

# Public Document Pack



Neuadd y Sir  
Y Rhadyr  
Brynbuga  
NP15 1GA

Dydd Mercher, 29 Mai 2024

## Hysbysiad a gyfarfod

### Pwyllgor Llywodraethu ac Awdit

**Dydd Iau, 6ed Mehefin, 2024 at 2.00 pm,  
Neuadd Y Sir, Y Rhadyr, Brynbuga, NP15 1GA**

Sylwch y cynhelir rhag-gyfarfod 30 munud am 1.30pm ar gyfer Aelodau'r Pwyllgor a Swyddogion Archwilio.

### AGENDA

Item No	Item	Pages
1.	<b>Penodi Cadeirydd</b>	
2.	<b>Penodi Is-gadeirydd</b>	
3.	<b>Ymddiheuriadau am absenoldeb</b>	
4.	<b>Datganiadau o Fuddiant</b>	
5.	<b>Fforwm Agored i'r Cyhoedd</b>  <b>Canllawiau ar gyfer Fforwm Agored i'r Cyhoedd y Pwyllgor Llywodraethu ac Awdit</b>  Mae ein cyfarfodydd Pwyllgor Llywodraethu ac Awdit yn cael eu ffrydio'n fyw a bydd dolen i'r ffrwd fyw ar gael ar dudalen cyfarfod gwefan Cyngor Sir Fynwy  Os hoffech rannu eich barn ar unrhyw faterion sy'n cael eu trafod gan y Pwyllgor Llywodraethu ac Awdit, gallwch fynychu'r cyfarfod yn bersonol (neu ymuno o bell drwy Microsoft Teams), neu gyflwyno sylwadau ysgrifenedig (drwy Microsoft Word, uchafswm o 500 gair).  Y dyddiad cau ar gyfer cyflwyno sylwadau i'r Cyngor yw 5pm, a hynny dri diwrnod gwaith clir cyn y cyfarfod. Bydd yr holl sylwadau a dderbynnir ar gael i Aelodau'r Pwyllgor cyn y cyfarfod.  Mae'r amser a roddir i bob aelod o'r cyhoedd i siarad yn ddibynnol ar Gadeirydd y Pwyllgor. Gofynnwn i gyfraniadau beidio â bod yn hwy na 4 munud.	

Os hoffech fynychu un o'n cyfarfodydd i siarad o dan y Fforwm Agored i'r Cyhoedd yn y cyfarfod, bydd angen i chi roi tri diwrnod gwaith o rybudd drwy e-bostio [GACRegistertoSpeak@monmouthshire.gov.uk](mailto:GACRegistertoSpeak@monmouthshire.gov.uk)

Os hoffech awgrymu pynciau yn y dyfodol i'w hystyried gan y Pwyllgor Llywodraethu ac Awdit, e-bostiwch [GACRegistertoSpeak@monmouthshire.gov.uk](mailto:GACRegistertoSpeak@monmouthshire.gov.uk)

<b>6.</b>	<b>Nodi'r Rhestr Weithredu o'r cyfarfod diwethaf.</b>	1 - 2
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**Paul Matthews**  
**Prif Weithredwr**

MONMOUTHSHIRE COUNTY COUNCIL  
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

Andrew Blackmore

Colin Prosser

Martin Veale

Rhodri Guest

County Councillor John Crook

*Magor East Welsh Labour/Llafur Cymru  
with Undy;*

County Councillor Tony Easson

*Dewstow; Welsh Labour/Llafur Cymru*

County Councillor David Jones

*Crucorney; Independent Group*

County Councillor Malcolm Lane

*Mardy; Welsh Conservative Party*

County Councillor Phil Murphy

*Caerwent; Welsh Conservative Party*

County Councillor Peter Strong

*Rogiet; Welsh Labour/Llafur Cymru*

County Councillor Ann Webb

*St Arvans; Welsh Conservative Party*

## Public Information

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### Watch this meeting online

This meeting can be viewed online either live or following the meeting by visiting [www.monmouthshire.gov.uk](http://www.monmouthshire.gov.uk) or by visiting our Youtube page by searching MonmouthshireCC.

### Welsh Language

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

# Aims and Values of Monmouthshire County Council

## Our purpose

- to become a zero-carbon county, supporting well-being, health and dignity for everyone at every stage of life.

## Objectives we are working towards

- Fair place to live where the effects of inequality and poverty have been reduced;
- Green place to live and work with reduced carbon emissions and making a positive contribution to addressing the climate and nature emergency;
- Thriving and ambitious place, where there are vibrant town centres and where businesses can grow and develop
- Safe place to live where people have a home where they feel secure in;
- Connected place where people feel part of a community and are valued;
- Learning place where everybody has the opportunity to reach their potential

## 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.

**Kindness:** We will show kindness to all those we work with putting the importance of relationships and the connections we have with one another at the heart of all interactions.



## *Monmouthshire Governance & Audit Committee Question/Consideration Guide*

### **Role of the Pre-meeting**

1. Why is the Committee considering this agenda item? (relevance and materiality)
  2. What is the Committee's role and what outcome do Members want to achieve?
  3. Is there sufficient information to achieve this? If not, who could provide this?
  4. What are the confidential views of the auditors on relevant matters?
- Discuss members' views/ key concerns with the papers and agree priorities

### **Potential Questions/Considerations for the Meeting**

Internal Audit (IA)

1. What is the IA functional model and is it fit for purpose?
2. Does IA have sufficient authority and influence across the Authority?
3. Is IA suitably resourced and empowered? Is the annual IA plan appropriate? On what do we make this judgement?
4. Do Chief Officers demonstrably accept and champion the role of IA? How do they do this?
5. Are IA findings acted upon energetically by Officers? How is this demonstrated? Do we effectively challenge and hold officers to account for implementing IA findings?
6. How can we be confident that the internal control environment remains appropriate?
7. Do we have confidence in overall IA effectiveness? On what do we base this?
8. Is the annual/ periodic IA opinion plausible?
9. Do we have sufficient visibility over the work, output and effectiveness of allied IA teams, e.g. TCBC?

Governance

1. Is there a codified and cohesive description of MCC's overall governance arrangements? Is it fit for purpose?
2. Is there clarity over the governance of the various oversight and scrutiny arrangements for (and effectiveness

External Audit (EA)

1. Is the EA team (financial and performance) credible?
2. Are we confident over the arrangements for developing the EA annual work plan/ timetable and is it aligned to our understanding of key risks?
3. Do Chief/ senior officers engage appropriately with EA? How is this demonstrated?
4. Is there a constructive relationship between IA, EA (and other inspectorates)? How is this evidenced?
5. Have relevant officers demonstrably considered the results/ conclusions of EA national and specific reports?
6. Do we have good visibility over emerging issues identified by EA?
7. In respect of ISA260 and equivalent EA financial reports, do officers clearly demonstrate understanding of issues raised and have a credible plan to resolve issues for next financial year?
8. Does EA have confidence in MCC's Officers and governance arrangements?

Budgeting/ Financial Risk/ Reserves

1. Is there a clearly defined, governed and checkpointed process and timetable for developing the Authority's budget?
2. Is there an appropriate suite of financial risk related policies? Are they suitable?
3. Are the key financial/ operational

<p>of) material partnerships