long term strategic financial planning as part of the Medium Term Financial Plan and adapt to reflect the impact of the coronavirus pandemic on public finances. | | Chief Officer Resources | March 2021 | <p>The Council's medium term financial planning has been severely disrupted by the impact of the Coronavirus pandemic on the Council's finances.</p> <p>Following public consultation and scrutiny, the final budget proposals for the 2021/22 budget were presented to Cabinet In March 2021.</p> <p>Welsh Government has provided a significant level of funding through its COVID Hardship Fund to meet additional costs and income losses as a result of the pandemic. It is hoped, and the budget assumption remains, that Welsh Government continues its funding of COVID pressures, in the form of increased costs and income losses, through 2020/21 and 2021/22.</p> <p>The medium term prognosis is still of concern; there are no indicative settlement figures published, which significantly impedes and impacts on forward planning of budgets over the medium term. There is still a need to think differently about the even greater challenges of the medium term; this work and associated</p> | | | |

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| | | | engagement will continue. Ongoing financial challenges remain dynamic; further work will be undertaken to develop the MTFP, which will include an ongoing assessment of pressures, risks and modelling assumptions. |
| Apply and update learning from work on future trends and plan for how they might impact at a local level in Monmouthshire, and explore relationships with partners who can assist in the delivery of the council's objectives. | 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 continuing to develop our understanding of future risks and opportunities and how we respond to them in Monmouthshire. |
| Implement and track progress of the revised key delivery strategies: Digital Strategy, People Strategy and Asset Management Strategy. Revise strategies where necessary based on learning and impact from the Coronavirus response | Chief Officer Resources | Timescales as per strategies | The council's key delivery strategies to enable the delivery of the Corporate Plan have been revised. The revised strategies continue to be implemented and activity has been embedded in the relevant service business plans. Some activity will be impacted by the coronavirus pandemic and activity in the strategies will need to be reconsidered in light of the Coronavirus response |

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|--|---|-------------------------|--|-------------------------------------|------------|-------------|------------|
| Ref & Status | 2 | Risk | Potential Risk that: Without appropriate and effective governance infrastructure, the Council may not deliver its objectives | | | | |
| Risk Owner and cabinet Member responsible | Matthew Gatehouse and Matthew Phillips & Cllr Paul Jordan | Select Committee | Audit Committee | Strategic objective | All | | |
| Reason why Identified | | | | | | | |
| <p>Good governance is a fundamental part of local authority working; arrangements are multifaceted and need to be subject to continuing review to ensure they are effective. 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.</p> <p>New joint arrangements require robust governance arrangements to be established.</p> <p>We recognise 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. There has been a significant volunteer response to Covid-19 pandemic; work will be required to continue to support an increased volunteer network and ensure longer term arrangements are in place.</p> <p>The Local Government and Elections (Wales) Act was passed in November 2020. The Act includes provision related to democracy, regional working, structures, governance and performance.</p> <p>The Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020 came into force in April 2020 in response to the impact of the pandemic, the limitations of lockdown and existing legal requirements applicable to local authorities. They aim to overcome those limitations to allow democratic processes and decision making to continue.</p> <p>During the pandemic, there have been significant changes to the way in which the Council operates. Governance mechanisms have been developed and established digitally; these need to continually reviewed to identify ways of working that have improved efficiency, and to identify where these can be developed going forward.</p> <p>The latest Audit Wales Annual Audit Summary 2020 includes, 'The Auditor General certified that the Council has met its legal duties for improvement planning and reporting, and believes that it is likely to meet the requirements of the Local Government (Wales) Measure 2009 during 2020-21.' There remains proposals for improvement from Audit Wales relating to the Councils' governance and scrutiny arrangements that are still being addressed.</p> | | | | | | | |
| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Possible | Substantial | Medium | 2020/21 | Unlikely | Substantial | Low |
| 2021/22 | Possible | Substantial | Medium | 2021/22 | Unlikely | Substantial | Low |
| 2022/23 | Possible | Substantial | Medium | 2022/23 | Unlikely | Substantial | Low |
| 2023/24 | Possible | Substantial | Medium | 2023/24 | Unlikely | Substantial | Low |
| Mitigating Actions | | | | | | | |
| Mitigating Action | Responsibility Holder | Timescale | Mitigation action progress | | | | |
| Update the Councils' constitution to ensure it reflects recent changes in legislation and governance. | Monitoring Officer | March 2021 | A thorough review of the constitution has been undertaken to ensure it reflects the latest legislation and council's governance structures. This was discussed at Democratic Services Committee in January, and is due to be presented to Council in March 2021 for debate and decision. | | | | |

| | | | |
|---|--|----------------------------------|---|
| Prepare for the implementation of the Local Government & Elections (Wales) Bill Work with relevant committees to respond to areas in the Bill which require changes to MCC processes | Head of Policy and Governance, | March 2021 | Work is underway to prepare for and implement the requirements of the Bill and to respond to consultations on various aspects of it, including the Welsh Government Corporate Joint Committee Regulations and draft performance and governance guidance. 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. |
| Manage our actions in response to any Estyn, CIW and Audit Wales recommendations via existing mechanisms | Senior Leadership Team | Timetable as per action plans | The Council has arrangements in place to respond to regulatory reports and where necessary, these are reported to the relevant committees. |
| Deliver the implementation plan for the volunteering policy in all service/business areas and continued implementation of the Volunteer toolkit. Continue to assess the volunteer response during the Covid-19 pandemic and identify learning that should be adopted and developed to support volunteers | HR Manager & Communities and Partnership Development Team | Timescale as implementation plan | 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. A Volunteer Kinetic digital management system is in place, containing live volunteer safe recruitment information and activity, which is reported on a quarterly basis. Service area champions have also been introduced to ensure that all current and new volunteers are recruited through the appropriate channels. At the start of the pandemic, volunteer activity was suspended to assist community groups that mobilised in response to the pandemic with safeguarding arrangements. The Community Support Structure was established to assist people needing support being coordinated with the offers of support. The council ensured that community groups and volunteers were provided with the correct advice and support to ensure they were safe and appropriate. This included using the council's infrastructure to provide a safe recruitment function for voluntary groups, which has now been passed to Bridges and GAVO to ensure sustainability. Safeguarding training has also been delivered to volunteers through the Be. Community Leadership Programme. |
| Adapt arrangements to apply Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020 | Head of Law/ Monitoring Officer, Head of Policy and Governance | April 2021 | Arrangements have been adapted to apply regulations, which run until April 2021. Work continues to review the learning from the new arrangements. Some changes will remain or be built on where they are working well. |
| Ensure robust application of pre-decision scrutiny to minimise the risk of legal challenge on decisions made by the authority. | Head of Law/ Monitoring Officer, Head of Policy and Governance | June 2021 | Local and national developments continue to be monitored, and work is ongoing to develop closer adherence to, and monitoring of, Equality Impact Assessments and Future Generations evaluations. |

| | | | | | | | |
|---|--|-------------------------|--|-------------------------------------|------------|-------------|------------|
| Ref & Status | 3 | Risk | Potential Risk that: The Council and partners do not make sufficient progress in delivering through new regional and collaborative structures | | | | |
| Risk Owner and cabinet Member responsible | Matthew Gatehouse, Cllr Peter Fox & Cllr Paul Jordan | Select Committee | Audit Committee Public Services Select Committee | Strategic objective | All | | |
| Reason why Identified | | | | | | | |
| 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 Monmouthshire PSB well-being plan has been established; the activity that will contribute to the delivery of the plan has been allocated to lead organisations. Progress is overseen by Programme Board and scrutinised by the Public Services Select Committee. Planning has commenced for moving to a regional Gwent PSB. There are associated risks, including a loss of local accountability and reduced focus on projects, which are Monmouthshire specific that need to be mitigated. | | | | | | | |
| The Coronavirus pandemic is likely to impact on economic, social, environmental and cultural well-being of the County. There is a need to continue to work with partners to understand the impact and adapt/develop partnership working accordingly. | | | | | | | |
| 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. New Corporate Joint Committees arrangements are being implemented as part of the Local Government & Elections (Wales) Bill. | | | | | | | |
| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Unlikely | Substantial | Low | 2020/21 | Unlikely | Substantial | Low |
| 2021/22 | Possible | Substantial | Medium | 2021/22 | Possible | Substantial | Medium |

| 2022/23 | Possible | Substantial | Medium | 2022/23 | Unlikely | Substantial | Low |
|---|---|----------------|---|---------|----------|-------------|-----|
| 2023/24 | Possible | Substantial | Medium | 2023/24 | Unlikely | Substantial | Low |
| Mitigating Actions | | | | | | | |
| Mitigating Action | Responsibility Holder | Timescale | Mitigation action progress | | | | |
| To deliver the Public Service Board Well-being Plan, implement a delivery framework and ensure scrutiny via the Public Services Select Committee. Work with partners to understand the impact of the coronavirus pandemic and adapt/develop partnership working accordingly. | Head of Policy & Governance and Community & Partnership Development Manager | April 2021 | The Public Service Board has published its annual report for 2019/20, outlining the progress made so far to deliver the objectives set out in the well-being plan. The PSB is reviewing the steps it is prioritising in its well-being plan to take account of progress and evidence on well-being in the county. 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. 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, including arrangements delivered through Corporate Joint Committees. | | | | |
| To develop arrangements for moving to a Gwent-wide Public Service Board. | Head of Policy & Governance | September 2021 | Leaders of public services in Gwent have agreed to commence the planning for moving to a regional Gwent PSB. Options and arrangements to implement this are being developed. A regional approach offers opportunities to strengthen collaboration while generating economies of scale. It will offer opportunities to align the focus of work to improve well-being in the region, reduce duplication of activity, align strategic priorities and enable much closer collaboration over assessment and planning processes. There are associated risks, including a loss of local accountability and a lessened reduced focus on projects that are Monmouthshire specific. To mitigate, this a review and refresh of local partnerships arrangements is being developed. | | | | |
| Work with Welsh Government and the Cardiff Capital Region on the transition arrangements for services that will form part of the Corporate Joint Committee. | Head of Policy and Governance | December 2021 | In December 2020, Council agreed a response to be submitted to the Welsh Government Corporate Joint Committee Regulations consultation. An officer group has been formed to ensure transition arrangements are in place for services that will form part of the CJC and those that will be operated concurrently in line with the Establishment Regulations. | | | | |

| Ref & Status | 4a | Risk | Potential Risk that: Some services may become financially unsustainable in the short to medium term due to increasing demand and continuing financial pressures | | | | |
|--|-----------------------------------|------------------|--|---------------------|------------|--------|------------|
| Risk Owner and cabinet Member responsible | Peter Davies and Cllr Phil Murphy | Select Committee | All | Strategic objective | All | | |
| Reason why Identified | | | | | | | |
| <p>After several years of taking significant resource out of the budget, the means of achieving further savings is increasingly more challenging. The Council is due to receive a 3.9% increase in its core funding from Welsh Government in 2021/22, marginally above of the 3.8% average for Wales. This goes some way to giving some additional flexibility to respond to the pressure on Council finances, however the Council's funding remains the lowest per head of population of any council in Wales. Pressures on the budget remain and continue to increase in terms of demographic growth, demand on services and expectations, and pay and pension increases. Specific areas with pressures include additional learning needs, social care generally and children's services specifically, passenger transport, waste, car parking and Monlife activities.</p> <p>The Council finalised its draft accounts for 19/20 with useable capital receipts of only £3.2m, a Council Fund balance of £8.5m and useable earmarked reserves of £6.4m (of which there is planned use that will reduce earmarked reserves to £5.4m at the end of 2020/21). Budget assumptions modelled in October 2020 indicated a gap of £5.3 million in 2021/22, culminating in a need to deliver a mixture of cost efficiencies and savings totalling £22.5m in aggregate by the end of the 4-year MTFP period.</p> <p>Along with the rest of the organisation, schools are facing a challenging financial settlement. 17 schools started 2020/21 financial year in deficit. If the deficit balances for schools continues to increase, this could, over time, have an impact on the overall reserves for MCC.</p> <p>Over the past year, the Council has faced significant and unprecedented challenges, notably the flood response and recovery in February 2020, and the COVID-19 pandemic and lockdown restrictions implemented since March 2020, with uncertainty continuing. These have accentuated the financial challenge facing the council and financial forecasts are being prepared on assumptions that are uncertain.</p> | | | | | | | |
| Risk Level (Pre-mitigation) | | | Risk Level (Post-mitigation) | | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |

| 2020/21 | Likely | Major | High | 2020/21 | Unlikely | Major | Low |
|--|-------------------------|------------|--|---------|----------|-------|--------|
| 2021/22 | Likely | Major | High | 2021/22 | Possible | Major | Medium |
| 2022/23 | Likely | Major | High | 2022/23 | Possible | Major | Medium |
| 2023/24 | Likely | Major | High | 2023/24 | Possible | Major | Medium |
| Mitigating Actions | | | | | | | |
| Mitigating Action | Responsibility Holder | Timescale | Mitigation action progress | | | | |
| Ensure that services deliver within budget, deliver savings targets and continue to identify, review and challenge pressures. | Chief Officer Resources | March 2021 | <p>The net revenue forecast non-COVID surplus at month 9 for 2020/21 is £142k, this represents an improvement of £660k since month 7. This has largely resulted from the action taken during the financial year in curtailing non-essential expenditure and through cost reductions recognising the significant and continued financial pressure on the Authority as a result of the pandemic.</p> <p>The total net revenue forecast outturn for 2020/21 at month 9 exhibits an over spend of £5.15m (presented on a prudent worst case scenario basis). Welsh Government COVID-19 support funding is expected to cover the majority of this although it remains unclear as to how far that will extend, though levels of confidence have increased significantly given Welsh Government commitments throughout the year.</p> <p>The immediate focus for the Council whilst it awaits confirmation of full compensating funding from Welsh Government is to manage the significant in year service pressures it is facing, notably within the areas of Waste, Passenger Transport, Additional Learning Needs and Children's Services. To date, this has been managed through cost reduction and in taking immediate steps to curtail non-essential expenditure alongside approving the capitalisation of an additional £675k of identified eligible expenditure to be funded from capital receipts under the flexible use of capital receipts directive.</p> <p>The in-year over spend, whilst being managed via a recovery plan, sees significant service pressures carried through into 21/22. The challenges of significantly reduced resources over several years, and the pandemic response, makes the budget challenge even more acute. The draft proposals in total bring forward savings of £3.682m.</p> | | | | |
| Produce a proposed set of budget proposals for 2021/22 | Chief Officer Resources | March 2021 | <p>Cabinet received a report on the MTFP and budget process at their meeting of 21st October 2020. The assumptions and modelling at that time led to a gap of £5.29 million in 2021/22 rising to a gap of £22.52 million over the medium term. Despite the above average provisional settlement from Welsh Government, this only enables some of the pressures needing to be accommodated in the budget proposals to be offset. Furthermore, a significant question mark still arises over the pressures that will arise for pay awards.</p> <p>Following consideration and approval by Cabinet in January 2021, budget proposals were consulted upon which looked to accommodate £10.07m of pressures by way of savings proposals of £3.682m and a one-off contribution from the Council's general reserves of £748k. Work continued to review and revise existing and new savings and pressures in the light of further engagement and scrutiny. The revised savings and pressures proposal as part of 2021/22 budget were approved by cabinet in March 2021. The consequence of the adjustments results in the originally proposed one-off contribution from general reserves of £748,000 now no longer being required.</p> <p>Welsh Government have also confirmed that funding of COVID pressures, in the form of increased costs and income losses, will be separately announced in the coming weeks. The budget assumption for next year remains that Welsh Government will fund such COVID pressures. Clearly, any resultant shortfall will be identified through in year budget monitoring with budget recovery action being taken as required.</p> | | | | |
| Implement the process for reclaiming coronavirus costs via agreed avenues, and identify alternative grant funding offers available via Welsh Government. | Chief Officer Resources | Ongoing | <p>Forecasts and information to reclaim costs continue to be provided both on a monthly and ad hoc basis as required to Welsh government.</p> <p>There is now greater certainty regarding the amount of compensatory Welsh Government funding available as a result of the pandemic. The Council continues to monitor and receive updates from Welsh Government</p> | | | | |

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| | | | <p>and is engaged in ongoing discussions with WLGA and WG on the sufficiency of funding to meet COVID related pressures on local authorities in the current financial year.</p> <p>Following the provisional Welsh Government settlement for 2021/22 there are a number of significant grants where the Authority remains unclear as to the amount to be received and resultant terms and conditions attached. Further clarity is being sought as part of the final settlement process.</p> |
| Strengthen medium to long term strategic financial planning as part of the Medium term financial plan and adapt to reflect the impact of the coronavirus pandemic. | Chief Officer Resources, | March 2021 | <p>The Council's medium term financial planning has been severely disrupted by the impact of the Coronavirus pandemic on the Council's finances. Cabinet received a report on the MTFP and budget process at their meeting of 21st October 2020. The report outlined the assumptions that were being used in the construction of the budget for 2021/22 and the MTFP. The assumptions and modelling at that time led to a gap of £5.29 million in 2021/22 rising to a gap of £22.52 million over the medium term.</p> <p>Welsh Government has provided a significant level of funding through its COVID Hardship Fund to meet additional costs and income losses as a result of the pandemic. It is hoped, and the budget assumption remains, that Welsh Government continues its funding of COVID pressures, in the form of increased costs and income losses, through 2020/21 and 2021/22.</p> <p>The medium term prognosis is still of concern; there are no indicative settlement figures published, which significantly impedes and impacts on forward planning of budgets over the medium term. There is still a need to think differently about the even greater challenges of the medium term; this work and associated engagement will continue. Ongoing financial challenges remain dynamic; further work will be undertaken to develop the MTFP, which will include an ongoing assessment of pressures, risks and modelling assumptions.</p> <p>As part of its MTFP budget strategy the Council is continuing to make use of Welsh Government guidance and that allows local authorities in Wales to fund one-off revenue costs associated with service reform from useable capital receipts held. The Council is proposing to draw £1.7m from capital receipts as part of the budget proposals for 2021/22 and has modelled a similar level of contribution for 2022/23. Whilst the Council will have sufficient capital receipts to maintain this short-term, the Council will need to move towards a more sustainable budget strategy over the medium and once the current unprecedented circumstances have passed.</p> <p>It is inevitable that the Council will face significant financial challenges during the recovery phase of the pandemic as demands on services change in light of a severely altered socio-economic landscape. Alongside this, there will continue to be risks associated with Welsh Government support funding being reduced or stopped. It is therefore important that any resulting surplus on the revenue budget is provisionally earmarked to strengthen the Council's limited reserve and useable capital receipt balances to meet those future financial challenges.</p> |
| Develop and implement a commercial strategy aligned to the Corporate Plan | Chief Officer Resources | Timescales as per strategy | <p>As part of the delivery of the Corporate Plan, a Commercial Strategy has been developed. The strategy seeks to enhance income generation, develop an approach to commercialising assets and create a commercial culture and ethos. The strategy has a short-, medium- and long-term view and aims to provide a framework, with defined objectives, for new commercial projects and for the delivery of future commercial activity.</p> <p>Commercial income achieved its budget for 2019/20. At Month 9 2020/21, Investment Properties is forecasting a combined overspend of £836k. The forecast rental income from commercial investments has reduced further as the pandemic continues to have a huge impact on the leisure & retail industry. Losses to date have been covered by the WG Covid support fund and we anticipate this will continue through to year end so that the overspend should not have an adverse impact on the revenue outturn position. As with all investments, this is being actively monitored with discussions ongoing with tenants.</p> <p>The Council is continuing to assess its commercial risk appetite and exposure, and the Investment Committee will be receiving regular updates on investment performance and mitigating action being taken.</p> |

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| | | | The commercial risk appetite has recently been adjusted in light of the current pandemic and uncertainties in the investment and property markets at this time. |
| 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 strategy, an external review of the Strategic Procurement Service has been undertaken and a report has been received. The review confirmed the Council's own recognition that it had limited capacity to influence behaviours relating to its £100m third party annual spend, particularly in determining how spends supported the delivery of the Council's priorities. Committee Members are being asked to consider a proposal to collaborate with Cardiff Council, for mutual benefit, in the discharge and provision of procurement services. |
| 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. Consider the offer of providing loans to schools. | Finance Manager – Children & Young People | Ongoing | Locally managed school budgets carried a collective net deficit balance of £435k at the beginning of the current financial year. The latest month 9 outturn statement indicates that school balances are forecast to decline further taking the overall forecast deficit to £166,000. All schools who are in a deficit position have, or are in process of, agreeing recovery plans and the number of schools in deficit is forecast to reduce from 17 at the beginning of this financial year to 12. These recovery plans will be confirmed with both the Local Education Authority and each school's Governing Body. Once finalised, the schools with significant deficits will be monitored by the Cabinet member for Children and Young People and Resources on a termly basis. Cabinet approved plans to provide loans to schools that will allow them to plan recovery over a longer period of time. The loan will be up to a maximum of 10 years and limited to 10% of their funding. A number of schools have shown an interest in taking out this loan; the loan document is being finalised with Legal and will be agreed with those school before the year end. |

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| Ref & Status | 4b | Risk | 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 | | | | |
| Risk Owner and cabinet Member responsible | Deb Hill- Howells, Peter Davies & Cllr Phil Murphy | Select Committee | Economy and Development & Strong Communities | Strategic objective | All | | |
| Reason why Identified | | | | | | | |
| 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 have successfully concluded. Officers are working through options in relation to a future Welsh Government Band B programme. | | | | | | | |
| There remain a considerable number of pressures that sit outside 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, and Public rights of way. 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. In the event of emergency pressures, resources will have to be diverted. Projects, such as the CCR City Deal, require significant capital investment to realise the outcomes. | | | | | | | |
| There can be significant slippage in gaining capital receipts. Future investment in capital schemes, is in part dependent on future success of achieving capital receipts and there are risks attached to some receipts materialising. 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. The Council finalised its draft accounts for 19/20 with useable capital receipts of only £3.2m, a Council Fund balance of £8.5m and useable earmarked reserves of £6.4m (of which there is planned use that will reduce earmarked reserves to £5.4m at the end of 2020/21). | | | | | | | |
| The recent severe flooding has had a significant impact on aspects of the Council's highways, bridge and footpath infrastructure. It is unclear as to the level of additional funding Welsh Government will make available to the recovery effort and future necessary investment in flood defences. The Covid-19 pandemic is likely to have a future impact on the availability of capital resources as both Welsh Government and the Council redirects funding to support the financial sustainability of the Council. | | | | | | | |
| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Likely | Major | High | 2020/21 | Possible | Major | Medium |
| 2021/22 | Likely | Major | High | 2021/22 | Possible | Major | Medium |
| 2022/23 | Likely | Major | High | 2022/23 | Possible | Major | Medium |
| 2023/24 | Likely | Major | High | 2023/24 | Possible | Major | Medium |

| Mitigating Actions | | | |
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| Mitigating Action | Responsibility Holder | Timescale | Mitigation action progress |
| 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. | Chief Officer Resources | Ongoing | <p>The last capital budget strategy was approved by Council in September 2019. In preparing the draft capital budget proposals for 2021/22, and the subsequent three years of the capital MTFP, regard has been given to the underlying principles of the strategy that remain fit for purpose. An updated capital strategy for 2021/22 was considered by Council, alongside the treasury strategy, at its meeting in March 2021.</p> <p>A report was presented to Cabinet in January 2021 to set out draft capital budget proposals for financial year 2021/22, and the indicative capital budgets for the three years 2022/23 to 2024/25. Final proposals, along with proposed changes following consultation, were presented to Cabinet in March 2021.</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 inform the capital MTFP and will identify pressures that will need to be accommodated and funded in future financial years.</p> <p>Using Welsh Government guidance on the flexible use of capital receipts, Cabinet approved the use of £1.7m of capital receipts to fund revenue costs associated with service reform, and to support the draft revenue budget proposals for 2021/22.</p> |
| Continue to monitor the capital Budget | Chief Officer Resources | Ongoing | <p>The outbreak of the COVID-19 pandemic has caused significant disruption to the progress of budgeted capital schemes, with forecast slippage at Month 9 2020/21 totalling £40.45m (£37.50m at month 7). The Covid-19 impact is affecting both internally and externally managed projects, with disruption to external supply chains, increased contract risk and potential inflationary cost pressures sitting alongside internal resourcing pressures.</p> <p>Forecasted capital receipts balances held at the end of 2020/21 are lower than forecasted in the 2020/24 MTFP. Ignoring timing differences in the realisation of capital receipts, this is largely attributable to the use of unbudgeted receipts under the capitalisation direction in 2019/20 and 2020/21 and budgeted use for 2021/22 and 2022/23. If this trend of utilisation is maintained in the medium term, this will result in reduced balances being available to support further capital investment.</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 Placemaking, Housing, Highways and Flood | Ongoing | <p>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 of Health and safety surveys is currently being commissioned.</p> <p>Independent condition assessments of key highways infrastructure are completed as required depending on condition. These inform prioritisation of available capital budget.</p> <p>A review of the pressures and associated risks has been undertaken as part of the 2021/22 capital budget process. This has concluded that further feasibility studies and technical assessments will be undertaken on specific infrastructure assets during 20/21, funded from existing highways infrastructure capital budgets. The results of these studies and assessments will inform the capital MTFP and pressures that will need to be accommodated and funded therein in future financial years.</p> |
| 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. |
| 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. |

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| | | | <p>Commercial income achieved its budget for 2019/20. At Month 9 2020/21, Investment Properties is forecasting a combined overspend of £836k. The forecast rental income from commercial investments has reduced further as the pandemic continues to have a huge impact on the leisure and retail industry. Losses to date have been covered by the WG Covid support fund and we anticipate this will continue through to year end so that the overspend should not have an adverse impact on the revenue outturn position. As with all investments, this is being actively monitored with discussions ongoing with tenants.</p> <p>The Council is continuing to assess its commercial risk appetite and exposure, and the Investment Committee will be receiving regular updates on investment performance and mitigating action being taken. The commercial risk appetite has recently been adjusted in light of the current pandemic and uncertainties in the investment and property markets at this time.</p> |
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| Ref & Status | 5 | Risk | Potential Risk that: Reduced staff well-being due to a range of factors will impact on the delivery of council services | | | | |
| Risk Owner and cabinet Member responsible | Tracey Harry & Cllr Phil Murphy | Select Committee | Strong Communities | Strategic objective | All | | |
| Reason why Identified | | | | | | | |
| <p>Our people are central to the success of our council and the county. Reductions to the council budget over recent years has seen staff numbers fall, which has inevitably intensified workloads in some areas. The council's response to the pandemic, alongside emergencies such as widespread flooding, risks putting unprecedented pressure on staff, and there is a risk of burnout. Similarly, the impact on staff wellbeing must be carefully considered, as staff face increased workloads, altered home lives, and the ongoing pressures associated with the pandemic.</p> <p>Some services have identified challenges with recruitment in certain sectors, which is being managed locally. Staff turnover increased slightly during 2019/20, from 8.73% to 9.43%. The data on turnover is updated quarterly and as of December 2020, the council's turnover rate was 1.62% for 2020/21. Sickness levels were an average of 11.32 days per FTE employee for 2019/20. Early indications of sickness level figures for 2020/21 suggest this has reduced, with a figure up to February 2021 of 7.83 days per FTE employee. Furthermore, the People strategy has identified that tools and guidance to manage and prevent sickness are not always used effectively.</p> <p>There is potential for a detrimental impact on staff well-being from a range of factors linked to the coronavirus pandemic and delivering the Council's response, and this will need continuous monitoring to determine implications and to ensure staff are supported.</p> | | | | | | | |
| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Likely | Substantial | Medium | 2020/21 | Possible | Substantial | Medium |
| 2021/22 | Possible | Substantial | Medium | 2021/22 | Possible | Substantial | Medium |
| 2022/23 | Possible | Substantial | Medium | 2022/23 | Possible | Moderate | Low |
| 2023/24 | Possible | Substantial | Medium | 2023/24 | Possible | Moderate | Low |
| Mitigating Actions | | | | | | | |
| Mitigating Action | Responsibility Holder | Timescale | Mitigation action progress | | | | |
| 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 Strategy will be reconsidered, informed by the learning from leadership development sessions, wider organisational learning and input. The update will now need to consider the learning from the council's Coronavirus response. | | | | |
| Embed workforce planning into team management processes to ensure the right skills, expertise and knowledge are available for future changes | HR lead & Training Lead | Ongoing | <p>A Recruitment and Selection policy has been developed, which prompts managers to think about apprenticeships, forward thinking and future planning, three to five years ahead. The People Service HUB holds workforce planning guidance, and workforce planning support and challenge is provided at Directorate Management Teams (DMT).</p> <p>The Leaders Induction includes information for managers on knowing their people, understanding performance and identifying future plans.</p> <p>Work on developing the payroll and HR system has continued, and the contract for a new payroll system has been signed.</p> | | | | |
| Embed the attendance and wellbeing policy. | Head of People Services | Ongoing | HR is providing ongoing training and support to colleagues via a structured HR Business partnering model and has planned online delivery of attendance management training. Quarterly reporting to DMTs enables | | | | |

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| 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>greater accountability, and a weekly People Leaders Q&A enables best practice discussion and shared learning amongst managers.</p> <p>Quarterly meetings are being held with the Occupational Health provider to ensure contract arrangements are robust.</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. It is being promoted at Induction and Leadership sessions. In addition to this, a Counselling service is available for employees to access via HR or management referral.</p> <p>A self-referral system is also available via DWP. This is an external source of support, but is being advertised to all.</p> |
| Develop the support mechanisms in the short to medium term to address the potential impacts on staff wellbeing as a result of the Covid-19 crisis. | Head of People Services | September 2021 | <p>The weekly Digital 'CWTCH' continues, along with a weekly People Leaders Q&A session. HR has developed a People Leaders Support Site which enables 'live' discussion/news feed, enabling direct support and a shared learning platform for managers and head-teachers.</p> <p>The SUPPORTALL HUB portal has been launched, which allows colleagues to access information directly from any device, including mobiles, on a range of subjects, such as testing, risk assessments, guidance on working remotely, wellbeing and bereavement. This includes an extensive range of FAQ documents on all people management related topics such as furlough, shielding, annual leave, travel and quarantine, re-deployment and vaccinations.</p> <p>ICT accounts have been set up for 670 non-connected workers in order to allow them access to all staff information. The Digital Team are also contacting all staff to check contact details are correct and to encourage the use of all the available digital options.</p> |
| Develop a mechanism for recording professional development discussions between managers and their staff | HR lead | Ongoing | The Check In-Check Out process has been in place for a number of years, and it is clear that the process does not apply to all teams and structures. The focus has therefore moved away from ensuring all staff adhere to one process, to adopting a mechanism for recording professional discussions between managers and their staff. This will be reviewed in line with the review of the business planning process for 2021/22. |

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| Ref & Status | 6 | Risk | Potential Risk that: Significant harm to vulnerable children or adults due to a failure of safeguarding arrangements or factors outside the Council's control | | | |
| Risk Owner and cabinet Member responsible | Will Mclean & Julie Boothroyd. Cllr Penny Jones & Cllr Richard John | Select Committee | Committees: CYP & Adults | Strategic objective | The best possible start in life Lifelong well-being | |
| Reason why Identified | | | | | | |
| <p>Safeguarding vulnerable people can only be achieved and sustained when people and organisations work together to design and deliver more integrated safeguarding 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. The upward trend in demand within both children's and adult's services puts services under pressure.</p> <p>The COVID-19 pandemic has put families under increased strain and increases risks to vulnerable individuals, at the same time as decreasing the visibility of children and adults at risk because universal support services are harder to access. A number of potential risks have been identified due to the Coronavirus pandemic that will need to be managed and monitored as far as possible. Potential risks include: Child welfare concerns could not be recognised or referred to Children Services; Adult harm could not be seen/reported; Harmful behaviours, abuse and neglect, including domestic abuse, can remain hidden as a result of the lock-down</p> <p>There is a risk of reduced capacity in the workforce - this could impact on the ability to conduct safeguarding inquiries and protect children and adults who are at risk.</p> <p>There has been a significant volunteer response to the Covid-19 pandemic; which has been a key aspect of how we have met people's needs during the pandemic. There is a risk that safeguarding standards are not adhered to within volunteering and community action groups, particularly because these groups have developed rapidly in response to the current crisis. The need to continue to support an increased volunteer network and ensure longer term arrangements are in place, including support on their safeguarding responsibilities.</p> | | | | | | |

| In February 2020, a Wales Audit Office follow up review on Whole Authority children's safeguarding concluded "The Council has responded positively to our [2018] report and recognises the progress it has made against the proposals for improvement and what more it needs to do to fully address them." | | | | | | | |
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| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Likely | Major | High | 2020/21 | Possible | Major | Medium |
| 2021/22 | Likely | Major | High | 2021/22 | Possible | Major | Medium |
| 2022/23 | Possible | Major | Medium | 2022/23 | Possible | Major | Medium |
| 2023/24 | Possible | Major | Medium | 2023/24 | Possible | Major | Medium |
| Mitigating Actions | | | | | | | |
| Mitigating Action | Responsibility Holder | Timescale | Mitigation action progress | | | | |
| Continually monitor and evaluate safeguarding processes and practice, and ensure good accountability for safeguarding. Ensure that where actions are identified from self-evaluation processes that these are implemented. | Safeguarding & quality assurance service manager | Ongoing | <p>Progress against the council's safeguarding priorities is evaluated annually and the priorities reflect the cornerstones for keeping people safe in Monmouthshire, as set out in the Corporate Safeguarding Policy.</p> <p>The Annual Safeguarding Evaluation Report was presented to Council in January 2021 and is based on activity and information from April 2019 to March 2020, just prior to the COVID-19 outbreak. Where relevant, the report adopts an 'as is' position and provides information regarding the ways in which the COVID-19 pandemic has affected safeguarding activity. 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.</p> <p>A safeguarding 'self-assessment' is undertaken every other year on a directorate basis via the Safeguarding Assessment Framework for Evaluation (SAFE). The key development 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. There was some interruption to this process because of COVID-19. The next self-assessment process will commence in April 2021.</p> <p>Through the pandemic, key functions of the Whole Authority Safeguarding Group (WASG) continue, particularly around the completion and collation of the 'SAFES'. Feedback around directorate 'SAFES' into the WASG will resume as soon as practical.</p> | | | | |
| Drive the strategic agenda and the associated programme of activities for safeguarding through the Whole Authority Safeguarding Group (WASG). | Chief Officer, Social Care, Health & Safeguarding | Ongoing | <p>The Whole Authority Safeguarding Group (WASG) 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>WASG has met virtually during the pandemic. Through the pandemic, key functions of the WASG have continued, including Safeguarding response and risk assessment during COVID-19 pandemic. Feedback around directorate 'SAFES' into the WASG will resume in April 2021.</p> <p>A COVID-19 Safeguarding Position Statement was presented to Cabinet in June 2020.</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. | Chief Officer, Social Care, Health & Safeguarding | Ongoing | <p>The continued upward trend in demand within both children's and adult's services puts services under pressure.</p> <p>Children's services remain committed to promoting good practice around children protection and safeguarding through the current development programme Building Best Practice (2019 - 2022). Family support services across all tiers of need and vulnerability have been significantly increased and there is a good level of stability within the workforce and leadership.</p> <p>There has been a significant increase in adult safeguarding concerns being referred to the Adult safeguarding team, which has impacted the timescales in which the safeguarding process can be completed.</p> | | | | |

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| | | | <p>CIW undertook a focussed inspection of adult safeguarding in February 2020. This recognised that the service had been reviewed and that a new structure was being implemented creating some additional capacity.</p> <p>In January 2021 the All Age Integrated Safeguarding hub was implemented to support multi-agency working in responding to safeguarding concerns.</p> <p>Through the Coronavirus pandemic, safeguarding has remained an essential part of our delivery supporting adults and children. The process for receiving and responding to referrals has not changed. Arrangements have been adjusted, and where required, different solutions have been identified to deal with situations.</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.</p> <p>Share learning and development in safeguarding.</p> <p>Implement the recommendations and learning from any Domestic Homicide review, adult practice review or child practice review that is undertaken under the safeguarding board.</p> | Chief Officer, Social Care, Health & Safeguarding | Ongoing | <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) and Contest (PREVENT anti radicalisation).</p> <p>Last year saw the Development of the Monmouthshire Exploitation Group (MEG), with representation from the Safeguarding Unit, Public Protection, Partnerships, Police, Gwent Missing Children's Team, Education and community-based teams. This group has overseen the development of a Monmouthshire Protocol for responding to Modern Day Slavery and Exploitation. It has been on hold through the pandemic, and there are plans in place now for a re-launch.</p> |
| <p>Deliver the implementation plan for the volunteering policy (adopted in December 2017) in all service/business areas and continue to implement the Volunteer toolkit and organisation wide use of Volunteer Kinetic - Volunteer management system.</p> <p>Continue to assess the volunteer response during the Covid-19 pandemic and identify learning that should be adopted and developed to support volunteers</p> | HR Manager & Communities and Partnership Development Team | Timescale as implementation plan | <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. A Volunteer Kinetic digital management system is in place, containing live volunteer safe recruitment information and activity, which is reported on a quarterly basis. Service area champions have also been introduced to ensure that all current and new volunteers are recruited through the appropriate channels.</p> <p>At the start of the pandemic, volunteer activity was suspended to assist community groups that mobilised in response to the pandemic with safeguarding arrangements. The Community Support Structure was established to assist people needing support being coordinated with the offers of support. The council ensured that community groups and volunteers were provided with the correct advice and support to ensure they were safe and appropriate. This included using the council's infrastructure to provide a safe recruitment function for voluntary groups, which has now been passed to Bridges and GAVO to ensure sustainability. Safeguarding training has also been delivered to volunteers through the Be. Community Leadership Programme</p> <p>The Council's role as an 'enabler' and 'influencer' of safeguarding standards within volunteer groups and organisations has developed significantly over the months of the pandemic. Work will be required to continue to support an increased volunteer network and longer term arrangements will need be considered to ensure we can support our community volunteering network to provide long-term benefit to our communities and to support safe volunteer workforce practices.</p> |
| To implement the Action Plan established in response to the Audit Wales led review of children's safeguarding. | Chief Officer, Social Care, Health & Safeguarding | Timescale as in action plan | <p>Audit Wales conducted a follow up 'light touch' inspection that concluded the Council has responded positively to our report and recognises the progress it has made against the proposals for improvement and what more it needs to do to fully address them.</p> <p>Our evaluation 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 of employee data regarding safeguarding training, and rolling out of the matrix for self-assessment of Minimum Standards for Safeguarding Across Commissioned Services.</p> |

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| | | | <p>The Corporate Safeguarding Policy has been updated to include the agreed Framework for Minimum Standards for Safeguarding Across Commissioned Services. The need to complete the commissioning matrix for each directorate and for this to be shared with WASG remains outstanding.</p> <p>There is acknowledgement that a watertight system for centrally recording and monitoring employee data regarding safeguarding training from the point of recruitment onwards is not currently achievable. There is due to be a significant upgrade to the current data base and this is where resources need to be turned. Issues pertaining to the recording of training data remains a moderate risk, however, for the time being it will be retained as a disaggregated responsibility of individual service areas and directorates.</p> |
| Regularly assess the impacts as coronavirus restrictions change and social distancing continues across Adult services and children's services. | Chief Officer, Social Care, Health & Safeguarding | Ongoing | <p>Through the Coronavirus pandemic, safeguarding remains an essential part of our delivery supporting adults and children in Monmouthshire. The process for receiving and responding to referrals has not changed.</p> <p>Front-door for children's and adult's safeguarding services remain fully operational: Referrals continue to be made and responded to;</p> <ul style="list-style-type: none"> - Referrals have not significantly reduced in number; - Safeguarding is integrated into community hubs; - The Wales Safeguarding Procedures App has been loaded onto desktops across the workforce, <p>The Corporate Safeguarding Policy has been updated to reflect the COVID-19 response and has been presented to Cabinet. A virtual method of delivering Safeguarding Level 1 has been developed and is being implemented.</p> <p>The COVID pandemic has been a particularly challenging period for provider services. During the COVID-19 pandemic, the Local Authority worked collaboratively to provide ongoing support to provider services and commissioned services, including residential and nursing homes.</p> <p>Staff absence and loss of staff due to the impact of COVID19 is a risk that has been, and continues to be monitored.</p> <p>The impact of COVID-19 on protecting vulnerable families and individuals cannot be underestimated, and further analysis of risks related to the impact of COVID-19 continues.</p> |

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| Ref & Status | 7 | Risk | Potential Risk to: The robust delivery of the Council's corporate parenting responsibility and services related to vulnerable children as a result of an increase in demand and complexity in cases | | | |
| Risk Owner and cabinet Member responsible | Julie Boothroyd & Cllr Penny Jones | Select Committee | Children & Young people | Strategic objective | The best possible start in life | |
| Reason why Identified | | | | | | |
| <p>The number of looked after children has increased significantly in recent years, from 173 at the end of 2018/19, to 219 at the end of March 2020. In December 2020, 218 children were looked after. Whilst the number of looked after children has stabilised, this remains a significantly higher number of children supported than in recent years. The number of children on the child protection register decreased in 2020. Significant demands on Children Services remains.</p> <p>The 2020/21 net budget for Children Services is £14.3m, over half of which relates to looked after children, in particular, placements for looked after children. Despite an increase in budget for 2020/21 Children's Services are still forecasting a £1.434M overspend, with demand on Looked After Children services still high. With the increased demand comes added pressures on other services such as legal and transport provision, contact and staffing, and extended reliance on agency staffing as a consequence.</p> <p>A number of potential risks have been identified due to the Coronavirus pandemic, which are being managed and monitored as far as possible: -</p> <ul style="list-style-type: none"> - Operational changes in the way that services are delivered as a result of COVID-19, with a reduction in 'direct' (physical) contact - Possible increase in referrals because of the impact of the pandemic on vulnerable families - A possible increase in court based casework when lockdown ends - Increase in some spend areas to support certain areas of risk - Reduced capacity and absence of staff due to the impact of COVID-19 impacting on delivery of services. - Possible disruption to Foster placements and/or carer recruitment | | | | | | |

| - There is a national shortage of specialist fostering and residential placements for children with complex needs. | | | | | | | |
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| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Possible | Major | Medium | 2020/21 | Possible | Major | Medium |
| 2021/22 | Possible | Major | Medium | 2021/22 | Possible | Major | Medium |
| 2022/23 | Possible | Major | Medium | 2022/23 | Possible | Major | Medium |
| 2023/24 | Possible | Major | Medium | 2023/24 | Possible | Major | Medium |
| Mitigating Actions | | | | | | | |
| Mitigating Action | Responsibility Holder | Timescale | Mitigation action progress | | | | |
| <p>Continue to review and evaluate performance of Early Help and Family Support service.</p> <p>Continue to implement the fostering strategy on the recruitment, retention and skills development of in house fostering.</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> | Head of Children's services | March 2022 | <p>There has been a real focus in Children's Services to implement a co-ordinated approach to early intervention and prevention. 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 and feedback of our family support services indicates clear and positive outcomes for families.</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 look after children. Active campaigns are being run to increase the rates of in house foster carers, including the 20 for 20 reasons to foster. The increasing number of looked after children means that demand remains high and therefore recruitment campaigns are continuing. Further fostering campaigns have now recommenced during the coronavirus pandemic.</p> <p>The impact of the coronavirus pandemic on the possible disruption to Foster placements and/or carer recruitment continues to be monitored.</p> | | | | |
| 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 2022 | <p>Children's Services have completed a 3 year improvement programme (2016-2019), which concentrated on securing stability in the workforce, and developing a delivery model of practice, commissioning and service critical issues. The service is now moving onto a further 2 year programme (2019-2021), now extending to 2022. 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.</p> | | | | |
| Regularly assess the impacts as coronavirus restrictions change and social distancing continues across children's services. | Chief Officer, Social Care, Health & Safeguarding & Head of Children's Services | Ongoing | <p>Child services are priority services and remain fully operational. The process for receiving and responding to safeguarding referrals has not changed. During the pandemic Children's Services had to adapt quickly to deliver services differently. Further information was provided to Children & Young People scrutiny committee in October 2020.</p> <p>Early help and support services continued to provide services via digital solutions. A parenting advice and support line was established within two days of lockdown, and between March and September, 154 calls were received.</p> <p>Risk assessments are undertaken where any direct working / home visiting is required to follow up on child protection concerns, or to provide interim safeguards as part of a care and support plan. Some direct work may be undertaken virtually or using social distancing methods. Staff absence and loss of staff due to the impact of COVID19 is a risk that has been and continues to be monitored, with a focus on staff welfare and protection through things like access to PPE and testing.</p> <p>The impact of the lock-down has meant that harmful behaviours, abuse and neglect can remain hidden. The potential risk that Child welfare concerns are not recognised or referred in to Children Services continues to</p> | | | | |

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| | | | be monitored. Further analysis of the impact of COVID-19 on families and communities is needed to ensure that services are in place to respond to increased risk and vulnerability. |
| 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 | <p>The number of looked after children increased significantly from 173 at the end of 2018/19 to 219 at the end of March 2020 continuing the upward trend in recent years. At the end of December 2020 218 children were looked after. This is still significantly more children looked after than in recent years and pressure remains on services.</p> <p>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 Looked after Children's review across Wales. As part of this, we have submitted plans aimed at reducing 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, the family support offer has been expanded to ensure that children are equally supported to leave care safely.</p> |

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| Ref & Status | 8 | Risk | Potential Risk to: The robust delivery of the Council's care responsibilities and services related to vulnerable adults as a result of an increase in demand, complexity in cases, and additional risks through coronavirus affects the well-being of some of our most vulnerable residents | | | | |
| Risk Owner and cabinet Member responsible | Julie Boothroyd & Cllr Penny Jones | Select Committee | Adults Select | Strategic objective | Lifelong wellbeing | | |
| Reason why Identified | | | | | | | |
| Referrals to Adult's Services have increased over recent years, and services are facing increased pressure as a result. Difficulties in recruiting to care posts has exacerbated the pressure | | | | | | | |
| The care at home /domiciliary care sector is under considerable pressure; Monmouthshire has specific challenges due to rurality and demographics. A number of providers have left the market, which has created some critical pressure points. The fragility of the social care sector and the availability of care remains a key risk, Covid has added a further risk to what was already a difficult area. | | | | | | | |
| Evidence has shown that older age and certain underlying health conditions, as well as other factors, are associated with greater risk and impact of COVID-19. Care homes have particularly been affected by Covid-19 with many homes suffering outbreaks. Patients being discharged from hospital and new residents admitted from the community could increase the risk of the virus entering the home. The care home sector is under strain and working hard to minimise transmission in order to keep residents safe, whilst some are experiencing financial challenges threatening longer term sustainability. | | | | | | | |
| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Almost certain | Major | High | 2020/21 | Likely | Major | High |
| 2021/22 | Likely | Major | High | 2021/22 | Likely | Major | High |
| 2022/23 | Likely | Major | High | 2022/23 | Possible | Major | Medium |
| 2023/24 | Likely | Major | High | 2022/23 | Possible | Major | Medium |
| Mitigating Actions | | | | | | | |
| Mitigating Action | Responsibility Holder | Timescale | Mitigation action progress | | | | |
| Monitor requests for Domiciliary Care to ensure demand is being met and delays are minimised | Chief Officer, Social Care & Health | April 2021 | <p>Care at home services and reablement services are under pressure, with delays and increases in demand. These pressures and delays have increased during the winter and the second wave of the pandemic, with absenteeism and loss of staff due to the impact of COVID19 adding to existing pressures.</p> <p>These have continued to be managed as far as possible and the situation of services has improved in recent weeks but still remains a risk. All referrals are triaged at point of referral to ensure that those in most need are prioritised for assessment and intervention. Despite the availability of short term funding streams e.g. Winter monies, Discharge to Recover – there has not been available workforce (Social Work / Therapies) through agency or any other means to manage the capacity gaps.</p> | | | | |
| Implement work to create sustainability in care at home services | Chief Officer, Social Care & Health | Ongoing | A key risk that remains is the fragility of the social care sector and the availability of care; Covid has added a further risk to what was already a difficult area. | | | | |

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| | | | <p>The Council remains committed to developing a more sustainable care at home sector for the future. Work is ongoing with providers across Monmouthshire to implement the 'Turning the world upside down' approach. Progress has been paused during the current year, as a consequence of the impact and response to the pandemic, and to also assist in the in-year budget recovery plan. The implementation strategy is being reviewed during 2021/22 with a view to revised proposals being given future consideration.</p> <p>The vision of being able to have a more sustainable sector where we are able to meet ongoing demand, whilst meeting people's outcomes, has been very central to work through the pandemic.</p> <p>Covid 19 has had some positive impact on our ability to recruit, with more people seeking employment and the positive portrayal of social care. A central team has been developed to manage the high volume of work associated with the recruiting processes, and this approach is being considered as an option for a more whole sector wide approach. Despite this, it remains high risk with chronic deficiencies in some key areas.</p> |
| Strengthen and implement community testing arrangements and support the Covid-19 vaccine roll out with ABUHB, to help mitigate the risk of an outbreak of Covid-19 in care homes | Chief Officer, Social Care & Health | Ongoing | <p>Prior to hospital discharge and admission to a Care Home, tests will be carried out to prevent the spread of Covid-19. Arrangements have been enhanced for this.</p> <p>In December 2020 Welsh Government issued new guidance so that people with a negative Covid test, or a low positive test, may be discharged to home or a social care setting, providing other criteria are met such as 14 days having elapsed since the last positive test.</p> <p>The Gwent Standard Operating Procedure requires that anyone being discharged from hospital to a care home must have had a Covid-19 test with a negative result within 48 hours prior to discharge; a fourteen day isolation period will then be required.</p> <p>Homes with outbreaks are being supported in collaboration with Public Health Wales, Aneurin Bevan University Health Board and Environmental Health. Following an outbreak homes will need to remain closed to admissions/transfers for a period. Welsh Government guidance allows, based on local circumstances, to declare outbreaks over after 20 days have elapsed since the last positive test or manifestation of symptoms. This modification of the previous 28-day requirement will be subject to a confirmatory round of negative or low positivity tests at the 14 day point. Two rounds of whole home testing are undertaken which need to be negative before incident is closed after 20 days.</p> <p>Residents in a care home for older adults and staff working in care homes for older adults, along with front line health and social care workers are in the top priority groups for the COVID-19 vaccine roll out. Working with ABUHB all residents and staff of care homes for older people have been offered vaccinations. The vaccine has been offered to all front line social care workers in the Council. Work is now underway to ensure all younger adult care homes are offered the vaccination.</p> <p>The Welsh Government has rolled out Lateral Flow Device (LFD) testing of staff in care homes on a twice weekly basis to support the weekly PCR testing and identify asymptomatic Covid positive staff. A further programme of LFD testing for care at home staff is being rolled out and administered by the Council.</p> |
| Ensure that stocks of Personal Protective Equipment (PPE) continue to be available to providers as needed, and that the system of distribution remains in a manner that is proportionate to that need. | Chief Officer, Social Care & Health | Ongoing | <p>At the outset of the pandemic, the provision of PPE was a source of real anxiety for care home providers. There was a lack of clarity about the equipment required and it became very difficult to source. When supplies became available via Welsh Government, a weekly PPE ordering and delivery system was introduced. The system has worked well and feedback suggests that it has offered the necessary equipment required.</p> |
| Keep in place the system of active and prompt support regarding infection control in care homes | Chief Officer, Social Care & Health & Head of Public Protection | Ongoing | <p>Care homes have been issued with a plethora of guidance relating to various aspects of infection control. To support providers, Environmental Health Officers have built relationships with care homes and have acted as a source of advice on infection control, guidance interpretation, the use of PPE and testing.</p> |

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| | | | This relationship and advice has been particularly important with the more specific and more intensive work undertaken with care homes with outbreaks of coronavirus. |
| Ensure the long term sustainability of social care providers | Chief Officer, Social Care & Health & Head of Public Protection | Ongoing | <p>It is vital that social care providers are able to provide care and support during and after the period of the pandemic and as such the council has a role in ensuring their financial sustainability and that they have access to sufficient resources, e.g. staffing.</p> <p>From the outset of the pandemic, a message of support that the Council would assist if they are experiencing any financial difficulty was given. The Welsh Government made a Hardship Fund available and enabled social care providers to make claims via the Council for any additional costs as a result of Covid19. The Council has supported providers through the claims process and has provided specific financial support to providers particularly affected by coronavirus. Confirmation is awaited from Welsh Government if the scheme will be extended past the 31st March 2021.</p> <p>Work continues to offer a suite of financial support options to ensure the financial sustainability of the sector, and the council is being proactive in making such offers where sustainability is considered an issue.</p> |

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| Ref & Status | 9 | Risk | Potential Risk that: 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. Failing to adapt to changes in the new curriculum and examination requirements | | | | |
| Risk Owner and cabinet Member responsible | Will Mclean & Cllr Richard John | Select Committee | CYP | Strategic objective | The best possible start in life | | |
| Reason why Identified | | | | | | | |
| <p>Meeting the needs of vulnerable learners remains a priority but the gap in attainment between those not eligible and those eligible for Free School Meals (FSM) remains a concern. 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. Poor leadership, management, capacity and performance has been identified in some schools. There is an increasing demand for support for children with additional learning needs. The Monmouthshire PSB well-being plan recognises the importance of greater support for the well-being of children and young people, and there are areas where students' well-being can be further supported.</p> <p>There are challenges in meeting the demand for Welsh Medium education provision in the future.</p> <p>A number of potential risks have been identified due to the Coronavirus pandemic that will need to be managed and mitigated as far as possible:</p> <ul style="list-style-type: none"> - Children who require additional support or are vulnerable are not able to access support in a known and supportive environment. - The ability of all our learners to keep learning and developing - Learners' transition back into school and onto the next phase of their learning - Physical and mental health and well-being impact of learners could be a continuing risk factor <p>Estyn's report into Local Government Education Services in Monmouthshire County Council was published in April 2020. The report concluded that the authority's education service does not give cause for significant concern. There are four recommendations for development:</p> <ul style="list-style-type: none"> - Improve outcomes for pupils eligible for free school meals - Further strengthen the focus on increasing the number of pupils achieving excellent standards - Articulate a clear strategy for SEN provision - Strengthen the use of information gathered through self-evaluation to better inform improvement planning | | | | | | | |
| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Likely | Major | High | 2020/21 | Likely | Major | High |
| 2021/22 | Likely | Major | High | 2021/22 | Likely | Major | High |
| 2022/23 | Possible | Major | Medium | 2022/23 | Possible | Major | Medium |
| 2023/24 | Possible | Major | Medium | 2023/24 | Possible | Major | Medium |
| Mitigating Actions | | | | | | | |
| Mitigating Action | Responsibility Holder | Timescale | Mitigation action progress | | | | |

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| <p>Ensure the commissioned arrangements with the Education Achievement Service (EAS) address the authority's concerns in challenging and supporting schools</p> | EAS & MCC | Ongoing | <p>EAS continue to provide ongoing challenge, monitoring and evaluation work in schools with a continued focus on vulnerable learners.</p> <p>EAS have published their draft business plan for 2021/22. All schools will continue to be provided with a bespoke support package that compliments the priorities identified within their own School Development Plans (SDPs) in line with the levels of support they require. There is a degree of flexibility within the deployment model to allow for in-year changes in circumstances and to allow for changes in light of the pandemic.</p> <p>Monmouthshire's strategic priorities for 2020/21 aligned well with the recommendations from the Estyn inspection in April 2020. The year that followed has been unprecedented and in managing our response to the global pandemic, previous improvement priorities have taken a step back with a keen focus on the operational and tactical steps required to safely operate schools and provide blended learning. Through the authority's key strategic aims (articulate throughout the year) the service can be responsive to emerging needs in a rapidly changing environment. Whilst the current uncertainty remains, work continues to progress addressing our Estyn recommendations, and prioritising emerging need.</p> |
| <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 meet the needs of a full range of learners.</p> | EAS & MCC | Ongoing | <p>MCC and EAS 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.</p> <p>Schools are prioritising the wellbeing of all pupils as a pre-requisite for effective learning. This includes the development of a flexible approach to curriculum delivery, suitable for use in a range of contexts, and additional support to close the gap, to recover and to raise standards for priority groups. EPS and Healthy schools will provide advice and support to practitioners to support the well-being of children and young people impacted by COVID-19.</p> <p>In 2020 and 2021, qualification awards data will not be used to report on attainment outcomes at Local Authority or school level. In response, secondary schools will review their approach to learning, including the number of qualifications that are reasonable for each learner to take.</p> |
| <p>Ensure learners are well prepared for the assessment processes that replace GCSE, AS level or A level examinations in 2021</p> | EAS & MCC Ongoing | August 2021 | <p>An announcement was made by the Minister for Education in Wales that there will be no GCSE, AS and A Level examinations in Summer 2021. In January 2021, it was announced that learners undertaking GCSE, AS and A levels approved by Qualifications Wales will have their 2021 qualifications awarded through a Centre Determined Grade model. Grades will be determined by their school based on an assessment of their work. Schools will be able to use a range of evidence to determine the grades to be awarded and a range of support from internal and external partners will be provided to prepare and facilitate schools through this process. Teaching the core content and aspects of each course remains a focus for learners in exam years.</p> |
| <p>Continue to improve the quality of self-evaluation in the CYP directorate.</p> | Chief Officer Children & Young People | Ongoing | <p>The Chief Officer Report for Children and Young People was presented to Council in June 2020. 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.</p> <p>Estyn Local Authority Link Inspection visits continue and the authority was inspected in February 2020. The report concluded that the authority's education service does not give cause for significant concern. There are 4 recommendations for development, including strengthening the use of information gathered through self-evaluation to better inform improvement planning.</p> |
| <p>Develop and implement plans to address the recommendations in Estyn's report into Local Government Education Services</p> | EAS & MCC | Ongoing | <p>These recommendations are clear and align to the authority's own self-evaluation. They will be the key focus of activity through the next period and will be captured in the service business plans and the Chief Officer's report. There is much work ongoing in these areas but it is recognised that this needs to be sharper and needs to better articulate the impact changes are expected to have. Colleagues in the directorate and in the EAS are developing further detail required by these plans. The year that followed the inspection has been unprecedented and in managing the response to the global pandemic, these priorities have taken a step back. Key strategic aims have been adopted that can be responsive to emerging needs in a rapidly</p> |

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| | | | changing environment. Whilst the current uncertainty remains, work continues to progress addressing our Estyn recommendations, and prioritising emerging need. |
| Deliver the Welsh Education Strategic Plan in collaboration with neighbouring authorities | Head of Achievement and Attainment | Timescales as per WESP | <p>The Welsh in Education Strategic Plan (WESP) was developed in consultation with Welsh Government and the Monmouthshire Welsh Medium Education Forum, and was subject to further consultation with stakeholders.</p> <p>The WESP has been approved by Welsh Government and an action plan is in place. Progress will be monitored by the Local Authority and Welsh Medium Forum. The 2020 annual update of progress towards the targets agreed by the Local Authority contained within the WESP 2017-2020 was presented to Children and Young People Select Committee in December 2020. The report concludes during the life of the current WESP, the council has addressed and made progress in many of the priority areas. However, it is recognised that this is not the case for all aspects of the plan and these areas will be prioritised going forward.</p> |
| 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 | <p>Following a statutory consultation process on a proposed new model for the delivery of ALN and Inclusion Services, Cabinet agreed to the implementation of a number of regulated alternations from April 2019. These included changes to the type and capacity of provision to Special Need Resource Bases in specified schools. From September 2019, the extended 'in-reach' services by the Pupil Referral Unit has provided significant additional resource to challenging behaviour in schools, to support vulnerable learners, and forms a key part of the graduated response to behaviour in our schools.</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. Members agreed to the closure of Mounton House with effect from 31st August 2020.</p> <p>A draft proposed strategy to develop ALN provision in Monmouthshire was presented to CYP select committee in November 2020. The strategy aims to develop sustainable and resilient ALN provision through four distinct and ambitious work streams.</p> |
| 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 and 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 | <p>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.</p> <p>The Council continues to work on the Public Service Board well-being plan step on Adverse Childhood Experiences (ACEs). The response to this 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.</p> |
| <p>In response to the Covid-19 pandemic:</p> <p>Develop the offer for children who require additional support or are vulnerable</p> <p>Deliver a distance learning offer to learners and continue to establish digital learning technologies and approaches</p> <p>Plan for learners' transition back into school and onto the next phase of their learning.</p> | EAS & MCC | Ongoing | <p>Since Christmas 2020, schools have been operating remote learning for the vast majority of pupils, except vulnerable learners and children of key workers. The Education team has worked closely with Social Services colleagues to determine six categories of learners who are vulnerable. The underlying principle is that anyone who is safer at school than at home should be in school. A weekly multi-agency Stable Lives and Brighter Futures meeting has been established to discuss and review support and provision for vulnerable pupils. This ensures that identified pupils are regularly monitored, and provision is flexible to meet needs.</p> <p>Foundation phase pupils returned to school from 22nd February and further primary aged pupils returned to face-to-face teaching from the 15th March. The local authority continues to engage with Welsh Government to plan and prepare, and are working in liaison with schools.</p> <p>The Education Achievement Service (EAS) continues to provide on-going advice and support to enable schools to develop their bespoke approach to blended learning. The council continues to offer, through the EAS, a significant amount of professional learning for schools so they are fully aware of the latest techniques and approaches. Work is underway to determine how best practice is developed and shared across the region.</p> |

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| | | | <p>The Education team has been working closely with schools and the digital team to understand the requirement for IT equipment amongst learners. Laptops have been ordered and are being distributed</p> <p>A range of support has been provided to schools to assist emotional wellbeing during the pandemic, with a focus on resilience and building the capacity of schools to support the emotional needs of their pupils.</p> |
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| Ref & Status | 10 | Risk | Potential Risk that: Loss or corruption of data due to cyber-attack or data mismanagement, which will compromise the delivery of essential council services | | | | |
| Risk Owner and cabinet Member responsible | | Sian Hayward & Tracey Harry. Cllr Phil Murphy | Select Committee | Economy and Development | Strategic objective | All | |
| Reason why Identified | | | | | | | |
| <p>There have been 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. 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. There is also 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 inhibit accurate data analysis, compromise decision making and ultimately compromise service delivery, service efficiency and budget management.</p> <p>The Covid-19 pandemic has increased the reliance on and use of digital technology and communication. Infrastructure has been set up and practice changed rapidly. This will need to be closely monitored to ensure robust systems are in place to protect data and to ensure all staff and systems are equipped to manage this.</p> | | | | | | | |
| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Possible | Major | Medium | 2020/21 | Possible | Major | Medium |
| 2021/22 | Possible | Major | Medium | 2021/22 | Possible | Major | Medium |
| 2022/23 | Possible | Major | Medium | 2022/23 | Possible | Major | Medium |
| 2023/24 | Possible | Major | Medium | 2023/24 | Possible | Major | Medium |
| Mitigating Actions | | | | | | | |
| Mitigating Action | | Responsibility Holder | Timescale | Mitigation action progress | | | |
| 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>The Digital Programme Office has appointed a Digital Trainer to produce focussed e-learning modules and targeted team training. Cyber security training sessions are being delivered via video call, as well as e-learning sessions.</p> <p>Cyber security training is delivered as part of the Corporate Induction, and continuous training is provided through the existing workforce. Training is targeted specifically to high risk areas where confidential data is held and shared.</p> <p>The network of Digital Champions are skilled in cyber threat awareness, and are updated through regular Digital champion's workshops and meetings.</p> <p>Training attendance and events are monitored by the Information Governance Group.</p> | | | |
| Continuous monitoring of cyber threat and mitigation by the security team and the DPO to identify technical solutions to potential risk areas | | Digital Projects Team | Ongoing | <p>A cyber security service shared between Gwent Police, TCBC and MCC has been commissioned, which acts as an audit function of our technical arrangements, as well as providing training and advice on data security issues. This service also deals with MCC's PSN and the SRS ISO accreditation, all of which are current and certified</p> <p>The network cyber security risk is continuously monitored, with greater vigilance throughout the covid-19 pandemic. To mitigate the risk of cyber threat, investments have been made in event monitoring and management technology.</p> | | | |

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| | | | An operational risk register is maintained by the Info Security Team, the SRS Security Team and MCC. This register is continuously monitored and updated, and reported to the Information Governance Group |
| 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 & Legislation, and Data use, Open Data & Business Intelligence. The strategy continues to be implemented with oversight from the Information Governance group. The strategy was due to be reviewed in August 2020 but has been delayed due to the impact of Covid-19. |
| Introduce a comprehensive digital EDRMS into the authority, ensuring data is categorised, tagged, and stored with appropriate retention guidelines applied. | Head of Digital | December 2020 | Implementation started in January 2020 with a programme to transfer all data and information off network drives onto a managed and structured EDRMS that is available 24/7 to authorised personnel. The structured rollout plan has been agreed by SLT and is being rolled out in conjunction with Teams and Teams Telephony functionality. |
| 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 | Head of Digital | Ongoing | New licencing has been introduced, which incorporates 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' |

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| Ref & Status | 11a | Risk | Potential Risk that: Delays to the adoption and implementation of the Replacement Local Development Plan, due to the impact of the pandemic, environmental considerations (i.e. phosphates) and other external influences, could result in a lack of appropriate infrastructure (including affordable housing) to meet the future needs of the county. | | | | |
| Risk Owner and cabinet Member responsible | Mark Hand and Cllr Bob Greenland | Select Committee | Economy and Development | Strategic objective | Thriving and well-connected county | | |
| Reason why Identified | | | | | | | |
| 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. | | | | | | | |
| There is a need to consider the Council's future vision and the extent to which the current LDP and RLDP aligns with that, and the impact on wider infrastructure planning, such as transport, which could affect future economic, social, environmental and cultural well-being. | | | | | | | |
| The impact of the Covid-19 pandemic has caused a delay in progress of the Replacement Local Development Plan (RLDP), both internally and where external factors impact upon it. In addition to this, the Welsh Government published the corrected 2018-based population and household projections in August 2020. This new data has resulted in the need to revisit the Growth and Spatial Options and Preferred Strategy stages of the RLDP process. | | | | | | | |
| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Possible | Major | Medium | 2020/21 | Possible | Major | Medium |
| 2021/22 | Likely | Major | High | 2021/22 | Likely | Major | High |
| 2022/23 | Likely | Major | High | 2022/23 | Likely | Major | High |
| 2023/24 | Likely | Major | High | 2023/24 | Likely | Major | High |
| Mitigating Actions | | | | | | | |
| Mitigating Action | Responsibility Holder | | Timescale | Mitigation action progress | | | |
| Prepare an RLDP to address the county's issues/challenges, including in relation to the provision of housing (market and affordable) and employment opportunities, and to facilitate the identification and allocation of additional housing land and appropriate employment land, with associated infrastructure. | Head of Placemaking, Highways and Flooding Head of Planning | | Ongoing | Work on the RLDP had reached the Preferred Strategy stage, with public consultation on the Preferred Strategy, along with the second call for candidate sites, having commenced in March 2020. As a result of COVID-19, the decision was taken in March 2020 to postpone the RLDP Preferred Strategy engagement events until further notice and to keep open, with an extended deadline, both the Preferred Strategy consultation period and the second call for candidate sites. A review of the RLDP issues, vision and objectives, in light of Covid-19, was undertaken and endorsed by Cabinet in June 2020, and demonstrated that the Plan's strategic direction of travel remained relevant. | | | |

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| | | | <p>The Minister for Housing and Local Government issued a letter in July 2020 requesting that all local planning authorities undertake an assessment of the RLDP evidence base, strategy and policies, to assess the consequences the current pandemic before progressing with plan preparation.</p> <p>In accordance with this, the Council undertook a further assessment of the RLDP's Issues, Vision, Objectives and evidence base, and identified a number of key messages that will require ongoing consideration as the RLDP progresses through the Plan preparation process during the Covid-19 pandemic.</p> <p>The current LDP runs until 31st December 2021; in legislative provision, this is referred to as the 'drop dead date'. The risks associated with the LDP expiry date legislation for the Adopted LDP have dissipated following the publication of a letter from the Minister (24th September 2020) which clarified that the provisions in the Planning (Wales) Act 2014 relating to LDP expiry dates do not apply to LDPs adopted prior to that Act coming into force. This means that our current LDP, adopted in February 2014, remains an extant development plan for decision-making purposes until the RLDP is adopted. This clarification does not, however, change the urgent need for the Council to make timely progress on its RLDP and to get the RLDP adopted as soon as realistically possible.</p> <p>The unavoidable delays to Plan preparation, as a consequence of the current pandemic and publication of updated Welsh Government 2018-based population and household projections, has necessitated a further revision to the RLDP Delivery Agreement. This sets out a revised RLDP timetable, including the dates for revisiting the Growth and Spatial Options, Preferred Strategy and second call for candidate sites. This was agreed by Welsh Government in October 2020.</p> |
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| Ref & Status | 11b | Risk | 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 | | | | |
| Risk Owner and cabinet Member responsible | Cath Fallon & Cllr Sara Jones | Select Committee | Economy and Development | Strategic objective | Thriving and well-connected county | | |
| Reason why Identified | | | | | | | |
| <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. Residents have high demand for broadband services, however, a significant skills issue exists in the county with approximately 20% adults not using the internet. The pandemic has seen a wide scale increase in the use of digital technology. In areas where broadband infrastructure is insufficient or for people who do not have digital skills, this may amplify the potential social and economic impact of the pandemic.</p> <p>The pandemic has amplified the need for good quality digital infrastructure and connectivity, including for the Council with many services moving to an on-line digital platform. Due to the pandemic and the preceding flooding that took place in November 2019 and February 2020, digital infrastructure works have been slow to move forward in the county and the digital deprivation rate still stands at 12.5%.</p> <p>Monmouthshire still has 8,000 premises in the county with poor broadband. Of these, 2211 are under review, which include the Superfast Cymru 2163 target FTTP premises and the two RCDF grant projects. 5855 premises are still considered as 'no potential suppliers available'.</p> | | | | | | | |
| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Likely | Substantial | Medium | 2020/21 | Likely | Substantial | Medium |
| 2021/22 | Likely | Substantial | Medium | 2021/22 | Likely | Substantial | Medium |
| 2022/23 | Likely | Substantial | Medium | 2022/23 | Possible | Moderate | Low |
| 2023/24 | Likely | Substantial | Medium | 2023/24 | Possible | Moderate | Low |
| Mitigating Actions | | | | | | | |
| Mitigating Action | | Responsibility Holder | Timescale | Mitigation action progress | | | |
| Continue to collaborate with the Superfast Business Wales team to support their ICT Exploitation programme. | | Head of Enterprise & Community Animation | Ongoing | The Council continues to be one of the three local authorities represented on the Superfast ICT Exploitation Panel. | | | |
| Enable the rollout and exploitation of high-speed broadband across the County for both businesses and communities. | | Head of Enterprise & Community Animation | Ongoing | 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 2163 premises under Superfast Cymru 2 for Monmouthshire, all to receive fibre to the premises. | | | |

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| | | | <p>Promotion of the Access Broadband Cymru scheme for areas outside the superfast Cymru roll out area continues, in addition to the BDUK operated gigabit voucher scheme.</p> <p>Delivery of the second Rural Community Development Fund broadband deployment project was completed in March 2020, with an additional 550 premises having access to the new network.</p> |
| Work with Broadway Partners Ltd to enhance broadband availability within the county | Head of Enterprise & Community Animation | Ongoing | Broadway Partners have connected 500 premises with full fibre as of end February 2021. The programme is intended to complete June 2022 with all 6,000 white premises having access to a minimum service of 100Mb/s download speed. |
| Identify funding opportunities available via the Local Broadband Fund (Welsh Government) | Rural Programmes Manager | Ongoing | <p>A grant was awarded to MCC to allow the Llanthony Valley to have NGA capable speeds; this covers the 122 properties within the valley. The project is due to commence in March 2021 and will be completed within 12 months.</p> <p>A second grant was awarded to MCC to allow the Broadway Partners network to be upgraded to 'Carrier Grade', which will allow Mobile Network Operators the opportunity to connect to this new network.</p> |
| Benefit from the learning associated with the programme to trial the use of 5G technology. | Rural Programmes Manager | Ongoing | <p>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.</p> <p>In February 2020, CoCoRE was approved, a 5G testbed in South East Wales, to connect rural communities across Monmouthshire and semi-urban communities in Blaenau Gwent. As a partner, the Council will be involved in developing test cases for the use of 5G in:</p> <ul style="list-style-type: none"> • Tourism: Scalable AR Experience for a Sensitive Site and Preservation & Safety specifically at Raglan Castle; • Diverse Rural Economy: Farms Security & Safety and Farmer Mental Wellbeing & Isolation |
| Implement the digital infrastructure action plan. | Head of Enterprise & Community Development | Timescales as per action plan | <p>Cabinet approved the Digital Infrastructure Action Plan in September 2019. The plan identifies opportunities to address the issue of 12.5% of premises not having next generation access to broadband.</p> <p>An update on the Digital Infrastructure Action Plan was presented to Cabinet in July 2020.</p> |

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| Ref & Status | 12 | Risk | Potential Risk that: Political, legislative and financial uncertainty for council services and local businesses as a result of the UK leaving the European Union | | | |
| Risk Owner and cabinet Member responsible | Senior Leadership Team & Cabinet | Select Committee | Economy and Development & Strong Communities | Strategic objective | All | |
| Reason why Identified | | | | | | |
| <p>The Withdrawal Agreement Bill was enacted on 31st January 2020 taking the United Kingdom out of the European Union. Following this, the UK was in a transition period until 31 December 2020, during which time, the future UK-EU relationship was negotiated. The UK and European Union agreed a deal that will define the future relationship, which came into effect on 31 December 2020. The deal contains new rules for how the UK and EU will live, work and trade together, which will need to be adapted to by residents and businesses. Some decisions are still to be made, including specific import and export requirements, animal health requirement and Trade agreements, all of which are being negotiated and led at a Welsh Government and UK Government level. The situation continues to evolve and impacts are likely to take some time to be realised.</p> <p>The areas where there are potential remaining risks for the council include:</p> <ul style="list-style-type: none"> - 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 to supply chain directly attributed to Brexit and continued austerity measures - Potential rise in social conflict and hostility - social cohesion - Medication / medical needs could be disrupted - Impact on construction projects, including the-schools projects, due to availability of skilled trade and supplies - Impact on the agricultural sector and wider rural economy which could have further consequences upon the Animal Welfare and Public Protection service - Supporting businesses with the transition process and regulatory changes | | | | | | |

| The risk will continue to be monitored through the first quarter of 2021/22 to determine if there are any impacts on the council, and its services, and the County, as a result of leaving the EU. At this time, a review will take place to determine if the risk level can be adjusted further. | | | | | | | |
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| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Almost Certain | substantial | High | 2020/21 | Almost Certain | substantial | High |
| 2021/22 | Likely | substantial | Medium | 2021/22 | Likely | substantial | Medium |
| 2022/23 | Likely | substantial | Medium | 2022/23 | Likely | substantial | Medium |
| 2023/24 | Likely | substantial | Medium | 2023/24 | Likely | substantial | Medium |
| Mitigating Actions | | | | | | | |
| Mitigating Action | | Responsibility Holder | Timescale | Mitigation action progress | | | |
| Continue to further develop understanding and coordinate preparations through the Council EU Transition working group | | Chief Officer Enterprise and Head of Enterprise and Community Animation | Ongoing | <p>Many of the negotiations on Britain leaving the EU have been outside of the council's control; the risk levels have been assessed based on the lasted information on the remaining uncertainty and will continue to be reviewed.</p> <p>A working group continues to meet, 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 risk register has been established and the group will continue to monitor any impacts.</p> <p>An EU Transition webpage providing information for residents and businesses has been established and information has also been shared on social media. Service level planning has continued and business continuity mitigation strategies for services to consider/implement developed. Close working with and support from the WLGA has continued.</p> | | | |
| 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 on understanding and planning for any potential risk to Council services. We are engaged with partners on the Gwent Local Resilience Forum Risk Group.</p> <p>£45k was awarded to LA's for 2021/22 to assist in undertaking the necessary planning, co-ordination and preparation for ongoing EU transition and negotiations. A Welsh Government funded Community Cohesion grant has also been used to appoint a Community Cohesion Officer to identify and support EU citizens living and working in Monmouthshire and to help them through the transition. Funding for 2021/22 has been confirmed.</p> | | | |
| Monitor the ongoing situation regarding fresh food supplies and any effect on the fresh produce supply chain | | Chief Officer Enterprise and Head of Enterprise and Community Animation | Ongoing | <p>52% of fresh produce is imported into the UK. Any delays in customs clearance at ports could lead to food perishing whilst still on shipping containers, and this may also lead to price increases and budgetary pressures. Discussions regarding contingency measures are underway, for example, consideration of alternative menus, increasing the use of local suppliers, etc. and this will be monitored upon the return to school of pupils over the next few months.</p> | | | |

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| Ref & Status | 13 | Risk | Potential Risk that: The scale and complexity of the challenge could result in the authority failing to deliver on its policy commitment to reduce carbon emissions resulting in social, economic and environmental harm to current and future Monmouthshire residents and businesses | | | | |
| Risk Owner and cabinet Member responsible | Senior Leadership Team & Cllr Jane Pratt | Select Committee | Strong Communities | Strategic objective | Maximise the potential of the natural and built environment | | |
| Reason why Identified | | | | | | | |
| 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. In 2019, councillors were unanimous in declaring a climate emergency. The council will strive to reduce its own emissions and work with communities and local businesses to help them reduce their emissions. This will require engagement, community involvement and commitments from third parties. | | | | | | | |

| When considering climate change, it is important to consider both how Monmouthshire is contributing to climate change, but also how resilient the county is to the likely impacts of climate change. Flooding, along with other extreme weather, can impact significantly on infrastructure, homes and businesses, along with disruption to community life and public services, particularly critical public services people rely on such as care services. | | | | | | | |
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| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Almost certain | Major | High | 2020/21 | Almost certain | Major | High |
| 2021/22 | Almost certain | Major | High | 2021/22 | Almost certain | Major | High |
| 2022/23 | Almost certain | Major | High | 2022/23 | Almost certain | Major | High |
| 2023/24 | Almost certain | Major | High | 2023/24 | Almost certain | Major | High |
| Mitigating Actions | | | | | | | |
| Mitigating Action | Responsibility Holder | Timescale | Mitigation action progress | | | | |
| Deliver the Monmouthshire County Council Climate Emergency Strategy | Head of Policy and Governance | Timescales as per strategy | <p>A climate emergency was declared by Council in May 2019, followed by a strategy and action plan in October 2019. The strategy describes the ten objectives in place to reduce the council's carbon emissions to net zero by 2030, and Council agreed that the action plan will be an evolving document as new technologies develop and other opportunities arise.</p> <p>A member-led Climate Emergency working group has been established to take responsibility for ensuring the action plan continues to progress. The working group met for the first time in January 2020, and has used technology to continue meetings during the Coronavirus lockdown. There is already clear progress against 53 of the 68 actions. For example, attracting significant funding to progress circular economy initiatives such as repair cafes and the library of things, along with Active Travel routes; decarbonisation of our pension fund - the proportion of the fund invested in fossil fuel industries has reduced from 9.10% in 2018 to 2.35%, and 21.7% of the fund is now invested in a low carbon tracker. However, some actions are proving more difficult. Some of the EV fleet vehicles that need to be bought or leased, such as refuse and cleaning vehicles, have been tested and do not yet have the range and performance capability to deal with Monmouthshire's geography and topography. Restrictions connecting potential new energy generation to the national grid will limit our ability to develop new solar farms, and restrictions on site capacity at existing depot sites will delay our ability to introduce electric vehicles.</p> <p>It is clear that COVID-19 has caused delays to progressing some Climate Emergency aspirations, and it has created some uncertainty over funding. Furthermore, the pandemic is likely to impact on the economic, social, environmental and cultural well-being of the county, and there is a need to investigate this impact and adapt/develop the strategy accordingly. For example, we have seen changes to the way we work, the amount we travel, how we manage greenspaces and the way we now integrate active travel.</p> <p>There is also a growing recognition nationally and internationally of the need to build climate change into a green recovery. Work has started on establishing a new strategic Environment Partnership Board, comprising of multi-agency partners who have a role to play in addressing issues in relation to biodiversity, climate change and other environmental matters. It is anticipated that this partnership will have the ability to support the council's Climate Emergency work by complimenting and maximising opportunities to take collective action in relation to carbon reduction, etc.</p> <p>Work to reduce carbon emissions at a regional level continues through the work of Climate Ready Gwent, for example, on electric vehicle charging, hydrogen feasibility and Carbon Literacy training. This work is likely to be strengthened through the proposed development of a Gwent PSB, Wellbeing Assessment and Wellbeing Plan. Further regional collaboration on decarbonisation is also taking place with Cardiff Capital Region partners.</p> | | | | |
| Prepare and adapt for the impact of climate change. | Senior Leadership Team | Ongoing | <p>In recent years, council services have considered what the potential risks to their services are, in order to start thinking about how to adapt to these risks. The Replacement Local Development Plan has a key role to play in making sure our communities are sustainable and resilient to the impacts of climate change. Changes to national planning policy on flooding are still awaited, but officers intend to take a precautionary approach, avoiding all built development on greenfield sites at known flood risk.</p> | | | | |

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| | | | <p>WG has produced The National Strategy for Flood and Coastal Erosion Risk Management in Wales, and in response, Monmouthshire will be producing an updated Local Flood Management Plan during 2021/22.</p> <p>Much of the work to coordinate 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> <p>Severe flooding in winter 2020 has caused considerable damage to homes and networks in certain areas of the county. Work is continuing to repair this damage, although some of these efforts have been hindered by the Covid-19 pandemic. The impact of the floods continues to be reviewed and any potential mitigations identified. Measures to increase proactive maintenance and gully cleansing have been agreed.</p> |
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| Ref & Status | 14 | Risk | Potential Risk that: The spread of Coronavirus (COVID-19), and the emergence of variants of concern, will impact on staff and residents health and cause delays or reductions in the Council's service delivery | | | | |
| Risk Owner and cabinet Member responsible | Strategic Leadership Team & Cabinet | | Select Committee | Adult Select | Strategic objective | All | |
| Reason why Identified | | | | | | | |
| <p>COVID-19 is a new strain of coronavirus first identified in Wuhan City, China in December 2019. Public Health Wales is working closely with the Welsh Government, and the other UK public health agencies, to carefully monitor the situation and implement the planned response, with measures in place to protect the health of the public. In January 2021, the UK COVID-19 alert level was upgraded to level 5 (the highest level), 'epidemic is in general circulation; transmission is high or rising exponentially and there is a material risk of healthcare services being overwhelmed'. In February 2021, the UK COVID-19 alert level was lowered to level 4 'a COVID-19 epidemic is in general circulation; transmission is high or rising exponentially' and Welsh Government are monitoring the situation carefully to determine if lockdown measures can be reviewed.</p> <p>The pandemic has posed a significant and unprecedented challenge to our way of life and how the Council continues to provide a range of vital services. The need to preserve life and stop the spread of the virus, while continuing to support communities, has meant that a lot of our usual work has been re-purposed or paused. The impact of the pandemic could lead to an increase in staff absence due to illness or self-isolation. This could result in a lack of capacity to respond to other major incidents, should they occur, and also cause a shortage in capacity to respond to agreed priority services. The delivery of social care services is essential and achieved through a dedicated service model, which could be impacted by the reduction in staff numbers. The Test, Trace and Protect protocol continues to operate, and presents a potential risk if large numbers of staff are required to self-isolate. Its impact will continue to be monitored.</p> <p>A developing concern is the occurrence of COVID-19 mutations and the impact these will have on vaccination efficacy and case rates. Evidence suggests that the mutations seen so far have resulted in changes to the virus that can increase the ease and rapidity of spread in the community, and impact on the effectiveness of vaccine.</p> | | | | | | | |
| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Almost certain | Major | High | 2020/21 | Almost certain | Substantial | High |
| 2021/22 | Almost certain | Major | High | 2021/22 | Almost Certain | Substantial | High |
| 2022/23 | Almost certain | Major | High | 2022/23 | Likely | Substantial | Medium |
| 2023/24 | Almost certain | Major | High | 2023/24 | Likely | Substantial | Medium |
| Mitigating Actions | | | | | | | |
| Mitigating Action | Responsibility Holder | | Timescale | Mitigation action progress | | | |
| Implement the council's strategic response via the Emergency Response Team, in conjunction with the Gwent Strategic Coordinating Group – the multi-agency group that consists of key partner agencies that play a role in mitigating the impacts of the outbreak | Strategic Leadership Team | | ongoing | <p>The main element of the council's response was via the Emergency Response Team (ERT) which was formally stood down in May 2020. The multi-agency structures established to respond continue to meet with an MCC representative sitting on the Strategic Coordinating Group (SCG) and relevant Tactical Sub Groups. A Monmouthshire Council Covid Coordination Group continues to meet weekly maintaining oversight of Covid-related issues, with the Council's Strategic Leadership Team continuing to respond as necessary. The ERT Covid risk register has formally been 'closed', with risks now being managed through the Strategic Risk Register and business plans for ongoing updates.</p> <p>A revised purpose has been established, along with revised strategic aims, which provide direction to all council activities specifically related to the Covid-19 pandemic. This has been through two updates, as the</p> | | | |

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| | | | <p>situation has developed, and now sits at its third iteration, entitled the Winter Strategy. This will provide guidance on council direction until March 2021.</p> <p>Regular updates are being provided to all staff via the Hub, with the latest information on the status of the outbreak and ways to contain its spread. This includes a wealth of information pertinent to the ongoing fluid situation.</p> |
| Implement, and continue to refine, the Council business continuity plans and strategies | Strategic Leadership Team | ongoing | <p>Heads of Service are updating plans to prioritise service delivery.</p> <p>There has been considerable focus on the Business Continuity strategies and alternative methods of service delivery since the beginning of the Covid-19 pandemic. Limited work has been undertaken to update business continuity plans and, in areas where these were deemed to be lacking, strategies and dynamic changes to service delivery have been implemented as a matter of urgency.</p> |
| Monitoring measures that need to be put in place to keep priority service areas functioning in the county, in particular: i. Emergency response ii. Social care particularly in adult services and iii. Operational capacity to maintain essential services. | Strategic Leadership Team | ongoing | <p>Staff absence rates initially increased but have since reduced. This is being closely monitored for the impact on priority services. Where necessary, staff have been redeployed to ensure service delivery is maintained at acceptable levels. Redeployment has primarily taken place amongst staff whose primary role has ceased due to service restrictions or closures. Service statuses are being monitored by each directorate and any issues, risks or escalations are being reported.</p> <p>Testing for the virus is now available for all staff and their family members who are symptomatic. We are continuing to implement the robust protocol for testing to facilitate staff to return to work.</p> <p>Test, Trace and Protect protocol has been established and is being monitored closely to determine the impacts on staffing levels, should a large number of staff be identified as requiring 10 days self-isolation. Business Continuity strategies continue to be updated to ensure services can continue if staffing levels are significantly affected.</p> |
| Deliver with partner agencies an effective Test Track and Protect system to identify virus outbreaks quickly and contain them | Head of Public Protection | ongoing | <p>Alongside Gwent partners, the council is contributing to the operation of the COVID-19 Test, Trace and Protect scheme. This aims to trace and contact residents who have been in contact with the virus to provide advice and request they self-isolate to try and minimise the spread of the virus.</p> <p>Monmouthshire has partnered with Aneurin Bevan University Health Board, Public Health Wales and neighbouring local authorities to collaborate on a Gwent-wide approach. This 'mutual support' model has been key in swiftly dealing with cases anywhere within the Gwent area, with staff deployed from neighbouring areas to assist those in greatest need. Posts are made up of redeployed staff, EHO and newly recruited members. Funding for the TTP scheme has been secured until the end of September; plans beyond this point are uncertain.</p> |
| Work with partners on measures aimed at maintaining a reduced level of transmission and respond rapidly to a resurgence of COVID-19 cases identified via Trace, track and Protect. Use data supplied by PHW to monitor and respond appropriately to indicators that indicate an increase in community transmission. | Strategic Leadership team | Ongoing | <p>Welsh Government and the Gwent Strategic Coordinating Group (SCG) continue to respond appropriately – with Monmouthshire County Council engagement as necessary. A series of agreed stand down criteria for the SCG has been agreed and continues to be monitored. Until these criteria have been met and SCG risks are either mitigated, transferred or tolerated, the multi-agency response will remain active and maintain an on-going response.</p> |
| Work with the NHS to roll-out a COVID vaccination programme | Strategic Leadership team | July 2021 | <p>The council continues to work with ABUHB to support and coordinate the rapid roll out of the UK/WG vaccination strategy, and to utilise the vaccination supply currently available. Ongoing developments with regards to the distribution of vaccinations and increasing availability is being monitored and responded to.</p> <p>Residents in a care home for older adults and staff working in care homes for older adults, along with front line health and social care workers, are in the top priority groups for the COVID-19 vaccine roll out. Working with ABUHB, all residents and staff of care homes for older people have been offered vaccinations. The vaccine has also been offered to all front line social care workers in the Council.</p> |
| Continue to monitor the ongoing emergence of mutations to COVID-19 and adopt local and national protocol as it develops to mitigate the risks associated with the new variations. | Strategic Leadership team | ongoing | <p>Arrangements are in place to manage increased surge community testing and arrangements are also being developed for Mass Community testing to address the current dominant Covid strain and Variants of Concern.</p> |

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| Ref & Status | 15 | Risk | Potential Risk that: The coronavirus pandemic will have a considerable economic impact resulting in business closures and job losses | | | | |
| Risk Owner and cabinet Member responsible | Frances O'Brien & Cllr Bob Greenland | Select Committee | Economy and Development | Strategic objective | Thriving and well connected county | | |
| Reason why Identified | | | | | | | |
| The relaxation, reintroduction and changes to lockdown measures could result in business closures, job losses and increased unemployment. The removal of or changes to financial safeguards such as the furlough scheme and the availability of grants, could make it harder for local businesses to survive. The impacts to the hospitality and tourism sector and their supply chains could impact the economy of Monmouthshire. | | | | | | | |
| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Likely | Major | High | 2020/21 | Likely | Substantial | Medium |
| 2021/22 | Likely | Major | High | 2021/22 | Likely | Substantial | Medium |
| 2022/23 | Likely | Major | High | 2022/23 | Likely | Substantial | Medium |
| 2023/24 | Likely | Major | High | 2023/24 | Likely | Substantial | Medium |
| Mitigating Actions | | | | | | | |
| Mitigating Action | | Responsibility Holder | Timescale | Mitigation action progress | | | |
| Continue to administer grants to businesses efficiently and effectively whilst WG funds are available to do so. | | Head of Enterprise & Community Animation | Ongoing | Support has been provided to local businesses, wherever possible, and specifically through the administration and timely payment of all of the COVID-19 grants since the pandemic started. | | | |
| Continue to provide advice and support to businesses through our networks, officers and social media platforms. | | | | The Council has strived to ensure businesses are aware of the support available and continued to provide business advice and support throughout, including holding regular meetings of the Monmouthshire Business Resilience Forum and livestreaming events. | | | |
| Work with the local business community in re-opening our Town Centres | | Head of Placemaking, Highways and Flooding | Ongoing | Work has taken place to support Monmouthshire's town and village centres, and the businesses that reside within them. Work continues to adapt our main town centres to support them and ensure their safe operation. Considerable consultation has taken place to seek the opinions of our residents and to gather ideas about how our town and village centres could look in the future to inform this. Currently non-essential shops are closed as part of coronavirus regulations. Further support will be considered based on the latest guidance and evidence as it develops. | | | |
| | | | | On-going consultation continues with the local Chambers of Commerce via the Monmouthshire Business Resilience Forum. | | | |
| | | | | The Council is expanding its regeneration capacity and will seek to maximise use of, and access to, grant funding and financial support to support businesses and our town centres. | | | |
| Agree a coherent marketing and communications plan with our local business community via the Monmouthshire Business Resilience Forum. | | Head of Enterprise & Community Animation | Ongoing | There is an ongoing communications campaign encouraging businesses to apply for grants, alongside wider promotion of government business and job retention programmes. Further marketing and communications will be considered based on the latest guidance and evidence as it develops, for example, a developing Spring-focussed 'Shop Local, Shop Monmouthshire' campaign . | | | |

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| Ref & Status | 16 | Risk | Potential Risk that: The coronavirus could have a disproportionately negative impact on the well-being of some sections of our communities, resulting in increased poverty and inequality | | | | |
| Risk Owner and cabinet Member responsible | Frances O'Brien & Cllr Sara Jones | Select Committee | All | Strategic objective | All | | |
| Reason why Identified | | | | | | | |
| There is evidence that the economic impact of the virus disproportionately affects low income households including those working in lower-paid sectors, which can exacerbate issues of poverty and inequality. Those on lower incomes could be at higher risk of unemployment due to business closures and potential redundancy. Lockdown measures have seen businesses close, recreation activities limited, and education mechanisms altered drastically. | | | | | | | |

There is a possibility that there is a latent homeless need (eg rent arrears, landlord wishing to sell) in Monmouthshire that could emerge when Government brings temporary private sector non-eviction rules and the Furlough/job support measures to an end at some point in the future. Those on lower incomes are also less-likely to have access to technology and outdoor spaces. There is also evidence that the pandemic has a bigger impact on the well-being of those in more deprived communities. Analysis has shown the association between deprivation and the risk of COVID-19, and evidence has shown age, underlying health conditions and ethnicity, along with other factors, is associated with greater risk and impact of COVID-19. The impact of the pandemic on families could result in financial hardship, and related issues such as food poverty and homelessness.

In addition, Welsh Government homeless policy changes through the Phase 2 Planning Guidance for Homelessness and Housing Support, whilst positive, has created challenges relating to the availability of temporary and permanent accommodation, the type and quality of accommodation and the range of housing support available necessary to meet current and emerging homeless need.

| Risk Level (Pre-mitigation) | | | | Risk Level (Post-mitigation) | | | |
|-----------------------------|------------|--------|------------|------------------------------|------------|-------------|------------|
| Year | Likelihood | Impact | Risk Level | Year | Likelihood | Impact | Risk Level |
| 2020/21 | Likely | Major | High | 2020/21 | Possible | Substantial | Medium |
| 2021/22 | Likely | Major | High | 2021/22 | Possible | Substantial | Medium |
| 2022/23 | Likely | Major | High | 2022/23 | Possible | Substantial | Medium |
| 2023/24 | Likely | Major | High | 2023/24 | Possible | Substantial | Medium |

| Mitigating Actions | | | |
|---|--|---------------------------------|---|
| Mitigating Action | Responsibility Holder | Timescale | Mitigation action progress |
| Continue to promote access to benefits, including spreading council tax payments over longer periods | Assistant Head of Finance | Ongoing | An online resource has been compiled with partners which aggregates all sources of potential poverty related support into a single place. This has been successfully promoted on social media and shared with partners and all schools. |
| Undertake data modelling to identify communities at greatest risk and use this to target pro-active responses such as commissioning of services | Head of Enterprise & Community Animation and Head of Policy & Governance | As per action plan | A Tackling Poverty and Inequality Action Plan has been developed and approved by Cabinet in March 2021. Data modelling using GIS has informed the production of the action Plan. The action plan provides details of the proposed activities for the next two years and the targets by which success will be measured Close working with partners is being undertaken to track data in real time to help understand the emerging situation and act accordingly (e.g. the number of food bank parcels issued, referrals for housing support, nature or queries to Citizens Advice, use of RSL hardship funds). |
| As part of the Council's continued commitment to Social Justice, review evidence and plan activity related to poverty in Monmouthshire. | Head of Enterprise & Community Animation | As per strategy | The third iteration of the social justice strategy was approved by Cabinet in March 2021. The strategy has been developed in consideration of the impact, changes and learning as a result of the pandemic, and sets out a new direction for strategy and the council's service areas, in particular the Community Support Network (which forms part of the Community and Partnership Development Team's activities). The strategy also demonstrates the continued commitment to work in partnership, at national, regional and local community level, to implement the policy interventions, approaches, support and methods to improve outcomes for people and communities. Whilst the Aim of the Strategy will remain the same, rather than a broad programme of work, this third phase of the Strategy will provide policy coherence for a number of targeted individual action plans. These have been produced following consideration of the rapidly changing situation as a consequence of the pandemic, and will continue to help promote equitable prosperity in Monmouthshire. The action plans include Tackling Poverty and Inequality, Food Development and Homeless Transition. |
| Implement systems to meet the requirements of the new Phase 2 Homeless Transition Plan | Head Of Placemaking, Housing, Highways and Flooding | As per Homeless Transition Plan | During the pandemic, the level of demand for homelessness accommodation increased as Welsh Government mandated all councils to ensure nobody sleeps rough or is at risk of sleeping rough. Welsh Government released the Phase 2 Planning Guidance for Homelessness and Housing Related Support, which sets out their future homeless policy intentions. The core of the policy is rapid rehousing and to provide long-term accommodation with support if needed. The necessity to provide temporary accommodation continues to increase, and many applicants need specialist accommodation and housing support, which largely is not available in Monmouthshire. Furthermore, arising issues with placements is not uncommon and the risk of placement breakdown is relatively high. Unfortunately, not all support needs can currently be met through the existing Housing Support Grant Programme, which is scheduled for re-commission in April 2023. The Council's Phase 2 Homeless Transition Plan, as part of the wider Social Justice strategy, seeks to address the identified issues listed above, and help to transform homeless services in Monmouthshire. A request for |

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| | | | Phase 2 Homeless grant funding was made to Welsh Government in June 2020 to help facilitate a number of the proposals, which are all now operational. Whilst this funding is welcomed, its availability was only until 31st March 2021. An uplift by Welsh Government to the Housing Support Grant allocation has enabled the Council to maintain the Phase 2 Grant funded projects to continue beyond 1st April 2021. The Housing Support Grant uplift will also facilitate additional homeless support provision in the County, although the uplift is insufficient to meet all identified homeless support needs. In addition, the Council's Budget Pressure's Mandate process for 2021/22 will also facilitate additional funding for homelessness. The Homeless Transition Plan provides details of the proposed activities for the next two years and the targets by which success will be measured. |
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Risks removed from the Whole Authority Strategic Risk Assessment – March 2021

| Risk | Mitigating Action Update | Reason for removal |
|--|--|--|
| 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 | <p>Emergency Planning has developed a list of priority services, and these are reviewed every two years. The pandemic has prompted a review of Priority 1 services, which has highlighted the need for a tiered BCM planning process. This process will provide guidance to departments on the stringency needed for their BCM planning arrangements, based on the priority level of their services.</p> <p>There has been considerable focus on the Business Continuity strategies and alternative methods of service delivery since the beginning of the Covid-19 pandemic. Work has been undertaken to update business continuity plans, and strategies and dynamic changes to service delivery have been implemented as a matter of urgency.</p> | <p>Discussions amongst Emergency Planning colleagues have identified the need to review business continuity arrangements at an operational level, specifically around the re-categorising of services at P2 and P3 levels.</p> <p>Work is underway to ensure those services identified as P1 have robust BCM plans in place, and this will be monitored at an operational level, with the support of the Emergency Planning team.</p> |
| Potential Risk that: Declining recycling rates will prevent achievement of the Welsh Government target of 70% recycling rates throughout Wales. | <p>A number of changes to the HWRC services are underway, necessary to meet the future statutory recycling targets, and to deliver waste services efficiently and effectively moving forward. These include the continuation of the booking system at all sites, full closure of Usk HWRC, introduction of revised opening hours of 08:00 to 16:00, and an additional day closure at Five Lanes and Llanfoist.</p> <p>In addition to this, amendments to the green waste collection service have been implemented, including changes to the container for garden waste, frequency of collection, and an increase in the annual charge for customers. This will contribute to achieving national statutory recycling targets, minimise budget pressures and provide sustainable garden waste services going forward.</p> <p>There have been considerable changes in behaviour since the start of the pandemic, which has resulted in increased recycling rates.</p> | <p>Data will continue to be reviewed to establish the impact of the pandemic on recycling rates, and to determine if any learning can be taken from recent months to improve recycling figures going forward. The first quarter of 2020/21 saw recycling rate increase to 71.1%, compared to 65.6% in the same period in 2019. Furthermore, early figures suggest that rates have continued above last year's recycling rates for quarters two and three.</p> <p>Recycling rates will continue to be monitored closely by the service. The risk will continued to be managed at a service level.</p> |

Appendix 3: 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 | | | |

| | |
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| 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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SUBJECT: Investment Committee Performance Review

MEETING: Audit Committee

DATE: 25th March 2021

DIVISION/WARDS AFFECTED: All

1. PURPOSE:

To provide members of the Audit Committee the second performance review of the Investment Committee for consideration in accordance with the requirements of the Asset Investment Policy.

2. RECOMMENDATIONS:

- 2.1 For the Audit Committee to consider and scrutinise the second performance review of the Investment Committee.
- 2.2 To review progress against the improvement proposals that were agreed by Audit Committee in March 2020.
- 2.3 To receive a verbal update at the meeting following consideration of the performance review by the Investment Committee at its meeting on the 24th March 2021.
- 2.4 For Audit Committee members to determine any further recommendations for improvement.

3. KEY ISSUES:

Background

- 3.1 In May 2018, Council approved a revised Asset Management Strategy, which included an Asset Investment Policy designed to optimise returns from the Councils investment portfolio, including the acquisition or development of new assets or other commercial opportunities.
- 3.2 The purpose of the policy was to help sustain Council services and enhance the asset base by providing a framework to enable the acquisition of commercial assets to increase net rental income streams and identify capital appreciation opportunities.

- 3.3 The Council's Corporate Plan identifies five priorities, one of which concerns the Council being 'future focussed'. A key measure of this is income generation from commercial investments. The aforementioned policy provides the criteria for the evaluation of commercial property investment opportunities, which includes security, liquidity and yield criteria.
- 3.4 The policy sets out the need to seek out investment opportunities within Monmouthshire, the City Deal region and neighbouring areas of economic influence, which support our economic, and regeneration priorities. In order to manage and spread the risk the policy enables us to identify investment options beyond our county boundaries that meet our criteria as well as identifying different property types to minimise risks by both sector and location.
- 3.5 Acquisitions are funded through approved prudential borrowing with a £50,000,000 fund established to fund acquisitions and investments over a three-year period. The cost of borrowing is funded from the resulting rental streams, with a requirement that it should provide a net surplus over and above borrowing costs.
- 3.6 An Investment Committee was established to manage the investment portfolio, which has delegated authority to make investments utilising the approved prudential borrowing. The Investment Committee is made up of the Council Leader, Deputy Leader, Cabinet Member for Resources and the Leaders of the two largest opposition parties (political balance 3:1:1). The Committee is advised by the Chief Officer for Resources and officers from Finance, Estates and Legal Services. When considering acquisitions or investments, specialist advisors are used to supplement internal capacity and expertise as appropriate.
- 3.7 In July 2018, a Commercial Strategy was approved by Cabinet, which reinforces the commercialisation of assets, and in February 2019, Council approved a wider definition of commercial investment. This gave authority to seek investments beyond land and buildings to include:
- Commercial loan facilities
 - To build or refurbish investment portfolio holdings
 - An equity or debenture interest.

The Asset Investment Policy

- 3.8 As discussed the Asset Investment Policy sets out the framework and governance criteria for the management of the investment portfolio. The target returns for individual investments is that the returns must exceed borrowing costs by a minimum of 2%, however a lower return can be realised where the investment generates economic development opportunities for Monmouthshire. A target total return of 7% should be achieved.
- 3.9 As with all investments there are inherent risks, which have been never been more visible that in the current pandemic. All business cases considered by Investment Committee

consider the known risks at the time that the investment is considered, together with proposed mitigating action and potential exit strategies.

- 3.10 The Investment Committee is responsible for making the decisions on possible investments based on the business cases presented, ensuring that they meet the criteria as set out in the Asset Investment Policy. In addition, the Committee is responsible for ensuring that the assets are effectively managed, performance is monitored and for providing an annual report into Audit Committee.

Audit Committee recommendations 2020

- 3.11 Members may recall that a number of opportunities for improvement were identified in the first performance review of the investment portfolio, which were agreed by Audit Committee. The following table outlines the progress made against each of these proposals.

| | | |
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| To review and update the Asset Investment Policy | An updated Asset Investment Policy was agreed by Council on 3 rd December 2020 | Completed |
| To review the Investment Committee Terms of Reference | Updated Terms of Reference were agree by Council on 3 rd December 2020. They have been updated to enable deputies to attend with full voting rights, officers and advisors to complete declarations of interests when attending Investment Committee and for the Investment Committee to undertake an annual self-review. In addition all new investment proposals will now need to consider the environmental impact and sustainable development principles as part of the wider business case. | Completed |
| To ensure that the performance review is undertaken on an annual basis | The first performance review was undertaken in March 2020, this second review is in line with the requirement for an annual review. | On-going as annual requirement |
| An overarching risk assessment is prepared and reported to Investment Committee on an annual basis. | Risk registers for NLP and Castlegate have been prepared and reported to Investment Committee on a quarterly basis. | On-going |
| Update the constitution to include details of the Investment Committee. | An amended constitution was agreed by Council in March 2021 | Completed |
| Declarations of interest forms to be completed as required by those attending Investment Committee | This has now been included within the amended terms of reference and agreed by Council. | Completed. |
| Performance dashboard to be reported to Investment Committee at least twice yearly. | Currently, performance updates have been presented to Investment Committee at no less than a quarterly basis to monitor the impacts of Covid on the investment portfolio. | On-going |
| To ensure that any investment proposals that are not taken forward are reported back to Investment Committee | This has been actioned and updates are now provided on a quarterly basis. | On-going |

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| To implement the Estates re-structure and to fill current vacancies | The re-structure has progressed and vacancies advertised, however, despite a number of advertising campaigns vacancies remain in the Asset Team and Development Team. | On-going |
| To assess training needs of staff and members involved in the decision making for commercial investments. | The amended terms of reference require than an annual review of Investment Committee members training needs is undertaken. This will be completed prior to September 2021. Staff involved in the investment proposals are professionally qualified and bound by their professional bodies' codes of conducts not to provide advice in areas where they are not suitably qualified. In addition, professionally qualified staff are required to undertake mandatory continuing professional development on an annual basis. Where training needs are identified for either Members or staff, training will be procured. | On-going |
| To consider the merits of independent members being added to the Investment Committee | Investment Committee considered this, but determined not to proceed with this proposal on the basis of confidentiality, the broad and changing skill set requirements and potential conflicts of interest that may arise. This decision however will be reviewed on a periodic basis to reflect changing circumstances of the portfolio and the wider economic market. | On-going |
| To consider the need to re-introduce a sinking fund in earmarked reserves to act as a buffer against any in year deficits caused by investment performance. | This was considered and agreed by Investment Committee on the 14 th September 2020. | Completed |
| To maintain a close ongoing review of further advice and guidance. | An update on the current consultation which proposes changes to Prudential Borrowing and Treasury Management is outlined in this report together with the changes to the PWLB lending criteria | On-going |
| To procure a new investment advisor for commercial property investments and to ensure all future appointments are made in line with Contract Procedure Rules | Given the current pandemic and the subsequent changes to the Investment Committees appetite for investments, no investment advisors are currently appointed. This situation will be reviewed as and when Investment Committee reviews its position. | Closed |
| To ensure adequate consideration is given to the climate emergency and environmental considerations of any investments | The Asset Investment Policy has been amended to specifically require the inclusion of an evaluation of the potential environmental impact within the supporting business case for potential investments. The Contract Procedure Rules in the Constitution have been amended and now place environmental considerations alongside economic, social and cultural factors. | Closed |

Investment Performance 2020/21

3.12 The current pandemic has highlighted the risks that naturally arise when undertaking commercial investments. The investment and property markets remain uncertain as we

move from the third lockdown with as yet no defined path for the re-opening of the wider leisure or hospitality sectors. In addition, it is unclear how long the requirement for social distancing and other covid security measures will be in force that limit occupancy levels and subsequent financial viability for wider commercial investments. Investment Committee has therefore concluded that it would not be prudent to undertake any further investments, save for opportunities within the County that are grant funded or support wider policy aims. No new investment activity has been undertaken in the current financial year.

- 3.13 Investment Committee has continued to regularly monitor the performance of Castlegate Business Park and Newport Leisure Park to ascertain the impact of the pandemic on the rent roll, return on investment, rental arrears and tenant turnover. A summary of the performance over the last 12 months is outlined below.

| | Castlegate | Newport Leisure Park |
|--------------------------------------|------------|----------------------|
| ROI at the time of acquisition | 3.76% | 2.11% |
| ROI March 2021 | 3.57% | 1.02% |
| Occupancy at the time of acquisition | 95% | 100% |
| Occupancy March 2021 | 93.2% | 97% |
| Net income target (2020/2021) | £209,000 | £400,000 |

Castlegate

- 3.14 Castlegate was acquired in June 2018 for £7m together with a service charge loan of £900k and associated acquisition costs. It is made up of mixed offices and production space amounting to circa 217,000 ft² situated in 18 acres of land adjoining the Caldicot settlement. The tenancy schedule has remained largely static over the last twelve months however two of the smaller units have been or about to be vacated. Provisional heads of terms have been agreed with a new occupier, which if it proceeds to completion will improve the occupancy levels and rent-roll.
- 3.15 There are however a number of tenant break clause events in the next twelve months, which if exercised could have a detrimental impact on the rent roll and occupancy levels. Both have been highlighted to Investment Committee and were considered in the acquisition business case. The capital value of this asset was reduced in March 2020 to reflect the uncertainty of the pandemic and at the time lower occupancy levels.
- 3.16 The ROI is currently 3.57% and therefore above the required 2% rate. The income target of £209,000 is forecast to be met, however quarter four rent is still being collected. No claims for covid hardship have been made for this site as the tenants have continued to occupy and meet their rental liabilities, albeit monthly payments have been agreed to ease cash flow pressures. In conclusion, given the current circumstances, Castlegate continues to perform well in both financial and economic development terms

Newport Leisure Park

- 3.17 Newport Leisure Park (NLP) was acquired in March 2019 at a cost of £21m plus land transaction tax and acquisition fees. It is situated on the Newport / Monmouthshire border

and comprises of a mix of six restaurants, two retail units and three leisure units within an 11-acre site. At the time of acquisition, all of the units were let on the basis of long leaseholds with no rental or service charge arrears.

- 3.18 This investment has been disproportionately impacted by the pandemic due to the leisure and hospitality uses that occupy the site. This has resulted in tenants being unable to trade for substantial periods and for those able to open a reduction in trade due to social distancing and enhanced cleaning requirements to maintain covid security. In addition, two of the tenants, Frankie and Benny's and Pizza Hut entered into CVA's, which saw the closure of the former, and Wright Leisure went into administration. The former Wright Leisure unit has been assigned and the former Frankie and Benny's unit is now under offer.
- 3.19 Due to the CVA's and current tenant concessions, the rent roll has decreased which has resulted in a reduction in the ROI to 1.02%, below the prescribed 2% requirement. Covid hardship funding has been sought and agreed by Welsh Government for rental shortfalls, which has enabled the asset to meet its £400,000 target. This however provides short-term relief from income losses; however, the long-term impact on the rent roll is yet to be determined as tenants continue to struggle with the impact of the pandemic and the structural changes to the retail and leisure markets.
- 3.20 In common with all leisure parks, NLP has been badly hit by the impacts of Covid which are reflected in a falling rent-roll, ROI and capital value. It is reasonable to assume that the position will deteriorate further in the short term as consumers are not yet able to access the hospitality and leisure sectors and post opening social distancing will limit capacity levels and financial viability. It is recognised that the ROI has fallen below that prescribed in the asset investment policy, and an options review was undertaken in September 2020, and Investment Committee agreed to retain the asset as the structural impact of covid on the leisure sector will continue to affect realisable capital values. Any sale at this point would result in a reduction in the sale value and the associated disposal fees that will also arise.
- 3.21 Despite the significant impacts of Covid, the asset does continue to generate a surplus income due to the recovery of lost rental from the covid hardship fund. The level of interest in Unit 5, provides some re-assurance that the site continues to be an attractive proposition to the leisure sector, however it is evident that the demand is changing to the take away / drive through sector as the majority of interest has been for this model.

The Wider National Context

- 3.22 As reported in the first performance review, the level of commercial investment and subsequent borrowing being incurred by local authorities resulted in the production of property investment guidance from CIPFA. This reinforced the need to have regard to the Prudential and Treasury Management Codes and decisions needing to be prudent, affordable and sustainable. Furthermore, the guidance highlights the need for the risks of investments to be understood and suitably mitigated or managed. The Council has had regard to this guidance and the principles therein in implementing the necessary policy framework and governance arrangements with its commercial investment activity.

- 3.23 The Welsh Government published revised Investment Guidance in November 2019, which placed additional reporting requirements upon local authorities. The guidance also covers investments that are not part of the treasury management arrangements, e.g. commercial investments including property and loans. The Treasury Policy and Strategy approved by Council in March 2021 have regard to these requirements and has been replicated in Appendix 2.
- 3.24 In November 2020, the Treasury announced that before being able to access borrowing from the PWLB, local authorities would need to demonstrate that their capital plans do not include any borrowing to buy assets purely to produce a yield, which would no longer be permitted. This was in response to the accelerating levels of borrowing by local authorities to acquire investment property, estimated to be £6.6bn between 2016 and 2019. To access PWLB funding, councils will be asked to submit a high-level summary of capital spending and financing plans for the next three years.
- 3.25 The Treasury have advised that the PWLB will not lend to a local authority that plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB. Given that the Investment Committee has resolved not to pursue any further investment activity at this time unless it is acquired through grant funding or meets a wider policy ambition within the County, the changes to the PWLB will not have an immediate impact. This however will need to be reviewed if the Investment Committee reviews its investment plans in the longer term.
- 3.26 In February 2021, CIPFA launched [separate consultations](#) on significant amendments to two of its main codes – the Prudential Code and the Treasury Management Code. The areas proposed to be strengthened as part of the amendments are as follows:

Prudential Code

- Provisions within paragraph 45 of the Prudential Code to state clearly that borrowing for debt-for-yield investment is not permissible under the Prudential Code. While recognising that commercial activity is part of regeneration, it does not constitute the primary purpose of investment and unnecessary risk to public funds.
- Any commercial investment undertaken should be consistent with statutory provisions, proportionate to service and revenue budgets and consistent with effective treasury management practice.
- Requirements to assess the affordability of commercial activity within local authorities' capital strategies. CIPFA will also publish, early this year, further guidance on good practice for development of capital strategies.
- The addition of sustainability and ensuring that the capital expenditure is consistent with a local authority's corporate objectives (such as diversity and innovation) to the objectives in the Prudential Code.
- Introduction of new prudential indicators on affordability. External debt to net service expenditure (NSE) ratio, and commercial income to net service expenditure.

- The introduction of the liability benchmark to promote good practice and understanding of local authority's debt management in relation to capital investment.

Treasury management Code

- The Treasury Management Code was last updated in 2017. Since then the landscape for public services has changed. The increasing profile of the role of treasury management as a result of the pandemic, the disciplines and skills required to meet the advances brought forward by issues such as the Markets in Financial Instruments Directive, known as MIFID II, and the increasing complexity of transactions in the sector all underline the importance of the Treasury Management Code and its guidance. In addition, the rise in commercial non-treasury investments is a contributing factor behind the need to strengthen its provisions to ensure that they are fit for the 21st century.
- 3.27 The Authority will monitor the developments of the code consultation and any resulting requirements from the final code updates for the Authority to incorporate strengthened processes, best practice or new indicators.
- 3.28 It is important to note however that as part of the Authorities existing Treasury and Capital Strategies for 2021/22, the Authority has already adopted or partially adopted requirements 1, 2, 4, 5 and 6 above in line with best practice and under advice from our Treasury advisors, or as part of the additional requirements of Welsh Government Investment Guidance.

Local Government and Elections Act 2021

- 3.29 The Local Government and Elections Act will see the introduction of the General Power of Competence in Wales. Consultation has commenced this month and implementation is expected in November 2021. The introduction of the power may provide us with wider opportunities in the future and we will continue to engage with the consultation process and provide further details to Investment Committee as the detail becomes more apparent.

Risk Management

- 3.29 Whilst each investment will have its own unique characteristics and associated risks, as is the case with any investment, the key risks associated with commercial and property investment activity are:
- That all decisions to incur expenditure are backed by effective legal powers and a resultant risk arises if decisions are subsequently invalidated by changes in statutory provisions or developments in case law, albeit that the retrospective application is unlikely.
 - The authorities returns are at risk, while, once incurred borrowing costs are unavoidable. A reduction in returns could put pressure on the authority's revenue account.
 - Capital gains are at risk and in relation to fair value of the property on the balance sheet, for example, where the commercial property fair value is less than the value of the debt liability.

- A risk of proportionality in terms of the extent that the authority's revenue budget is reliant on income from commercial investments.
 - A lack of expertise with council staff and those undertaking review and making decisions leading to poor acquisition decisions.
 - A downturn in the property market or the market within which the investment is made.
 - The long-term structural impact of covid on property sectors and consumers/ workforce behaviours and their resulting capital and revenue values.
- 3.30 Separate Legal counsel advice has been received and that confirmed that the Council can operate within existing legal powers and guidance and in making the commercial investments as intended. Legal advice is sought separately for each commercial investment being considered.
- 3.31 Business cases that are developed and considered by Investment Committee undertake a full and proper assessment of risk and associated risk management and mitigation strategies. Business cases are supported by detailed commercial, financial and legal due diligence, with external advisors appointed as required to supplement the experienced staff within Legal, Finance and Estates.
- 3.32 Proposals presented to Investment Committee seek to describe the opportunity being considered from the perspective of the cash flows anticipated, and net returns quantified, any qualitative benefits evaluated, reasonableness of assumptions made, any risks/volatility anticipated against those assumptions, and provides the risk mitigation action proposed should those risks crystallise. There is a skewed emphasis towards the risk mitigation aspect of any proposal, not because highly speculative opportunities are being presented to Investment Committee, but instead recognising that any investment has a degree of speculation and despite commercial investment being an increasingly common aspect for local authorities to address declining central government resourcing, the stewardship of public funds and security of investment remains a key consideration to any local authority decision-making.
- 3.33 Ongoing monitoring of the investments takes place and risks are continually assessed. Business cases have exit strategies to mitigate any situation where a long term erosion of capital value is anticipated. The impact of the covid pandemic has highlighted the importance of this on-going review and that not all risks can be predicted at the point of business case formulation.
- 3.34 Prudential indicators monitor and contain local authority borrowing levels and commercial investment activity is separately shown and further supported by the additional reporting requirements necessitated by Welsh Government Investment guidance.

4. OPTIONS APPRAISAL

- 4.1 This report is not a decision making report. It represents a performance review of the Investment Committee and therefore no option appraisal is required.

5. EVALUATION CRITERIA

- 5.1 Evaluation is undertaken and required at a number of stages being:
- a) When an investment opportunity is identified or an investment proposal received and Investment Committee agrees for due diligence to be undertaken.
 - b) On the submission of a proposal or business case to the Investment Committee for consideration
 - c) On an ongoing basis as part of the routine and regular monitoring of commercial investments – reporting and taking action as required.
 - d) As part of the annual performance review that is a requirement of the Asset Investment policy – acting on proposals for improvement, and
 - e) As part of the internal and external reviews undertaken – acting on recommendations and proposals for improvement.
- 5.2 The results of the evaluation arising from this performance review are outlined in 3.33 together with the resource implications shown below.

6. REASONS

- 6.1 The Asset Investment Policy requires an annual performance review of the Investment Committee to be undertaken and in order to ensure that the governance arrangements, policy documentation and necessary guidance and legislation are being reviewed and adhered to.

7. RESOURCE IMPLICATIONS:

- 7.1 As stated above the two investment acquisitions to date relate to Castlegate Business Park and Newport Leisure Park.
- 7.2 £30.7m has been spent to date on the two acquisitions. Any additional costs of due diligence and advice incurred in exploring other commercial investment opportunities have been met from existing revenue budgets.
- 7.3 As a result of the acquisitions made budgeted savings have been introduced and form part of the revenue budget savings. The budgeted level of savings for Castlegate Business Park and Newport Leisure Park are £209k and £400k respectively. Most recent forecasts for the current financial year indicate that both targets will be met. The latter due to revenue loss payments from the covid hardship fund.
- 7.4 As outlined in 3.13, the investment return over borrowing (ROI) for Castlegate is 3.57% with an occupancy rate of 93%. Whist the occupancy rate has declined slightly since the original acquisition, the site has continued to trade well during the last twelve months and provisional terms have been agreed for a new letting.

- 7.5 Newport Leisure Park at the time of acquisition was 100% occupancy and an ROI of 2.11%. Due to the impact of the pandemic, the occupancy rate has fallen to 97% and the ROI to 1.02%. The ROI has reduced due to the impact of CVA agreements on the rent roll together with tenant inducements. Discussions are underway with tenants to establish their plans to meet lease obligations and their emergence from the current lockdown. Heads of terms have been agreed for a potential letting of the vacated unit.
- 7.6 The capital values of both assets have decreased in the last year reflecting the impact of the pandemic on rent rolls and occupation levels. This is reviewed on an annual basis, however it is anticipated that NLP will continue to see a reduction in its capital value until the impact of the CVA's can be mitigated.
- 7.7 In terms of arrears of rent and service charge, there are no significant issues at Castlegate. Two occupiers of Newport Leisure Park have arrears of one quarters rent that accrued prior to the March 2020 lockdown. Discussions are ongoing with the tenants to establish payment plans to recover these arrears.

8. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING):

There are no equality, Future Generations or wider implications directly arising from this report. This report is seeking to provide a review of performance. Any implications will be assessed as required by the Investment Committee when considering any investment.

9. CONSULTEES

Chief Officer for Resources (S151 Officer)
Head of Legal Services (Monitoring Officer)
Head of Commercial, Property, Fleet and Facilities

10. BACKGROUND PAPERS:

Appendix 1 – Asset Investment Policy December 2020
Appendix 2 – Treasury Policy & Strategy 2021-22
Appendix 3 – Investment Committee Terms of Reference

11. AUTHOR:

| | |
|--------------------|--|
| Peter Davies | Chief Officer for Resources |
| Debra Hill-Howells | Head of Commercial, Property, Fleet & Facilities |

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| | |
|---------------------------------|--|
| SUBJECT: | Updated Asset Investment Policy |
| MEETING: | County Council |
| DATE: | 3rd December 2020 |
| DIVISION/WARDS AFFECTED: | All |

1. PURPOSE:

To amend the existing Asset Investment Policy to reflect Audit Committee recommendations, national guidance and learning and as endorsed by the Council's Investment Committee.

2. RECOMMENDATIONS:

- 2.1 That Council agree to the proposed update and amendments to the Asset Investment Policy as contained in Appendix 1.
- 2.2 To agree the revised terms of reference for the Investment Committee as contained in Appendix 1.
- 2.3 That all future investment proposals are to consider the environmental impact and sustainable development principles as part of the business case for any proposed investment.

3. KEY ISSUES:

- 3.1 Council approved the Asset Investment Policy in May 2018 and a further report was approved in February 2019, which extended the policy to enable commercial loan funding, the use of investment funding to undertake development or refurbishments and the use of equity or debenture interests.
- 3.2 Audit Committee undertook an annual review in March of this year, which identified opportunities for improvement arising from an internal audit review, changing financial practice guidelines relating to commercial investments and self-reflection on the investments undertaken to date.
- 3.3 Investment Committee has considered the proposed amendments and have endorsed the proposals.

Recommendation – To review and update the Investment Committee terms of reference and Asset Investment Policy

3.4 The terms of reference have been reviewed and revised as outlined in Appendix 1. The proposed changes are as follows:

- The ability for Investment Committee members to nominate deputies with full voting rights in the event that they are unable to attend.
- The requirement for all officers and external advisors attending meetings to sign declarations of interest.
- The Investment Committee is to undertake an annual self-review to determine the effectiveness of the committee and any training requirements.

3.5 These proposals have been made following a review of the effectiveness of the Investment Committee and existing governance arrangements. Ensuring that deputies have full voting rights will enable meetings to be quorate and decisions to be made in a timely manner to take advantage of potential commercial opportunities. Whilst it is acknowledged that Members are required to identify declaration of interests prior to decision making, given the influence that officers and advisors will have in supporting Members it was considered appropriate to ensure that they are subject to the same level of transparency. The annual review of the committee and training requirements will ensure that self-review identifies any support necessary for Members and officers to enable them to continue to make appropriate decisions and undertake informed challenge.

Recommendation – That all future investment proposals are to consider the environment impact and sustainable development principles as part of the business case for any proposed investment

3.6 The current policy identifies the factors that should be considered in a business case for a potential investment, which does not explicitly include the environmental impact and sustainable development principles. Given the Council's declaration of a climate emergency and our commitment to reduce our environmental impact, the Asset Investment Policy has been amended to ensure that any future investment proposals include an evaluation within the business case of the environment and sustainable development considerations of the investment. Evaluations will reference the environmental impact and sustainable development principles referenced in the Wellbeing of Future Generations Act and alignment with the Council's evolving climate change action plan.

Governance Improvements

3.7 The annual performance review enabled officers to evaluate opportunities to improve governance and provide Investment Committee members with greater access to information to improve investment decisions and manage risks. Whilst these do not require an update to the Asset Investment Policy, it is considered helpful to provide this detail to full Council.

3.8 A performance dashboard will be developed and reported to members of Investment Committee on a quarterly basis so that the performance of individual assets can be

measured against the original business case assumptions, financial and investment criteria and wider market trends.

- 3.9 A risk assessment is to be maintained and reported back to Investment Committee on a quarterly basis and if appropriate, more frequently to reflect the changing circumstances of individual investments or wider financial or structural market conditions.
- 3.10 The reporting process for potential investments has adopted a two-stage approach and the Asset Investment Policy has been amended and updated to reflect this. Initial investment opportunities will be assessed against the financial and viability criteria. If this initial assessment indicates that they could be met, an initial business case will be developed which will outline heads of terms, the financial model and the wider social and environmental benefits that the proposed investment will derive. This will be presented to Investment Committee for stage one approval to enable officers to incur expenditure on due diligence, legal and specialist fees to substantiate the assumptions and modelling built into the initial business case. When the due diligence has been completed, the finalised business case will be presented to Investment Committee for stage two approval. If this is agreed, the Council will enter into the investment.
- 3.11 Potential investment opportunities that are not progressed to stage one approval are reported to Investment Committee with accompanying rationale for their rejection. This provides greater transparency to Investment Committee members on the decisions that officers are making and ensuring these continue to align with the Council's policy objectives.
- 3.12 The current financial climate and market conditions have exemplified the need for Investment Committee to continually re-assess the Council's commercial risk appetite. This will reference a review of the performance of the existing investment portfolio, wider property or financial prevailing market conditions and external influences from forthcoming UK or WG policy changes that will affect future conditions set against Council's finances and pressures.
- 3.13 Investment Committee has recently undertaken such a review and determined to curtail all investment activity and potential acquisitions at this time, unless they are in County and grant funded or will further a wider policy aim. Investment Committee will continue to review this position in line with the Asset Investment Policy.

Asset Review, Disposals and Development

- 3.14 In line with the Asset Management Strategy the Estates team are currently undertaking a review of operational and investment assets to determine which if any can be released to generate capital receipts which can be used to support the capitalisation directive or capital programme priorities.
- 3.15 Allocated LDP sites, namely Chepstow Road in Raglan and phase 2 of Rockfield Farm are currently being advertised for disposal with tenders due to be received early in the new year.
- 3.16 Furthermore, the Council will be looking to commit to actively develop its first site with a development partner in 2021, allowing the approach to be tested and developed with a view to exploring other smaller schemes that could be taken forward in a similar manner.

This would then allow the Council to establish a development company from a more informed position and aligned to the opportunities to scale the approach through Council owned sites being put forward into the Replacement LDP. An update report outlining the Council's future intentions will be presented to Cabinet on the 16th December.

4 EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):

- 4.1 This proposal does not have any safeguarding and corporate parenting implications.
- 4.2 Amending the Asset Investment Policy will ensure that the sustainable development ambitions of the Wellbeing of Future Generations Act are embedded in our policy. This will ensure that investment decisions are fully sighted on potential implications and if necessary mitigating actions.

5 OPTIONS APPRAISAL

- 5.1 An evaluation of the Asset Investment Policy and review of the performance of the Investment Committee and investment portfolio resulted in proposed improvements being accepted by Audit Committee earlier this year. The improvements have sought to improve existing practice and ensure that reviews of performance, risk appetite and risks are more dynamic with quarterly evaluations. The terms of reference have also been amended to provide accountability that is more transparent and strengthen governance arrangements. A do nothing scenario would result in these improvements being lost and was therefore discounted. A process of continual review and reflection will be undertaken to ensure alignment with prevailing policy and legislation and opportunities for improvement and public value creation are embedded in the policy.

6 EVALUATION CRITERIA

- 6.1 Quarterly reviews of performance, risk appetite and risk will be undertaken by Investment Committee. Audit Committee will undertake an annual review. Evaluations will be undertaken against the financial and investment criteria set out in the Asset Investment Policy.

7. REASONS

- 7.1 The recommendations were developed as a result of an audit committee review, changing practice standards and guidance and to mitigate risks for future investment decisions made by the Investment Committee.
- 7.2 Investment Committee members and supporting officers have an obligation to ensure that decisions are made in accordance with prevailing Council Standing Orders and that the best possible advice is provided by appropriately qualified technical experts.
- 7.3 The adoption of regular portfolio performance and risk monitoring will ensure assets are being effectively managed, potential issues are identified and mitigation is implemented in a timely manner.

8. RESOURCE IMPLICATIONS:

- 8.1 The current pandemic has highlighted the risks that naturally come with undertaking commercial investments. The Councils budget position remains under significant strain and the commercial investment and property markets remain uncertain and which we expect to continue until a vaccine is successfully rolled out. Investment Committee has therefore concluded that it would not be prudent to undertake further investments, save for opportunities within the County that are grant funded or support wider policy aims.
- 8.2 The Council's existing investments are regularly monitored, however revenue income has fallen against initial appraisal forecasts particularly the Newport Leisure Park investment. Officers are working with tenants and specialist advisors to mitigate impacts and have been able to recover lost income in the current financial year from Welsh Government's COVID hardship fund. The continuation of funding beyond March 2021 is unknown, and without which will place pressures on the commercial investment income target.
- 8.3 All property assets are being reviewed and where property sector values are still robust, e.g. the residential market, disposals will be pursued to realise capital receipts.

9. BACKGROUND PAPERS:

Audit Committee report and minutes 19th March 2020

Audit Committee Recommendations Update 14th September 2020

10. AUTHOR:

Debra Hill-Howells Head of Commercial, Property, Fleet and Facilities

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Appendix 1 – Asset Investment Policy (Updated Nov 2020)

1. Introduction

Local government has been challenged to identify new ways to generate both revenue and capital funding streams to help bridge the gap between available funds and increasing service demands.

In common with all public bodies, the Council has a property portfolio, which is used to facilitate service delivery and deliver corporate objectives. The Council has been driving down running costs through the rationalisation of its operational estate and enabling staff to work remotely. Whilst this process will continue to seek efficiencies, it is limited to cost avoidance and efficiency savings. This policy is concerned with the generation of net revenue returns through prudent investments, which will be used to support the costs associated with front line service delivery.

It is recognised that there has been significant scrutiny over public agencies acquisition of commercial portfolios funded by borrowing or capital reserves. This policy will outline the system process that will ensure that investments are prudent, decision-making is transparent, there are defined performance and risk management frameworks in place and accountability is embedded within the governance arrangements.

2. Objectives of the policy

- 2.1 To invest in opportunities within the County of Monmouthshire to support economic and regeneration policies, support job and wealth creation and improve the opportunities for Monmouthshire citizens.
- 2.2 To invest in opportunities within the City Deal geographical boundary and neighbouring areas of economic influence which will support the region's economic and regeneration priorities.

- 2.3 In order to manage and spread investment risk we may also identify investment options beyond our county and regional boundaries, which meet the financial and investment criteria in order to create a blended investment portfolio.
- 2.4 To help sustain Council services through prudent investments which generate a net revenue surplus that will be used to support Council priorities.
- 2.5 The Council’s Corporate Plan 2017 – 2022 identifies five priorities, the last of which is a “future focussed Council”. One of the key measures for this is *income generation from commercial investments*. This policy will provide the framework and criteria for commercial investments

3. Purpose of the Policy

3.1 The purpose of this policy is provide a robust governance and appraisal framework against which Investment Committee will assess investment opportunities and subsequent performance. Whilst the initial policy appended to the Asset Management Strategy considered the acquisition of land and property assets, this was refined by Council in 2019 to include the following:

- Commercial investments through the provision of commercial loan facilities
- The use of investment funding to build or renovate investment portfolio holdings
- Investments within equity or debenture interests.

3.2 All commercial investment opportunities will need to be the subject of a Business Plan which evidences that the specified financial and investment criteria set out in this policy are met.

3.2 The principal purpose for undertaking commercial investments will be to improve the financial, environmental or social wellbeing of the Council and its communities. Consideration will be given to the sustainable development principles within the business case and where possible the identification of options to reduce the existing carbon and environmental impact of potential investments.

4. Powers to acquire land and property assets.

Power to acquire and hold assets

4.1 The 1972 Local Government act provides the authority for local government to both acquire and dispose of property assets. S120 deals with the acquisition of assets as follows:

S120 Acquisition of land by agreement by principal councils.

(1) *For the purposes of—*

(a) *Any of their functions under this or any other enactment, or*

(b) *The benefit, improvement or development of their area,*

(c) A principal council may acquire by agreement any land, whether situated inside or outside their area.

4.2 Well-being powers

Section 2 of the Local Government Act 2000, gives local authorities the power to do:

- 1) Anything which they consider is likely to achieve any one of the following objects:
 - (a) The promotion or improvement of the economic well-being of their area,
 - (b) The promotion or improvement of the social well-being of their area, and
 - (c) The promotion or improvement of the environmental well-being of their area

Section 2 (4), of the act provides local authorities with the ability to incur expenditure, give financial assistance, enter into arrangements or agreements and provide goods services and accommodation.

We have obtained specific advice on the application of these powers to acquire investment assets, which has confirmed that a direct benefit to the citizens of Monmouthshire needs to be accrued from the acquisition of the assets which can be tangible i.e. the provision of new facilities, or intangible i.e. funding service delivery.

General Power of Competence

The Local Government and Elections (Wales) Bill which received royal assent earlier this year will introduce the general power of competence powers which have been enjoyed by English authorities since the introduction of the Localism Act. The powers will enable councils to be more innovative and lend or invest money; or setup a company or co-operative society to trade and engage in commercial activity. Use of the power is not restricted to the geographical area of the authority or for the benefit of its residents.

Power to borrow

- 4.3 The power to borrow is provided via S1 of the 2003 Local Government Act. This determines that borrowing may be undertaken;
- (b) For the purposes of prudent management of its financial affairs provided it does not exceed its affordable borrowing limit under s.3 Local Government Act 2003 (s.2 (1) and 2(4))

A number of English Authorities have sought advice on the extent of this power and whether it confers the right to borrow money for purely financial purposes. This is yet to be tested in the Courts; however, Welsh Government proposals seem to infer a greater degree of freedom than that afforded by the Localism Act, which confers the general power of competence to English authorities.

5. Financial Criteria

- 5.1 Commercial investments will be expected to meet the criteria set out below; investments outside these criteria will require approval by Cabinet with a supporting business case and reasons for deviating from the agreed protocols.

| Criteria | Measure |
|-----------------------|--|
| Total Investment Fund | £50,000,000, to be reviewed annually |
| Maximum Lot size | No greater than 20% of the Investment Fund value, unless approved by Cabinet. |
| Minimum Return | 2% net return on investment (to determine this the costs of borrowing will be deducted from the gross income received) |

| | |
|--|---|
| | Where the acquisition will result in net economic growth to Monmouthshire (through the provision of jobs, additional employment floor space, local regeneration or any other measurable community benefit) the Investment Committee can adopt a lower return, but the return cannot be lower than 0% after borrowing. |
| Target annual return | 7% per annum, to be reviewed annually to reflect prevailing market conditions |
| Minimum Repayment Provision (MRP) | To be assessed on a case-by-case basis by reference to the economic life of the asset or commercial loan term. In all cases, the MRP will not exceed 50 years. |
| Environmental impact and Sustainable Development principles of the proposed Investment | The proposed investment will need to quantify the baseline position and identify opportunities to reduce the environment impacts. |

6. Investment Criteria

Property Investments

6.1 All proposed land and property acquisitions are to be undertaken by the Council's Estates team or its appointed agents in accordance with prevailing legislation and the codes of practice of relevant professional bodies. All valuations must be undertaken by a qualified¹ member of the Royal Institution of Chartered Surveyors with knowledge of the relevant local and specialist markets.

6.2 All potential acquisitions will be assessed against the following Investment Criteria:

- Location
- Quality
- Tenure
- Title
- Portfolio blend
- Covenant strength and security of income
- Income and capital growth potential
- Potential landlord liabilities
- Identifiable risks & portfolio blend
- Development and added value opportunities
- Economic, regeneration and other key Council priorities
- Market and sectoral conditions
- Independent Valuation
- Wellbeing and future generations impact and sustainable development principles
- Potential exit strategy
- Sinking fund requirement

6.3 If consent is being sought to undertake borrowing to refurbish or develop a property asset a business case will be developed which considers the investment criteria set out in 6.2 above. In addition it will need to outline:

¹ MRICS or FRICS

- Statutory consents required to enable the development and the outcome of any initial investigations
- Anticipated development/ refurbishment costs
- Programme timescales
- Clarification how debt repayments will be funded in advance of rental returns.

Commercial loans, Debenture or Equity Interests.

6.4 All proposed commercial investments will be led by the Councils Finance Department or its appointed specialist technical advisors in accordance with prevailing legislation and the codes of practice of relevant professional bodies.

6.5 All potential investments will be assessed against the following investment criteria:

- Financial standing of the proposed borrower
- Company gearing and assets
- Payback periods and affordability
- Opportunity to protect investment through charges over residual assets, IPR, contracts etc.
- Potential step in rights
- Viability of investment purpose and market competition
- Loan to value ratio
- Potential risks
- Environmental impact and the sustainable development principles
- Potential exit strategy
- Sinking fund requirement

7. Governance Criteria

7.1 All investment decisions up to a total lot value of 20% of the investment fund value are delegated by Council to the Investment Committee. Any proposed investments over this sum will need to approval from Cabinet.

7.2 The Investment Committee will be comprised of the Council Leader, Deputy Leader, Cabinet Member for Resources and the Leaders of the two largest opposition parties (political balance 3:1:1). The Committee will be advised by the Resources Chief Officer and officers from Finance, Estates and Legal Services together with specialist technical advisors.

7.2 The terms of reference, which will govern the operating practices of Investment Committee, are set out in Appendix 1. Three members of the Investment Committee or their nominated deputies will need to be in attendance for the meeting to be quorate.

7.4 A minimum of a two-stage process will be adopted by Investment Committee when considering any investment proposals.

Stage 1

7.3 An initial business case is to be prepared which considers the financial and investment criteria set out in this policy. Provisional heads of terms, dependencies, anticipated timescales and potential risks should also be contained in the report.

7.4 The business case will be presented to the Investment Committee for approval to incur costs to undertake the due diligence necessary to substantiate the provisional proposal and recommendations.

Stage 2

- 7.5 Following the completion of due diligence, a final business case will be prepared. If the proposed investment remains prudent and in line with investment and financial criteria the business case will be presented to Investment Committee for their decision.
- 7.6 Should the due diligence demonstrate that the proposed investment should not be progressed, this should be reported back to Investment Committee with the supporting rationale.
- 7.7 Members of Investment Committee will be required to undertake an annual review of their training needs to ensure that they are suitably equipped to challenge and scrutinise investment proposals.
- 7.8 Officers will provide quarterly investment portfolio performance and risk data for Investment Committee members to evaluate, together with details of potential investments which did not progress to Investment Committee.

8. Review Principles

- 8.1 An annual performance review of the Investment Committee and the investment portfolio will be reported to Audit Committee to ascertain performance against the following criteria:
- Individual investment performance against Business Case projections
 - Governance arrangements and adherence to policy
 - Market conditions and performance
 - Risk analysis
 - Proposals for improvement
- 8.2 The Asset Investment Policy will be reviewed annually and adjusted to reflect prevailing market circumstances.
- 8.3 There will be a continual and ongoing review, quarterly or otherwise, of the Investment Committee's risk appetite and as recommended by officers and advisors.
- 8.4 Quarterly performance data will be presented to Investment Committee to evaluate performance against the financial criteria and business case projections. If this data illustrates that an investment is deemed to be underperforming or fails to meet any debt repayment costs, a review will be undertaken to determine:
- Wider prevailing market conditions and the impact on the investment
 - The potential to increase the revenue generated or reduce holding costs
 - The anticipated sale value of the asset
 - Opportunities for debt refinancing
 - Opportunities for step in
 - Residual value against outstanding borrowing
 - Consideration whether the circumstances are short, medium or long term and the potential for recovery
- 8.5 If it is determined that the net sale value will realise a receipt in excess of the initial investment and that there is little potential to increase the revenue then the investment will be sold / traded. If however, the net sale value will not realise a value equal to or in excess of that originally paid, the investment will be retained until such time the capital value has increased. All income and

expenditure for property assets will be funded and managed by the Estates Team and commercial loans by the Finance Department.

- 8.6 Where a property investment is located outside of the County or requires specific expertise, external agents may be instructed to manage the asset on the Councils behalf. If costs cannot be recovered from service charges, they will instead be deducted from the gross annual return.

9 Risks

- 9.1 As with all investments, they will be subject to fluctuations in market conditions and external factors. All investments will be considered against the security, liquidity, yield principles acknowledging that there will be variations between commercial loans, which are likely to be more liquid than property assets and have shorter paybacks. They will however unlikely to be secured against tangible assets as opposed to property investments, however their payback periods will be longer.
- 9.2 Illiquidity - In the event that a property needs to be sold to generate capital funds, the disposal process may take in the region of 6 – 12 months to complete, dependent on the prevailing market conditions.
- 9.3 Commercial property will require management to safeguard the physical condition of the asset and the landlord tenant relationship. Regardless of contractual arrangements, there will always be the risk of tenant default.
- 9.4 In the event of a market downturn, it is likely that rental streams will reduce and voids may occur. This may result in the costs of borrowing exceeding revenue received; this risk can be in part mitigated through the creation of sinking funds for each investment. This is where a portion of the surplus income is ring fenced to the asset and used to fund unexpected maintenance costs or offset declining rent rolls.
- 9.5 When providing commercial loans, risks may arise from a change in the financial viability of the borrower, changes in the market, competition, changes in UK or Welsh Government policies. Whilst these scenarios should all be considered in the business plan, not all circumstances can be predicted as has been highlighted by the Covid 19 pandemic.
- 9.6 Quarterly assessments of the risk profile for the investment portfolio will enable Investment Committee to evaluate and if necessary seek opportunities to mitigate the risk through for example refurbishments, or disposal of the investments.

10. Purchasing and Finance.

- 10.1 The Council benefits from the ability to access funding from the PWLB at relatively low interest rates and fixed repayment terms enabling certainty over debt repayments and potential yields at the point of the acquisition of an investment.
- 10.2 If stage 1 approval is provided by Investment Committee, due diligence costs will be incurred. If the investment proceeds these will be included in the total investment cost and funded through borrowing. If the proposal does not proceed if the abortive costs cannot be financed through existing revenue budgets, they will need to be set against the Investment Fund and repayments offset from the gross investment income.
- 10.3 A sinking fund will be created to manage unforeseen repair works or offset a fall in income levels to prevent the portfolio becoming a net cost to the authority. The value of the sinking fund will be determined on an individual investment basis to reflect value and risk.

11. Governance & Purchase Flow Chart

Identification of potential investment opportunity & initial assessment of compliance against financial and investment



If initial assessment identifies that it does not meet the criteria it is not progressed, but reported back to Investment Committee



If initial assessment identifies that the criteria should be met, an outline business case is prepared to establish viability of proposal, evidence that the Financial and Investment Criteria are met and identification of due diligence necessary to substantiate any assumptions and analysis of risk.



Stage 1 Approval

If the Outline Business case meets financial and investment criteria, officers will seek approval from the Investment Committee to submit a conditional offer subject to contract, due diligence & Member approval. Due



Commission due diligence reports, surveys, re-assess financial, and investment criteria against initial assumptions. Finalise Business Case.



Stage 2

Approvals

Present finalised Business Case to Investment Committee for their scrutiny and decision. If investment is approved then legal processes can be implemented.



Completion of legal formalities

Commence legal processes, which will be undertaken by the Councils Commercial Legal Team.



If the investment is a property acquisition, exchange contracts, which contractually commits the Council to the purchase.



Finalise legal documentation. Arrange draw down of funds and completion of investment.



Post completion – if property acquisition, payment of Land Transaction Tax and other fees; arrange for rental payments and ongoing property / portfolio management. Establish sinking fund with finance team.



Update relevant colleagues / external organisations and update terrier and other software systems.



Performance

Monitoring



Annex 1 – Investment Committee Terms of Reference.

- Purpose:* To hold strategic oversight and accountability for the acquisition and monitoring of commercial investments in line with the Asset Investment Strategy.
- Membership:* The Committee will be comprised of the following elected Members:
- The Leader
 - Deputy Leader
 - Cabinet Member with portfolio responsibility for Resources
 - Leaders of the two largest opposition parties
- The membership of the committee reflects the political balance of the current administration and will be subject to review following a local government election within the Monmouthshire County Constituency.
- Chairperson:* The Leader of the Council. In the absence of the Leader, the Deputy Leader will assume the Chair role in their absence.
- In attendance:* Leaders of the remaining opposition parties
- Chief Executive
 - Chief Officer, Resources
 - Chief Officer, Enterprise
 - Head of Law/Monitoring Officer
 - Other Council Officers as required.
 - Specialist advisors as required.

Deputising: Members of the Investment Committee are able to nominate a substitute elected Member to deputise for them if they are unable to attend a committee meeting. The deputy will be able to vote on behalf of the substantive Committee Member.

Democratic Services should be advised of any substitute Members, no less than 24 hours prior to the meeting, save in the event of an emergency.

Voting Rights: Will be limited to the members of the Investment Committee

Quorum: Three members of the committee

Frequency: The meetings will be convened as investment opportunities arise as required. A minimum of four meetings will take place per annum to review the performance of the investment portfolio.

Declarations of Interest:

All Members, Officers and external advisors will be required to submit declarations of interest prior to the discussing proceeding. Officers and external advisors with a personal or commercial interest in the proposed investment will not take part in the discussions, without the express consent of the Chair.

Investment Committee remit will be to:

1. Take decisions on proposed acquisitions or investment opportunities.
2. Scrutinise business cases and ensure that proposals are in accordance with the approved Asset Investment Strategy.
3. Monitor and review the performance of the investment portfolio, ensuring that it meets the agreed financial benchmarks within the asset investment policy and identified risks are actively managed.
4. Agree mitigation and exit strategies for poorly performing assets, including disposals.
5. Provide an annual position statement for Audit Committee to review the performance of the investment portfolio
6. To execute the powers of authority delegated by Council in a prudent manner
7. Members of Investment Committee will act in the best interest of the corporate entity
8. The Committee will undertake an annual self-review to review the effectiveness of the committee and identify any training required for committee members.

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REPORT

| | |
|---------------------------------|---|
| SUBJECT: | 2021/22 Treasury Management Strategy |
| DIRECTORATE: | Resources |
| MEETING: | Council |
| DATE: | 11th March 2021 |
| DIVISION/WARDS AFFECTED: | Countywide |

1. PURPOSE

- 1.1. The purpose of this report is to approve the Treasury Management Strategy including Minimum Revenue Provision policy for the 2021/22 financial year. The report summarises and highlights the key areas relating to the strategy, alongside those areas of key implications and risks resulting from it.

2. RECOMMENDATIONS

- 2.1. That Council approves the Treasury Management Strategy 2021/22 (**Appendix 1**) including the:
- 2021/22 Treasury Management policy statement
 - 2021/22 Minimum Revenue Provision Policy Statement
 - 2021/22 Investment & Borrowing Strategies
- 2.1 To approve the Prudential Indicators supplied in **Appendix 5** and that will be used in the performance monitoring of the treasury function during 2021/22.
- 2.2 That Council agrees that Audit Committee should continue to review the Council's treasury activities on behalf of the Council by receiving & scrutinising the mid-year report and year-end report and also scrutinising the Treasury Policy & Strategy before passing to Council for approval.

3. KEY ISSUES

- 3.1. The draft Treasury Management Strategy proposals and recommendations were presented to Audit Committee on the 25th February 2021 as part of its delegated responsibility to scrutinise the draft proposals. Audit Committee debated its content and were asked for its views and responses and the Chair of the committee has been asked to provide feedback to Council.

Treasury Management Strategy

- 3.2. The treasury management strategy sets out the Council's longer term borrowing requirement and plans, which is driven mainly by the capital programme requirements and the resulting impact on the revenue budget.
- 3.3. It includes how it will manage and invest its surplus cash which also have various targets/limits set as part of prudential indicators and also includes additional guidance of the Welsh Government Investment Guidance and the Minimum Revenue Provision Policy.
- 3.4. The strategy is a requirement of CIPFA's Prudential Code which sets out the requirement to ensure, within the frameworks set, that capital expenditure plans are:
- **Affordable:** Capital spend and programmes are within sustainable limits. Councils are required to take into account of current and forecast funding available to them and the totality of their capital plans and their costs in assessing affordability.
 - **Prudent:** Councils need to set borrowing limits (called 'operational' and 'authorised limits' – as part of the suite of prudential indicators) which reflect the Councils plan for affordable capital plans and their financing costs. On investing activities, Councils need to consider the balance between security, liquidity and yield which reflects their own risk appetite but which prioritises security and liquidity over yield.
 - **Sustainable:** Council's capital plans and the revenue cost of financing the current and future forecast borrowing/debt taken out for that needs to be sustainable in terms of the Councils overall finances and its impact on that.
- 3.5. 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.
- 3.6. 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 Section 151 officer or deputy who will act in accordance with the Treasury management strategy and Treasury management policy statement (**Appendix 1**) and treasury management practices and CIPFA's Standard of Professional Practice on treasury management.
- 3.7. The detailed Treasury strategy for 2021/22 is included at **Appendix 1**. Key points of interest are summarised below.

Annual Minimum Revenue Provision (MRP) Policy Statement

- 3.8. 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**.

- 3.9. The Welsh Government issued revised MRP guidance in 2018. This is taken into account within the MRP Policy Statement.

Borrowing Strategy

- 3.10. The current economic environment is unprecedented and very much represents the bottom of the treasury cost curve for an Authority like Monmouthshire who is a net borrower. Despite this, it remains very difficult to currently justify locking into longer term borrowing to provide additional certainty to long term treasury costs and budgets given the immediate negative impact it would have on the revenue budget.
- 3.11. However, the capacity for internal borrowing (where the Council utilises internal resources and cash balances to reduce net borrowing costs) is expected to reduce over the medium to long term as the Council is expected to undertake external borrowing both for the refinancing of maturing loans and to fund increasing capital spend in the existing capital programme. It will remain as much 'internally borrowed' as is possible and increase actual external borrowing only when needed to manage its cash requirements. However, the Council may, where it feels necessary to mitigate the risk of interest rate rises, undertake borrowing early to secure interest rates within agreed revenue budgets. This will be done in line with advice from our Treasury Advisors.

Investment Strategy

- 3.12. Both the CIPFA Code and the WG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 3.13. Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority will look to increase its diversification into higher yielding asset classes, such as pooled funds, during 2021/22. The Authority continues to hold £10m of investments to meet the requirements of a professional client under the Mifid II regulations (Markets in financial instruments directive) and therefore consideration will be given to investing this balance with a more medium to long term outlook.
- 3.14. The approved counterparty list and limits are shown table 3 of **Appendix 1**.
- 3.15. Following review and advice from our treasury advisors, the investment limits proposed in the 2021/22 treasury strategy (shown in table 3 of **Appendix 1**) have been simplified quite significantly from the 2020/21 strategy. Over time the existing set of limits had become cumbersome and unworkable on a practical level and the revised criteria provide much needed clarity to the comparatively small treasury team making already complex investment decisions on a daily basis.
- 3.16. It is important to note that the counterparty rating limits and investment maturities act as limits and not targets and are further informed by bespoke periodic advice from our treasury advisers as to sustainability and financial robustness of specific counterparties.

Other Considerations influencing the strategy

3.17. The impact on the UK from coronavirus, together with its exit from the European Union and future trading arrangements with the bloc, will remain a major influence on the Authority's treasury management strategy for 2021/22.

- The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.
- Monthly GDP estimates have shown the economy is recovering but remains well below its pre-pandemic peak. Looking ahead, the BoE's November Monetary Policy Report forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.
- The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends.

4. REASONS

4.1. The Authority is required to produce a Treasury Management Strategy including a Treasury Management Policy Statement and annual investment and borrowing strategies 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").

4.2. 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.

5. OPTIONS APPRAISAL

5.1. Not applicable.

6. EVALUATION CRITERIA

6.1. Not applicable

7. RESOURCE IMPLICATIONS

7.1. In summary, the Treasury 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.

7.2. 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 while ensuring that security and liquidity levels are maintained at a suitable level and the various risks are properly managed.

- 7.3. The levels of Treasury debt and investments at the 31st December 2020 are provided in **Appendix 3**.
- 7.4. The medium-term treasury budgets, contained within the 2021/22 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.
- 7.5. The Council's indicative treasury budgets for the next 4 years are:

| | Indicative Base Budget 2021/22 | Indicative Base Budget 2022/23 | Indicative Base Budget 2023/24 | Indicative Base Budget 2024/25 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Interest and Investment Income | (131,803) | (211,299) | (211,299) | (211,299) |
| Interest Payable on external debt | 3,651,179 | 3,963,942 | 4,027,980 | 3,848,669 |
| Charges required under Regulation | 6,425,898 | 6,562,013 | 6,509,187 | 6,716,279 |
| Total Treasury Budgets | 9,945,274 | 10,314,656 | 10,325,868 | 10,353,649 |
| Proportion of Net Revenue budget | 6.2% | 6.1% | 5.8% | 5.6% |

- 7.6. However, there are some key future financial risks on medium-term treasury budgets concerning:
- The capital medium term financial plan for 2021/22 has been shared with members as part of the capital budget setting process which won't conclude until 11th March. Should additions be required that are funded from borrowing, then Treasury figures and consequences on capital financing requirement and external borrowing requirement would need to be updated.
 - The risks associated with rising interest rates as indicated in the Treasury Strategy by the Interest rate risk indicator & limit. Base and short-term interest rates are expected to remain at current low levels in the medium term and the Treasury strategy allows for the use of short term borrowing once investment funds are exhausted to take advantage of these low rates. However, the current and future economic environment is extremely uncertain in light of the UK Government response to the pandemic and the ongoing complexities around Brexit agreements and the ongoing position will need to continue to be closely monitored.
 - 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 programmes will have to be funded by additional borrowing.

8. WELLBEING OF FUTURE GENERATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING):

- 8.1. There are no implications directly arising from the recommendations and decisions highlighted in this report.

9. CONSULTEES:

Chief Officer, Resources (Acting Section 151 officer)

Arlingclose – Treasury Management Advisors to Monmouthshire CC

Audit Committee

10. BACKGROUND PAPERS:

Appendix 1 – Treasury Management Strategy Statement 2021/22 including the Treasury Management policy statement, Minimum Revenue Provision policy statement and Investment & Borrowing Strategies

Appendix 2 – Arlingclose Economic & Interest Rate Forecast

Appendix 3 - Existing Investment & Debt Portfolio Position

Appendix 4 - Additional requirements of Welsh Government Investment Guidance

Appendix 5 – Prudential Indicators

11. AUTHORS:

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TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22**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 strategy and treasury policy and 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 Section 151 officer or deputy, who will act in accordance with the organisations 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, a semi-annual report and an annual report after its close.
- 1.6. **Policies and objectives of treasury management activities**
- 1.7. 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."
- 1.8. 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.
- 1.9. 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.

1.10. **Borrowing Strategy:** 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.

1.11. **Investment Strategy:** 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.

1.12. **Approach to Risk Management**

1.13. 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

1.14. 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.

2. **MRP Policy Statement 2020/21**

2.1. 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.

2.2. In line with WG guidance, this annual MRP Policy Statement will be submitted to Council before the start of the financial year it relates to. If it is ever proposed to vary the terms of the original MRP Policy Statement during the year, a revised statement should be submitted to Council.

- 2.3. 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.
- 2.4. 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 2021/22:

- 2.5. 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 Welsh 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).
- 2.6. ***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 instalments over a 50 year life.
- 2.7. ***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.
- 2.8. ***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.
- 2.9. 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.

2.10. The 2021/22 budget proposals reflect these positions.

3. Treasury Strategy

3.1. Introduction

3.2. 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.

3.3. 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.

3.4. **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.

4. External Context

4.1. **Economic background:** The impact on the UK from coronavirus, together with its exit from the European Union and future trading arrangements with the bloc, will remain a major influence on the Authority's treasury management strategy for 2021/22.

4.2. The Bank of England (BoE) maintained Bank Rate at 0.10% in November 2020 and also extended its Quantitative Easing programme by £150 billion to £895 billion. The Monetary Policy Committee voted unanimously for both, but no mention was made of the potential future use of negative interest rates. Within the latest forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous

forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.

- 4.3. UK Consumer Price Inflation (CPI) for September 2020 registered 0.5% year on year, up from 0.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 1.3% from 0.9%. The most recent labour market data for the three months to August 2020 showed the unemployment rate rose to 4.5% while the employment rate fell to 75.6%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In August, the headline 3-month average annual growth rate for wages were 0% for total pay and 0.8% for regular pay. In real terms, after adjusting for inflation, total pay growth fell by -0.8% while regular pay was up 0.1%.
- 4.4. GDP growth fell by -19.8% in the second quarter of 2020, a much sharper contraction from -2.0% in the previous three months, with the annual rate falling -21.5% from -1.6%. All sectors fell quarter-on-quarter, with dramatic declines in construction (-35.7%), services (-19.2%) and production (-16.3%), and a more modest fall in agriculture (-5.9%). Monthly GDP estimates have shown the economy is recovering but remains well below its pre-pandemic peak. Looking ahead, the BoE's November Monetary Policy Report forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.
- 4.5. GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in October, the third successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time with further monetary stimulus expected later in 2020.
- 4.6. The US economy contracted at an annualised rate of 31.7% in Q2 2020 and then rebounded by 33.1% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.
- 4.7. Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization.
- 4.8. **Credit outlook:** After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits,

reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

- 4.9. The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.
- 4.10. Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, as does the UK not achieving a Brexit deal, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.
- 4.11. **Interest rate forecast:** The Authority’s treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.
- 4.12. Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.5% and 0.75% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.
- 4.13. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix 2.

5. Local Context

- 5.1. On 31st December 2020, the Authority held £171.3m of borrowing and £22.7m of treasury investments. This is set out in further detail at **Appendix 3**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.
- 5.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority’s current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

Table 1: Balance sheet summary and forecast

| | 31.3.20 Actual £m | 31.3.21 Estimate £m | 31.3.22 Forecast £m | 31.3.23 Forecast £m | 31.3.24 Forecast £m |
|--|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | | | | |

| | | | | | |
|--|---------------|--------------|--------------|--------------|--------------|
| General Fund CFR | 189.5 | 213.8 | 213.9 | 226.3 | 224.0 |
| Less: Other debt liabilities * | (2.4) | (2.4) | (2.4) | (2.4) | (2.4) |
| Loans CFR | 187.0 | 211.4 | 211.5 | 223.9 | 221.6 |
| Less: External borrowing ** | (183.8) | (176.5) | (90.0) | (96.9) | (93.8) |
| Internal borrowing | 3.3 | 34.9 | 121.6 | 127.0 | 127.8 |
| Less: Usable reserves | (18.5) | (21.8) | (22.0) | (20.6) | (20.4) |
| [Less/Plus]: Working capital | (9.3) | (13.1) | (13.1) | (13.1) | (13.1) |
| (Investments) or External borrowing requirement | (24.5) | 0.0 | 86.5 | 93.3 | 94.3 |

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

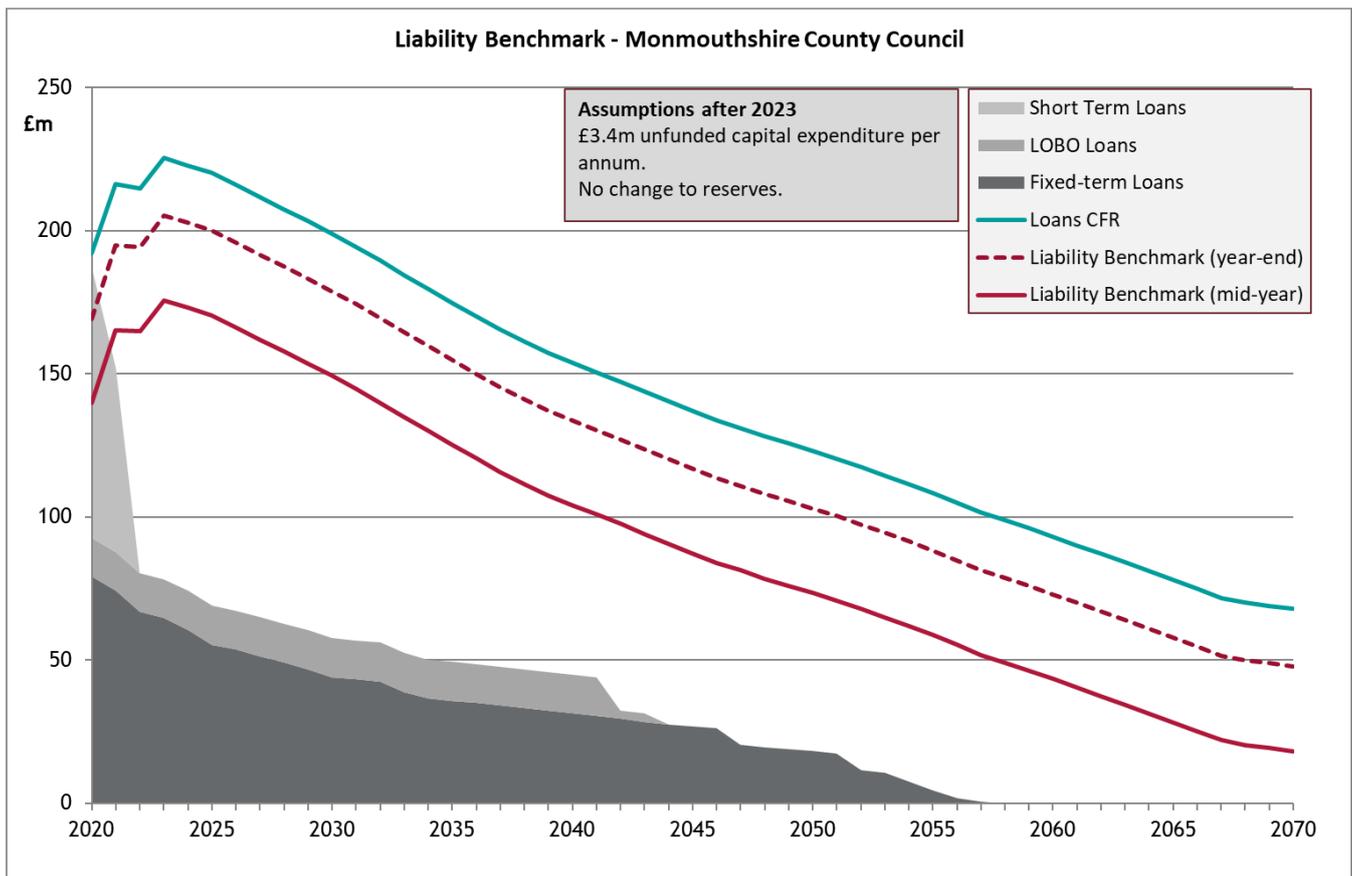
** shows only loans to which the Authority is committed and excludes optional refinancing

- 5.3. The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £94.3m over the forecast period.
- 5.4. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2021/22.
- 5.5. **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

| | 31.3.20 Actual £m | 31.3.21 Estimate £m | 31.3.22 Forecast £m | 31.3.23 Forecast £m | 31.3.24 Forecast £m |
|-----------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Loans CFR | 187.0 | 211.4 | 211.5 | 223.9 | 221.6 |
| Less: Usable reserves | -18.5 | -21.8 | -22.0 | -20.6 | -20.4 |
| Less: Working capital | -9.3 | -13.1 | -13.1 | -13.1 | -13.1 |
| Plus: Preferred investments | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Liability benchmark | 169.2 | 186.5 | 186.4 | 200.2 | 198.1 |

- 5.6. 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 2021/22 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:



5.7. 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 (shown in grey) reduce as loans mature, new loans will therefore be required to fill the gap between the grey area and the red lines over the longer term. The Authority intends to maintain about a 50% level of short term loans which will partly fill this gap, but we will still need to take out longer term loans, mainly to fund the capital investment built into the Capital MTFP.

6. Borrowing Strategy

- 6.1. The Authority currently holds £171.3m of loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to a total £176.5m in 2021/22. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £250.9m.
- 6.2. **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.

- 6.3. **Strategy:** Given the significant cuts to public expenditure over recent years 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.
- 6.4. 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 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 6.5. The Authority has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local 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. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.
- 6.6. Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 6.7. In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.
- 6.8. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - 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 Ltd

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

- leasing
 - hire purchase
 - Private Finance Initiative
 - sale and leaseback
- 6.9. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is 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.
- 6.10. **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 2021/22, 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.
- 6.11. **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.
- 6.12. **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.

7. Treasury Investment Strategy

- 7.1. The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £14.7m and £31.0m million, and similar levels are expected to be maintained in the forthcoming year.
- 7.2. Loans to organisations providing local public services and purchases of investment property are not considered to be treasury investments, and these are therefore covered separately in **Appendix 4**.
- 7.3. **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.

- 7.4. **Negative interest rates:** The COVID-19 pandemic has increased the risk that the Bank of England will 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. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. 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.
- 7.5. **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority will look to increase its diversification into higher yielding asset classes, such as pooled funds, during 2021/22. The Authority continues to hold £10m of investments to meet the requirements of a professional client under the Mifid II regulations (Markets in financial instruments directive) and therefore consideration will be given to investing this balance with a more medium to long term outlook.
- 7.6. **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 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.
- 7.7. **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits

| Sector | Time limit | Counterparty limit | Sector limit |
|--|------------|---|--------------|
| The UK Government | 50 years | Unlimited | Unlimited |
| Local authorities & other government entities | 5 years | £4m | Unlimited |
| Secured investments * | 5 years | £4m | 75% |
| Banks (unsecured) * | 13 months | £2m (£3m total for the Councils operational bank) | 50% |
| Building societies (unsecured) * | 13 months | £2m | 50% |
| Registered providers (e.g. Housing Associations) (unsecured) * | 5 years | £2m | 50% |
| Money market funds * | n/a | £4m | Unlimited |

| Sector | Time limit | Counterparty limit | Sector limit |
|-------------------------------|------------|--------------------|--------------|
| Strategic pooled funds | n/a | £5m | £10m |
| Real estate investment trusts | n/a | £5m | £10m |
| Other Investments | 13 months | £2m | £5m |

| Credit rating | Banks unsecured | Banks secured | Government | Corporates |
|---------------|------------------|------------------|----------------------|------------------|
| UK Govt | n/a | n/a | £ Unlimited 50 years | n/a |
| AAA | £3m 13 months | £4m 5 years | n/a | £4m 5 years |
| AA+ | £3m 13 months | £4m 5 years | n/a | £4m 5 years |
| AA | £3m 13 months | £4m 5 years | n/a | £4m 5 years |
| AA- | £3m 13 months | £4m 3 years | n/a | £4m 3 years |
| A+ | £3m 13 months | £4m 2 years | n/a | £4m 2 years |
| A | £3m 13 months | £4m 2 years | n/a | £4m 2 years |
| A- | £3m 13 months | £4m 13 months | n/a | £4m 13 months |

This table must be read in conjunction with the notes below

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

Government: Loans to, and 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 Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

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

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

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

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

Strategic pooled funds: Bond, equity and property funds that 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.

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

Operational bank accounts: The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to its own banker. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be limited to £3m. 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.

7.8. **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. The credit rating agencies in current use are listed in the Treasury Management Practices document.

Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 7.9. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 7.10. **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.
- 7.11. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, 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, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.
- 7.12. **Investment limits:** The Authority’s revenue reserves available to cover investment losses are forecast to be £21.8m on 31st March 2021. In order that no more than 25% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5m. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 7.13. Limits are also placed on fund managers, investments in brokers’ nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional investment limits

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

7.14. **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 a 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 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.

8. Treasury Management Indicators

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

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

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

8.3. **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 | Upper limit | Lower limit |
|---------------------------------|-------------|-------------|
| Under 12 months | 60% | 0% |
| 12 months and within 24 months | 30% | 0% |
| 24 months and within 5 years | 30% | 0% |
| 5 years and within 10 years | 30% | 0% |
| 10 years and within 20 years | 30% | 0% |
| 20 years and within 30 years | 30% | 0% |
| 30 years and within 40 years | 30% | 0% |
| 40 years and within 50 years | 30% | 0% |
| 50 years and above | 30% | 0% |

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

9. Related Matters

- 9.1. The CIPFA Code requires the Authority to include the following in its treasury management strategy:
- 9.2. **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.
- 9.3. **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.
- 9.4. **Government Guidance:** Further matters required by the WG Guidance are included in Appendix 4.

10. Financial Implications

- 10.1. The budget for investment income in 2021/22 is £132k, based on an average investment portfolio of £10m. The majority of returns are expected to come from pooled fund investments with returns from Government or secured/unsecured investments expected to be negligible. The budget for debt interest paid in 2021/22 is £3.65m, based on an average debt portfolio of £176.5m at an average interest rate of 2.07%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

11. Other Options Considered

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

| Alternative | Impact on income and expenditure | Impact on risk management |
|-------------|----------------------------------|---------------------------|
|-------------|----------------------------------|---------------------------|

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

Arlingclose Economic & Interest Rate Forecast - November 2020**Underlying assumptions:**

- The medium-term global economic outlook remains weak. Second waves of Covid cases have prompted more restrictive measures and further lockdowns in Europe and the UK. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.
- The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise.
- Although these measures supported a sizeable economic recovery in Q3, the imposition of a second national lockdown in England during November will set growth back and likely lead to a fall in GDP in Q4.
- Signs of a slowing economic recovery were already evident in UK monthly GDP and PMI data, even before the latest restrictions. Despite some extension to fiscal support measures, unemployment is expected to rise when these eventually come to an end in mid-2021.
- This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets continue to price in a chance of negative Bank Rate.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, the development of a vaccine or if the UK leaves the EU without a deal.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Additional monetary loosening through increased financial asset purchases was delivered as we expected. Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain in the near term, as the government continues to react to the escalation in infection rates and the Brexit transition period comes to an end.

| | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Official Bank Rate | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.00 | 0.00 | 0.15 | 0.15 | 0.15 | 0.15 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 |
| Artingclose Central Case | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| Downside risk | -0.10 | -0.20 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 |
| 3-month money market rate | | | | | | | | | | | | | |
| Upside risk | 0.05 | 0.05 | 0.05 | 0.10 | 0.10 | 0.15 | 0.20 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 |
| Artingclose Central Case | 0.10 | 0.10 | 0.15 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 |
| Downside risk | -0.40 | -0.40 | -0.45 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 |
| 5yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.40 | 0.40 | 0.40 | 0.45 | 0.45 | 0.50 | 0.50 | 0.55 | 0.60 | 0.60 | 0.65 | 0.65 | 0.70 |
| Artingclose Central Case | 0.00 | 0.00 | 0.05 | 0.10 | 0.15 | 0.15 | 0.20 | 0.20 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Downside risk | -0.30 | -0.40 | -0.50 | -0.55 | -0.60 | -0.60 | -0.60 | -0.60 | -0.60 | -0.60 | -0.60 | -0.60 | -0.60 |
| 10yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.40 | 0.40 | 0.40 | 0.45 | 0.45 | 0.50 | 0.50 | 0.55 | 0.60 | 0.60 | 0.65 | 0.65 | 0.70 |
| Artingclose Central Case | 0.30 | 0.30 | 0.35 | 0.40 | 0.40 | 0.45 | 0.45 | 0.50 | 0.50 | 0.55 | 0.55 | 0.55 | 0.55 |
| Downside risk | -0.30 | -0.40 | -0.50 | -0.55 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 |
| 20yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.40 | 0.40 | 0.40 | 0.45 | 0.45 | 0.50 | 0.50 | 0.55 | 0.60 | 0.60 | 0.65 | 0.65 | 0.70 |
| Artingclose Central Case | 0.70 | 0.70 | 0.70 | 0.75 | 0.75 | 0.75 | 0.80 | 0.80 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 |
| Downside risk | -0.20 | -0.20 | -0.25 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 |
| 50yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.40 | 0.40 | 0.40 | 0.45 | 0.45 | 0.50 | 0.50 | 0.55 | 0.60 | 0.60 | 0.65 | 0.65 | 0.70 |
| Artingclose Central Case | 0.60 | 0.60 | 0.60 | 0.65 | 0.65 | 0.65 | 0.70 | 0.70 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Downside risk | -0.20 | -0.20 | -0.25 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 |

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80% PWLB HRA Rate = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Existing Investment & Debt Portfolio Position

| | 31st Dec 2020 Actual Portfolio £m | Average Rate % |
|--|---|----------------|
| External borrowing: | | |
| Public Works Loan Board | 74.5 | 3.53 |
| LOBO loans from banks | 13.6 | 4.80 |
| Welsh Government Loans | 5.3 | 0.00 |
| Local authority & other ST loans | 77.9 | 0.15 |
| Total external borrowing | 171.3 | 1.98 |
| Treasury investments: | | |
| Banks & building societies (unsecured) | 4.0 | 0.00 |
| Government (incl. local authorities) | 10.2 | 0.00 |
| Money Market Funds | 5.5 | 0.01 |
| Strategic pooled funds | 3.0 | 4.00 |
| Total treasury investments | 22.7 | 0.53 |
| Net debt | 148.6 | |

Additional requirements of Welsh Government Investment Guidance

The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local authorities that are not integral to this Authority's treasury management processes. The guidance also covers investments that are not part of treasury management, for example investment property and loans to local organisations.

Contribution: The Authority's investments contribute to its service delivery objectives and/or to promote wellbeing as follows:

- treasury management investments support effective treasury management activities,
- loans to local organisations provide financial support to those organisations to enable them to deliver local public services that would otherwise be provided directly by the Authority, and
- investment property provides a net financial surplus that is reinvested into local public services and supports economic regeneration.

Climate change: The Authority's investment decisions consider long-term climate risks to support a low carbon economy in line with its declaration of a Climate Emergency in 2019. The Authority's aim is to make the county of Monmouthshire zero carbon by 2030 and will revise the Corporate Plan, Well-being Plan, Local Development Plan and other relevant plans and policies in support of this. It will call on the Welsh Government and the UK Government to provide the necessary powers, resources and technical support to successfully meet the 2030 target.

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

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement unless the counterparty is a local authority,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of "high credit quality".

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

Loans: The WG Guidance defines a loan as a written or oral agreement where the authority temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local authority.

A local authority may choose to make loans & other investments in local enterprises, local charities, wholly owned companies and joint ventures where relevant to Council functions and to promote local economic growth.

The Authority uses an allowed ‘expected credit loss’ model for loans and receivables as set out in *International Financial Reporting Standard 9 Financial Instruments* as adopted by proper practices to measure the credit risk of its loan portfolio. Appropriate consideration is given to state aid rules and competition law. The Authority has appropriate credit control arrangements to recover overdue repayments in place.

Non-specified investments: Any financial investment not meeting the definition of a specified investment or a loan is classed as non-specified. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies.

Non-financial investments: This category covers non-financial assets held primarily or partially to generate a profit, primarily investment property. Security is determined by comparing each asset’s purchase price to its fair value using the model in International Accounting Standard 40: Investment Property as adapted by proper practices. The Authority’s current Investment Property portfolio is divided into long held Investment Properties such as County Farms and the three more recently acquired commercial Investment Properties which support economic regeneration.

The total of the Authorities usable reserves forecast at 31st March 2021 is £21.8m. This represents 62% of the value of the Authorities Commercial Investment Properties acquired to date. Due to the due diligence process undertaken before Commercial Investments are entered into and the forecast income over the lifetime of the assets, these investments are considered to be prudent by the Authority.

Liquidity: The Authority’s liquidity management has been detailed in the main Treasury report with regard to treasury activities. Before supporting local entities or placing a commercial investment the impact on liquidity is fully addressed, most commonly by taking out loans of an appropriate maturity to ensure funds are available for the life of the activity. £40,000 of seed funding was placed with SRS Ltd in 2011/12 with the intention of it remaining there for the long term to support that entity.

Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority will follow its Investment strategy for Commercial assets which ensures that any borrowed capital will be repaid with annual income earned from the investment or that an exit strategy identified during the due diligence will be followed.

Yield (net profit): The Authority utilises its profit generating investment activity to achieve a balanced revenue budget. Table 1 below details the proportion of treasury & property rental income to the net revenue budget and therefore its contribution to meeting the costs of delivery of the Authorities primary functions. Any Authority wide shortfall, including shortfalls resulting from lower than budgeted returns from Investments, will be addressed as part of that process to bring the Authority’s outturn position back to a balanced position.

Table 1: Proportionality of Investments

| | 2020/21 Forecast | 2021/22 Budget | 2022/23 Budget | 2023/24 Budget |
|--------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| Net Revenue Budget | 155.1 | 161.5 | 168.9 | 177.6 |

| | | | | |
|-------------------|------|------|------|------|
| Investment income | 3.3 | 3.3 | 3.3 | 3.3 |
| Proportion | 2.1% | 2.1% | 2.0% | 1.9% |

Investment advisers: The Authority has appointed Arlingclose Limited as treasury management advisers and has used Alder King as advisers for the last 2 Commercial investment Property Acquisitions. The quality of these services is controlled by the Internal Estates team and also the Investment Committee appointed to oversee the Commercial Investments.

Borrowing in advance of need: Welsh Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority, after having regard to the provisions in this guidance has entered into its commercial investments utilising Local Authority investment powers, which allow for the prudent management of its financial affairs where carried out reasonably and in accordance with an authority's primary function to serve the public. Returns from commercial investments help to ensure there are sufficient funds to continue to provide public services and promote economic regeneration.

Capacity and skills: The Section 151 officer is responsible for ensuring that those elected members and statutory officers involved in the investment decision making process have appropriate capacity, skills and information to enable them to:

1. take informed decisions as to whether to enter into a specific investment;
2. assess individual investments in the context of the strategic objectives and risk profile of the local authority; and
3. understand how the quantum of these decisions have changed the overall risk exposure of the local authority.

The Audit Committee has a delegated responsibility to scrutinise the treasury management activity of the Authority, which ensures that elected members have the necessary opportunity to assess whether officers are operating within the boundaries of both the prudential framework and the internal boundaries approved within the TMSS. The Audit Committee is provided with training by the Authority's Treasury Management advisers periodically and have been presented with a questionnaire to assess further training requirements

Commercial deals: The investment committee is responsible for ensuring that those tasked with negotiating commercial deals have the appropriate skills and access to information to allow them to operate with regard to the principles of the prudential framework and regulatory regime within which the Authority operates.

Prudential Indicators

| Capital Expenditure £m | 2020/21 Forecast | 2021/22 Budget | 2022/23 Budget | 2023/24 Budget | 2024/25 Budget |
|------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| Capital Fund Services | 61.2 | 25.0 | 24.3 | 9.0 | 9.2 |

| Capital Financing £m | 2020/21 Forecast | 2021/22 Budget | 2022/23 Budget | 2023/24 Budget | 2024/25 Budget |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|
| External Sources (Grants & S106 Contributions) | 25.9 | 15.6 | 2.4 | 2.4 | 2.5 |
| Own Resources (Capital receipt and reserves) | 5.1 | 2.9 | 2.9 | 1.2 | 1.2 |
| Borrowing & other Debt | 30.2 | 6.5 | 19.0 | 5.4 | 5.5 |
| Total | 61.2 | 25.0 | 24.3 | 9.0 | 9.2 |

| Gross Debt Forecast compared to CFR £m | 2020/21 Forecast | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Debt (Inc. PFI, leases, right of use assets) | 176.5 | 168.5 | 175.4 | 172.3 | 164.3 |
| Capital Financing Requirement (Total) | 189.4 | 213.9 | 226.3 | 225.2 | 224.0 |

| Authorised & Operational Borrowing Limits | 2020/21 Forecast | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Authorised limit - borrowing | 247.0 | 246.5 | 259.8 | 258.7 | 257.5 |
| Operational boundary - PFI, leases & right of use assets | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 |
| Authorised Limit - total external debt | 251.5 | 250.9 | 264.2 | 263.1 | 261.9 |
| Operational Boundary - borrowing | 216.8 | 216.3 | 229.6 | 228.5 | 227.3 |
| Operational Boundary - PFI, leases & right of use assets | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 |
| Operational Boundary - total external debt | 219.8 | 219.2 | 232.5 | 231.4 | 230.2 |

| Proportion of Financing Costs to net revenue stream | 2020/21 Forecast | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Interest £m | 4.0 | 3.5 | 3.7 | 3.8 | 3.6 |
| MRP £m | 6.1 | 6.4 | 6.6 | 6.5 | 6.7 |
| Total Financing costs £m | 10.1 | 9.9 | 10.3 | 10.3 | 10.3 |
| Net Revenue Stream (£m) | 155.1 | 161.5 | 168.9 | 177.6 | 185.0 |
| Proportion of net revenue stream % | 6.54% | 6.15% | 6.08% | 5.80% | 5.58% |

Appendix 3 Investment Committee Terms of Reference.

- Purpose:* To hold strategic oversight and accountability for the acquisition and monitoring of commercial investments in line with the Asset Investment Strategy.
- Membership:* The Committee will be comprised of the following elected Members:
The Leader
Deputy Leader
Cabinet Member with portfolio responsibility for Resources
Leaders of the two largest opposition parties
The membership of the committee reflects the political balance of the current administration and will be subject to review following a local government election within the Monmouthshire County Constituency.
- Chairperson:* The Leader of the Council. In the absence of the Leader, the Deputy Leader will assume the Chair role in their absence.
- In attendance:* Leaders of the remaining opposition parties
Chief Executive
Chief Officer, Resources
Chief Officer, Enterprise
Head of Law/Monitoring Officer

Other Council Officers as required.
Specialist advisors as required.
- Deputising:* Members of the Investment Committee are able to nominate a substitute elected Member to deputise for them if they are unable to attend a committee meeting. The deputy will be able to vote on behalf of the substantive Committee Member.

Democratic Services should be advised of any substitute Members, no less than 24 hours prior to the meeting, save in the event of an emergency.

Voting Rights: Will be limited to the members of the Investment Committee

Quorum: Three members of the committee

Frequency: The meetings will be convened as investment opportunities arise as required. A minimum of four meetings will take place per annum to review the performance of the investment portfolio.

Declarations of

Interest: All Members, Officers and external advisors will be required to submit declarations of interest prior to the discussing proceeding. Officers and external advisors with a personal or commercial interest in the proposed investment will not take part in the discussions, without the express consent of the Chair.

Investment Committee remit will be to:

1. Take decisions on proposed acquisitions or investment opportunities.
2. Scrutinise business cases and ensure that proposals are in accordance with the approved Asset Investment Strategy.
3. Monitor and review the performance of the investment portfolio, ensuring that it meets the agreed financial benchmarks within the asset investment policy and identified risks are actively managed.
4. Agree mitigation and exit strategies for poorly performing assets, including disposals.
5. Provide an annual position statement for Audit Committee to review the performance of the investment portfolio
6. To execute the powers of authority delegated by Council in a prudent manner
7. Members of Investment Committee will act in the best interest of the corporate entity
8. The Committee will undertake an annual self-review to review the effectiveness of the committee and identify any training required for committee members.



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

DIRECTORATE: Resources
MEETING: Audit Committee
DATE: 25th March 2021
DIVISION/WARDS AFFECTED: All

1. PURPOSE

To update Members on the progress of unfavourable (**Limited Assurance**) audit opinions issued since 2016/17 by the Internal Audit team, and identify in particular, where sufficient progress has not been made. The previous update was presented to Audit Committee in November 2020.

2. RECOMMENDATION(S)

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

3. KEY ISSUES

- 3.1 The number of unfavourable audit opinions issues by Internal Audit is not that significant compared to the total number of audit opinions issued in any one year, but nonetheless, they are issued where significant weaknesses in internal control have been identified.
- 3.2 The majority of the systems / establishments issued with an unfavourable audit opinion originally and which have since been followed up, have improved to some extent prior to the audit team

undertaking a follow up review. The majority of reviews were given a more favourable opinion, which recognises that issues identified originally were subsequently addressed by management.

- 3.3 The audit opinions reflect the level of assurance that could be gained from the review of internal controls in operation. The audit opinions in use from April 2016 are Substantial, Considerable, Reasonable and Limited Assurance; the definitions of which are shown at Appendix 1.

4. REASONS

- 4.1 The opinion gives an indication of the adequacy of the internal control environment of the system or establishment under review. During the audit planning process the reviews are risk assessed as High, Medium or Low.
- 4.2 The previous report was presented to Audit Committee in November 2020; this information should be updated and presented to Audit Committee on a six monthly basis.
- 4.3 The following unfavourable audit opinions have been issued since 2016/17:

| | Limited (Assurance) |
|-----------------------|------------------------|
| 2016/17 | 8 |
| 2017/18 | 8 |
| 2018/19 | 6 |
| 2019/20 | 9 |
| 2020/21 (to 31/12/20) | nil |

- 4.4 Ideally, these audit reviews will be followed up by the audit team within 9 to 12 months of the final report being issued to ensure that action has been taken to address the weaknesses identified. All audit reports resulting in a consecutive **Limited** assurance opinion will be reported back to Audit Committee. Some delays may have arisen as a result of the operational manager deferring the follow up audit.
- 4.5 During 2016/17, 8 reports were issued with a **Limited** opinion. 7 out of 8 have been followed up and have been given an improved opinion. With regards the Events audit, senior managers previously attended Audit Committee and were held to account (December 2017); subsequently no large scale events have been held for Internal Audit to undertake a follow up audit. Senior Managers provided assurances that, should the Events programme be run on such a large scale again, significant improvements in the control environment would be made.

| | Audit | Risk H/M/L | Opinion | Revised Opinion / Status | Date Issued |
|----------------|----------------|------------|---------|---|-------------|
| 2016/17 | Events (Final) | Medium | Limited | Limited Further follow up 2019/20 No large scale events taken place – unable to follow up | March 2018 |

4.6 During 2017/18, 8 reports were issued with a **Limited** opinion. 5 out of 8 reports have been followed up and have been given an improved opinion. 1 review related to the Events audit as noted above. 2 out of 8 reviews were followed up and resulted in a second consecutive Limited opinion; this has been reported to Audit Committee previously. These were as follows:

| | Audit | Risk H/M/L | Opinion | Revised Opinion / Status | Date Issued |
|----------------|------------------|------------|---------|--------------------------|---------------------|
| 2017/18 | Events Follow-Up | High | Limited | * | Final November 2019 |
| | Fuel Cards | Medium | Limited | Limited | Final June 2019 |
| | Food Procurement | High | Limited | Limited | Draft December 2019 |

* - previous report was based on large scale events held; to date no further large scale events held therefore unable to test majority of recommendations.

4.7 During 2018/19, 6 reports were issued with a **Limited** opinion. These were as follows:

| | Audit | Risk H/M/L | Opinion | Revised Opinion / Status | Date Issued |
|----------------|-----------------|------------|---------|--------------------------|-------------|
| 2018/19 | Caldicot Castle | Medium | Limited | Limited | Final |

| | | | | | |
|--|--|--------|---------|-------------------|---------------------|
| | (Final sent June 2019) | | | | March 2020 |
| | Imprest Account – Children’s Services (Final sent June 2019) | Medium | Limited | Considerable | Draft December 2020 |
| | Agency Workers (Draft) | Medium | Limited | 2021/22 | |
| | Fuel Cards Follow-up (Final sent June 2019) | Medium | Limited | Substantial | Draft February 2021 |
| | Attendance Management (Final sent November 2019) | Medium | Limited | 2020/21 - ongoing | |
| | Health & Safety of Authority's existing buildings (Final sent February 2020) | Medium | Limited | 2021/22 | |
| | | | | | |

4.8 During 2019/20, 9 reports were issued with a **Limited** opinion. These were as follows:

| | Assignment | Risk H/M/L | Opinion | Revised Opinion/ Status | Date Issued |
|----------------|------------------------------|------------|---------|-------------------------|-------------|
| 2019/20 | Llandogo Primary School | Low | Limited | 2021/22 | |
| | Castle Park Primary School | Low | Limited | 2021/22 | |
| | Shire Hall | Medium | Limited | 2021/22 | |
| | Tintern Old Station | Medium | Limited | 2021/22 | |
| | Caldicot Castle follow up | Medium | Limited | 2021/22 | |
| | PTU Vehicle Maintenance | High | Limited | 2021/22 | |
| | Procurement (Food) follow up | High | Limited | 2021/22 | |
| | Direct Payments | Medium | Limited | 2021/22 | |
| | | | | | |

- 4.9 It should be noted that due to the impact of the Covid pandemic, Shire Hall, Tintern Old Station and Caldicot Castle have been closed for much of 2020 and 2021; they have therefore not had a follow up audit.
- 4.10 During 2020/21, up to 31/12/20, no **Limited** opinions have been issued
- 4.11 As part of all audit reviews, the issues identified at the previous audit are followed up to ensure that they have been adequately addressed, which should provide assurance on the effectiveness of the internal control environment for that particular service, system or establishment.

5. SERVICE MANAGEMENT RESPONSIBILITIES

- 5.1 Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by including their management responses within the audit reports. When management agree the audit action plans they are accepting responsibility for addressing the issues identified within the agreed timescales.
- 5.2 Ultimately, managers within MCC are responsible for maintaining adequate internal controls within the systems they operate and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Heads of Service for information and appropriate action where necessary. All Internal Audit opinions are also reported into the Senior Leadership Team (SLT) every six months. SLT's focus is, along with Chief Officers and DMTs, ensuring that satisfactory progress is being made to address control weaknesses highlighted in the audit reports, in particular Limited assurance reports.

6. RESOURCE IMPLICATIONS

None.

7. CONSULTEES

Chief Officer, Resources

8. BACKGROUND PAPERS

Audit management Information 2018/19, 2019/20. 2020/21

9. AUTHOR AND CONTACT DETAILS

Andrew Wathan, Chief Internal Auditor

Telephone: x.4243

Email: andrewwathan@monmouthshire.gov.uk

Internal Audit Opinions

| | |
|---------------------|--|
| SUBSTANTIAL | <p>Substantial level of assurance.</p> <p>Well controlled although some minor risks may have been identified which require addressing.</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 immediately.</p> |

The table below summarises the ratings used during the reviews:

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

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2021 Audit Plan – Monmouthshire County Council

Audit year: 2020-21

Date issued: March 2021

Document reference: 2335A2021-22

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2021 Audit Plan

About this document

- 1 This document sets out the work I plan to undertake during 2021 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

My duties

- 2 I complete work each year to meet the following duties.

Audit of financial statements

- 3 Each year I audit Monmouthshire County Council (the Council)'s financial statements to make sure that public money is being properly accounted for.

Value for money

- 4 The Council has to put in place arrangements to get value for money for the resources it uses, and I have to be satisfied that it has done this.

Continuous improvement

- 5 Under the Local Government (Wales) Measure 2009 (the Measure), the Council has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Council is likely to (or has) met these requirements. Some requirements of the Measure will cease during 2021-22 due to changes in legislation arising from the Local Government and Elections (Wales) Act 2021. However, I anticipate that during 2021-22 I will still be required to audit the Council's published assessment of its performance that covers the 2020-21 year.

Sustainable development principle

- 6 Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

Impact of COVID-19

- 7 The COVID-19 pandemic continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2020, it is likely to significantly impact on the preparation of the 2020-21 accounts and my financial audit and performance audit work.
- 8 Recent developments in relation to a vaccine programme indicate that the Welsh Government's restrictions on movement and anticipated sickness absence levels are expected to ease through 2021. However, I recognise that there remains significant uncertainty and I understand that many local authorities may not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of my statutory responsibilities as the Auditor General, my priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 9 Audit Wales staff will continue to work flexibly to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020, until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.
- 10 Consequently, while this audit plan sets out an initial timetable for the completion of my audit work, the ongoing uncertainties around the impact of COVID-19 on the sector mean that some timings may need to be revisited. My audit team will discuss any amendments required to the proposed timetable with the authority as the 2021 position becomes clearer.

Audit of financial statements

- 11 It is my responsibility to issue a certificate and report on the financial statements. This includes:
 - an opinion on the on the 'truth and fairness' of the Council's financial statements for the financial year ended 31 March 2021; and
 - an assessment as to whether the Council's Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with the financial statements and with my knowledge of the Council.
- 12 In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:
 - certifying a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts;

- responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
 - the audit of Monmouthshire County Council Welsh Church Act Fund's accounts by 31 January 2022;
 - the independent examination of Monmouthshire Farm School Endowment Trust Fund's accounts by 31 January 2022; and
 - the certification of a number of grant claims and returns as agreed with the funding bodies.
- 13 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
- 14 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 15 There have been no limitations imposed on me in planning the scope of this audit.
- 16 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

Audit of financial statements risks

- 17 The following table sets out the significant risks I have identified for the audit of the Council.

Exhibit 1: financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

| Audit risk | Proposed audit response |
|---|--|
| Significant risks | |
| <p>Risk of management override</p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such</p> | <p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; |

| Audit risk | Proposed audit response |
|--|--|
| <p>override could occur, it is viewed as a significant risk [ISA 240.31-33].</p> | <ul style="list-style-type: none"> • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business; |
| <p>COVID-19 - resources</p> <p>The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers, eg around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p> | <p>My audit team will discuss your closedown process and quality monitoring arrangements with the accounts preparation team, and make arrangements to monitor the accounts preparation process, as well as help to identify areas where there may be gaps in arrangements.</p> |
| <p>COVID-19 – funding streams</p> <p>The COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to my audit.</p> <p>The Welsh Government has made available various funding streams to the Council. In some cases, these monies provide financial support to the Council itself. In other cases, the funds have been administered by the Council, making payments to third parties on behalf of the Welsh Government. The amounts involved are material to the accounts.</p> | <p>My audit team will review the funding streams received from the Welsh Government and confirm the appropriate accounting treatment with the Council for each individual case.</p> |
| <p>COVID-19 – disclosures</p> <p>Last year I included two ‘Emphasis of matter’ paragraphs in my audit report, drawing attention to material valuation</p> | <p>My audit team will review the valuer’s valuation reports and the actuary’s pension report and consider the impact</p> |

| Audit risk | Proposed audit response |
|---|---|
| <p>uncertainties in the financial statements in respect of the valuation of:</p> <ul style="list-style-type: none"> land and buildings and investment properties; and certain pension fund assets. <p>These uncertainties arose from the COVID-19 pandemic, and my audit opinion was not modified in respect of these matters. However, with the pandemic continuing, it is possible that similar disclosures may be required this year.</p> | <p>on my audit of any reported material uncertainties.</p> |
| Other audit risks | |
| <p>Cardiff Capital Region City Deal:</p> <p>City deals are arrangements negotiated with government that give greater accountability for actions in return for new powers to help encourage growth and jobs. The Cardiff Capital Region City Deal (the City Deal) involves ten local authorities.</p> <p>The authorities have established a joint committee (the Regional Cabinet) to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years.</p> <p>There will be a number of accounting issues to address including consolidation of the City Deal into the Council's accounts.</p> | <p>Liaising closely with other local authority auditors, my audit team will:</p> <ul style="list-style-type: none"> monitor progress with the City Deal project and carry out early work as necessary to assess the existing and proposed financial and governance arrangements; and consider work undertaken by HM Treasury to scrutinise the effectiveness of the region's governance arrangements. |
| <p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> | <p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the outcome of the consultation to be applied in the LG pension schemes.</p> |

| Audit risk | Proposed audit response |
|---|-------------------------|
| <p>In December 2018, the Court of Appeal ruled that the ‘transitional protection’ arrangements amounted to unlawful discrimination.</p> <p>Consultations on proposed remedies for the Local Government, Police and Fire pensions schemes closed in October 2020. It is government’s intention for the legislation to be in place by April 2022 and final details are expected to be published during 2021.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p> | |

Other matters

- 18 There are two further matters on which my audit team will undertake early work in preparation for the 2021-22 audit.

Exhibit 2: Other matters

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

| Other matters | |
|---|---|
| <p>CIPFA/LASAAC has once again deferred the introduction of IFRS 16 until 1 April 2022. The Council will, however, need to undertake considerable work to identify leases, and the COVID-19 pandemic may pose implementation risks.</p> | <p>My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p> |
| <p>The Local Government and Elections (Wales) Act has received Royal Assent. Included in its provisions is the establishment of Corporate Joint</p> | <p>My team will liaise with management to determine the impacts of this new legislation on the Council, and any accounts or audit requirements arising.</p> |

Other matters

Committees (CJC) to deliver certain types of services.

Performance audit

- 19 In addition to my Audit of Financial Statements I also carry out a programme of performance audit work to discharge my duties as Auditor General as set out on **page 4** in relation to value for money and sustainable development.
- 20 In response to the pandemic, I have adopted a flexible approach to my performance audit work, both in terms of topic coverage and methodology. My work on recovery planning, COVID-19 learning, and my assurance and risk assessment work are examples of this. This has enabled me to respond to the fast-moving external environment and provide more real-time feedback in a range of formats.
- 21 For 2021-22, I intend to build on this approach to help enable my work to be responsive and timely, and where possible to share learning more quickly. As part of this approach, I anticipate that a significant proportion of my local performance audit programme will be delivered through the Assurance and Risk Assessment Project, that will be ongoing throughout the year.
- 22 Given the high degree of commonality in the risks facing councils at this time, I also intend to deliver a number of thematic projects examining risks common to all councils.
- 23 I have consulted public bodies and other stakeholders on how I will approach my duties in respect of the Wellbeing of Future Generations (Wales) Act 2015. This consultation was extended due to the pandemic.
- 24 In my consultation I have set out and sought views on proposals to:
- continue to undertake specific examinations to assess the setting of well-being objectives and how steps are being taken to meet them, respectively;
 - integrate the examination of steps alongside value for money studies and local audit work, wherever possible; and
 - strengthen and expand the co-ordination of work with the Future Generations Commissioner.
- 25 I will be writing to the 44 public bodies designated under the Act setting out the results of the consultation and how I intend to approach this work over the reporting period 2020-2025.
- 26 In view of the above factors, I intend to retain a high degree of flexibility in my local performance audit programme at the Council and will continue to update the

Council as the audit programme changes. I also intend to conclude any outstanding work from prior years delayed by the COVID-19 pandemic.

27 For 2021-22 this work is set out below.

Exhibit 3: Performance Audit Programme 2021-22

This table summarises the performance audit programme for 2021-22

| Performance audit programme | Brief description |
|--|--|
| Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations | Further details of the areas of focus will follow. |
| Improvement Reporting Audit | Audit of discharge of duty to publish an assessment of performance. |
| Assurance and Risk Assessment | <p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</p> <p>The project is likely to focus on the Council's:</p> <ul style="list-style-type: none"> • financial position; • pandemic recovery planning; • self-assessment arrangements; • preparations for the Local Government and Elections (Wales) Act; and • carbon reduction plans. |
| Springing Forward – Examining the building blocks for a sustainable future | As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities. |
| Local audit work | Following discussions with senior officers on 9 March, we will primarily focus on completing outstanding |

| Performance audit programme | Brief description |
|-----------------------------|--|
| | local work from prior-year Audit Plans. Alongside our Assurance and Risk Assessment Work above, we can then consider at a later stage the scale and scope of 2021-22 local audit work. |

Certification of grant claims and returns

- 28 I have been requested to undertake certification work on a number of the Council's grant claims and returns for the 2020-21 financial year.
- 29 In respect of the 2019-20 certification of grants and returns, we will produce a separate report which summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2019-20. This report will be completed following the conclusion of our work on the 2019-20 Housing Benefit Subsidy return.

Statutory audit functions

- 30 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30: Inspection of documents and questions at audit; and
 - Section 31: Right to make objections at audit.
- 31 As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

- 32 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed taking into account the impact of COVID-19, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
 - when it is safe to resume on-site activities, appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;

- all appropriate officials will be available during the audit;
- you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

33 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

34 Your estimated fee for 2021 is set out in **Exhibit 4**. Please note that this proposed fee currently remains subject to final moderation by the Auditor General.

Exhibit 4: audit fee

This table sets out the proposed audit fee for 2021, by area of audit work, alongside the actual audit fee for last year.

| Audit area | Proposed fee (£) ¹ | Actual fee last year (£) |
|---|-------------------------------|--------------------------|
| Audit of accounts ² | 176,068 | 176,068 |
| Performance audit work ³ | 103,080 | 103,080 |
| Welsh Church Act audit ⁴ | 6,255 | 6,255 |
| Farm School Endowment Trust Fund independent examination ⁵ | 1,458 | 1,458 |
| Total fee | 286,681 | 286,681 |

35 As noted in paragraph 29, our grant certification work for 2019-20 is ongoing. We will produce a separate report which summarises any significant issues and will update the Council on the proposed fee for 2020-21, as well as the actual fee for 2019-20.

36 Planning will be ongoing and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.

¹ The fees shown in this document are exclusive of VAT, which is not charged to you.

² Payable November 2020 to October 2021.

³ Payable April 2021 to March 2022.

⁴ Payable as work is undertaken on the Welsh Church Act audit.

⁵ Payable as work is undertaken on the Farm School Endowment Trust Fund independent examination.

37 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

38 The main members of my team, together with their contact details, are summarised in **Exhibit 5**.

Exhibit 5: my audit team

This table lists the members of the local audit team and their contact details.

| Name | Role | Contact number | E-mail address |
|----------------|---|----------------|--|
| Anthony Veale | Engagement Director & Engagement Lead (Financial Audit) | 029 2032 0585 | anthony.veale@audit.wales |
| Huw Rees | Engagement Lead (Performance Audit) | 029 2032 0599 | huw.rees@audit.wales |
| Gareth Lucey | Audit Manager (Financial Audit & Performance Audit) | 029 2082 9398 | gareth.lucey@audit.wales |
| Rachel Freitag | Audit Lead (Financial Audit) | 029 2082 9359 | rachel.freitag@audit.wales |
| Charlotte Owen | Audit Lead (Performance Audit) | 029 2082 9331 | charlotte.owen@audit.wales |

Timetable

39 The key milestones for the work set out in this plan are shown in **Exhibit 6**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.

40 The Public Audit (Wales) Act 2004 provides electors with the right to ask questions and to make objections to the Authority's accounts to the Auditor General. The rights to ask questions and make objections at audit are linked to electors' rights to

inspect the accounts that are also set out in the 2004 Act. The current COVID restrictions may impose restrictions on the Authority's ability to facilitate the inspection of accounts. Therefore, we have not yet set a date for the exercise of electors' rights and will continue to monitor the situation before confirming a date with you. We anticipate that we will be in a position to agree a date with you in late May 2021.

Exhibit 6: Audit timetable

| Planned output | Work undertaken | Report finalised |
|---|--|------------------|
| 2021 Audit Plan | February to March 2021 | March 2021 |
| Audit of Financial Statements | February to September 2021 | September 2021 |
| Performance audit work | Timescales for individual projects will be discussed with you and detailed within the specific project briefings for each study. | |
| Grants certification work | September to November 2021 | January 2022 |
| Welsh Church Act audit | October to December 2021 | January 2022 |
| Farm School Endowment Trust Fund independent examination | October to December 2021 | January 2022 |
| Annual Audit Summary | November to December 2021 | January 2022 |
| 2022 Audit Plan | February to March 2022 | March 2022 |

- 41 I can confirm that my team members are all independent of the Council and its officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

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? |
|------------------------|---|--|----------------------|---------------------|--------------------|----------------|
| 20.05.21 | Annual Grants Report | | | Audit Wales | | |
| 20.05.21 | Information Breaches (twice yearly) | | | Matt Gatehouse | | |
| 20.05.21 | Annual Governance Statement review 2019-20 | Provides overall assurance on the governance arrangements in place within MCC during financial year. | | Andrew Wathan | | |
| Jun-21 | 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 | |

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Public Document Pack Agenda Item 10

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Audit Committee held
at Remote Meeting on Thursday, 25th February, 2021 at 2.00 pm**

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

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

OFFICERS IN ATTENDANCE:

| | |
|-----------------|-------------------------------------|
| Andrew Wathan | Chief Internal Auditor |
| Annette Evans | Customer Relations Manager |
| Peter Davies | Chief Officer, Resources |
| Wendy Barnard | Democratic Services Officer |
| Jonathan Davies | Central Accountancy Finance Manager |

APOLOGIES:

County Councillors J.Watkins

1. Declarations of Interest

No declarations of interest were made.

2. Public Open Forum

No members of the public were in attendance.

3. To note the action list from the previous meeting

There were no actions from the last meeting.

The Chair asked Officers for an update on the performance of non-treasury investments. The Chief Officer, Resources, provided an overview of non-treasury investment performance without divulging confidential, commercially sensitive details:

- Castlegate Business Park: The investment is performing better than expected through the pandemic.
- Newport Leisure Park: The businesses have been heavily affected by the Covid 19 restrictions. Welsh Government (WG) has used a hardship fund for local authorities making it possible to recover the majority of income losses during the year. Quarters 1 and 2 claims have been settled. Claims for Quarters 3 and 4 are in progress.

Next year's performance forecasts depend on the continued commitment of WG; announcements are pending. The Spring Budget on 3rd March will provide an indication of what funds will be available.

The Investment Committee Annual Report, covering the performance of the Committee and the investment portfolio will be presented to the Audit Committee at the next

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at Remote Meeting on Thursday, 25th February, 2021 at 2.00 pm

meeting. The Committee was reminded that all Members have access to Investment Committee papers.

4. Internal Audit Progress Report - Quarter 3

The Chief Internal Auditor presented his regular report on the progress of the Internal Audit Team on progress in meeting its 2021 plan. The purpose of the report is to provide assurance based on opinion work, the internal control environment, risk management processes across all service areas and the performance of the team.

The Committee was advised that the work of the team was disrupted in 2020/21 due to Covid 19. The team has been supporting other functions across the authority. The majority of the team has successfully supported the Test Trace Protect (TTP) function but from 1st March 2021 is likely to be resuming audit duties.

Following presentation of the report, questions were invited:

- A Member, noting that 65% of 95% of agreed recommendations had been partially or wholly implemented, asked when 100% implementation could be expected. It was explained that for each recommendation, a plan is agreed with the service manager. The Chief Internal Auditor agreed that there should be a higher percentage implementation of agreed recommendations. This will be reported to the relevant Chief Officer and it is hoped better progress will be reported at the end of Quarter 1 2021/22. To assist, reminders have been sent out, further contact made on significant recommendations and some feedback has been received on improvements made since the data was gathered.

The Chief Officer, Resources confirmed that the data will be reported to the Strategic Leadership Team (SLT) and to individual Chief Officers to seek assurances on progress. The Committee was asked to bear in mind the unprecedented strain that the organisation has been under this year due to the pandemic.

- Referring to the minimal work on special investigations, the Member asked if there is a publicly available list of businesses receiving support due to the pandemic. The Chief Officer, Resources explained that WG is the data controller of this information and will be seeking consent from applicants to share the information in order to make a list publicly available. The authority undertakes business grant administration only.
- Regarding the National Fraud Initiative, it was queried if it was still the case that Councils are able to claim a percentage of false funds claims. It was confirmed that the Internal Audit Team co-ordinates the national fraud initiative tasks on a two year cycle. In year 1 data is collected from sources in the authority and in year 2 it is matched with data from a variety of public sector sources. Matched data is returned and any risks identified can be investigated further. If there is fraudulent activity, attempts are made to address the fraud and reclaim funds. The Council does not receive a percentage of recovered funds. The initiative also involves cleansing of data.

As per the report recommendations, the Committee:

- 1) noted the audit opinions issued; and
- 2) note the progress made by the Section towards meeting the 2020/21 Operational Audit Plan and the Section's performance indicators at the 9 months stage of the financial year.

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at Remote Meeting on Thursday, 25th February, 2021 at 2.00 pm

5. Treasury Policy and Strategy Report 2020-21

The Acting Assistant Head of Finance introduced the Treasury Policy and Strategy Report 2020/2021 prior to presentation to Council on 11th March 2021. Following presentation of the report, questions were asked as follows:

- A Member praised the team for completing this very technical work and noted that pooled investments had been more successful than some other investments. It was queried if there is scope to increase this approach. It was confirmed that pooled funds have yielded a good return on investment for a small additional risk, noting that they are long term investments with a capital element and approximately 3-4% interest returned consistently. The limits this year are £6m maximum. The authority is planning to increase this to £10m investments in pooled funds to reflect the minimum investment threshold to be maintained in the long term to meet the requirements of the Markets in Financial Instruments Directive (MiFID 2) legislation. The intention is to diversify over a number of pooled fund managers to spread the risk as much as possible to provide security.

The Chair asked what proportion of the money invested or on deposit the £10m represented and was informed that during the current year investments have ranged between £13m-£33m. The number of grants received due to Covid 19 has had an impact on balances. On average there is £20m - £23m during a year so the proportion would be in the region of 50%.

- A Member asked about the borrowing strategy as rates are low. Referring to the report, the authority currently owes £171m in loans rising to £176m next year with an upper loan limit £225m. It was questioned how close the authority should proceed to the limit, if this is a prudent approach or should the authority consider reducing loans from the current level and if there are ways to do this. It was questioned if the investments are an attempt to “balance the books”. It was explained that it is a complicated situation due to the current economic outlook. It should be noted that the authority’s borrowing requirement is driven by the need to finance its capital programme which is not funded by grants or internal resources.

Appendix 5 sets out prudential indicators for the year that provide a statutory limit to the amount of debt that can be borrowed (Next year is £246.5m) without receiving approval from Council. There is also an operational boundary to measure borrowing against at any one time. The authority currently uses internal resources first (reserve balances, working capital) to fund day-to-day expenditure before drawing down external loans. Short-term loans (e.g. 6 months) are 0-1% interest and are being utilised. Longer-term loans are higher (e.g. 2% for 15 year loan) at present. The position will require careful management to ensure the authority’s long-term loan requirements are not impacted by rising interest rates.

- In response to a question from the Chair, it was confirmed that the costs of borrowing are set to reduce as a proportion of total spending over the next four years. The total authority revenue budget will increase year on year whereas treasury costs are more static so the proportion would be expected to reduce over the medium term. In the latter years (2023/24 and 2024/25) the capital investment plans may still be in infancy so borrowing costs may increase as time progresses due to further borrowing once the authority’s capital investment plans are more certain.

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at Remote Meeting on Thursday, 25th February, 2021 at 2.00 pm

- A Member queried if the frequency of reporting is adequate for Committee Members to keep track of progress. Regarding twice yearly reporting to Audit Committee on treasury performance, it was explained that the costs of borrowing proposed for the year and returns on investments are included in the revenue budget monitoring reported to Cabinet three times a year. Also, non-treasury investments (commercial portfolio) are monitored by the Investment Committee.
- It was queried how Arlingclose was appointed as Treasury Advisers, what its cost is and if it has performance indicators to provide evidence that the authority experiences benefit. It was explained that the Arlingclose contract is close to ending with an option to extend for a further year; this is likely to be taken up. The cost of the contract cannot be divulged as a tender process will be entered into during the next financial year. In terms of performance, Committee Members were assured that regular meetings are held to discuss Arlingclose's performance and approach to the advice provided; technical information and advice provided daily is significant.

The recommendations as included in the report were acted upon as follows:

- 1) That Audit Committee considers and endorses for onward circulation and approval by full Council the draft Treasury Management Strategy 2021/22 (Appendix 1) including the:
 - 2021/22 Treasury Management policy statement
 - 2021/22 Minimum Revenue Provision Policy Statement
 - 2021/22 Investment & Borrowing Strategies
- 2) That Audit Committee continues to review the Council's treasury activities on behalf of the Council by receiving the mid-year treasury management report and year-end report.

6. Whole Authority Annual Complaints Report

The Customer Relations Manager introduced the Whole Authority Annual Complaints Report 2019/20 providing feedback from complaints, comments and compliments received by the authority. Following presentation of the report, questions were invited as follows:

- A Member queried how many complaints are of a repetitive nature. It was queried if they had recurred over subsequent years had action had been taken at the outset to prevent recurrence. It was explained that the largest number of complaints received are regarding waste and street services and are proportionate taking into account the number of residences and businesses serviced. The rise in complaints/comments can be attributed to a service review at that time that resulted in changes to collection rounds, new vehicles, access issues and new routes. The Member asked if adequate action had been taken to resolve real problems. It was explained that the complainant has the option of going to the Ombudsman if dissatisfied with the investigation. Conversations take place with team managers and heads of service to learn from complaints to ensure they don't recur and to make improvements. Compared to similar authorities, Monmouthshire's level of complaints is low. The Member suggested that some official complaints could be avoided by settling them satisfactorily on site with the relevant teams and possibly the Ward Member. It was agreed that some complaints are better dealt with before invoking the complaints procedures.
- A Member commented that, considering the number of services provided, the number of complaints is very low. He supported the view that complaints are better resolved on the ground before entering into the complaints procedures wherever possible.

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at Remote Meeting on Thursday, 25th February, 2021 at 2.00 pm

- The Chief Officer, Resources thanked the Customer Relations Manager for presenting the report. The SLT had considered the report in detail and supports the resolution of complaints on the ground wherever possible but also that there is a structured procedure available to raise concerns if needed. The SLT acknowledge the importance of context, identifying patterns and themes and systemic issues to learn and take up with managers to enable improvements.

The report was noted by the Audit Committee.

7. Forward Work Plan

The Forward Work Plan was noted.

8. To confirm minutes of the previous meeting

The minutes of the meeting held on the 7th January 2021 were confirmed as an accurate record.

9. To confirm the date of the next meeting as 25th March 2021

Meeting ended at 3.15 pm

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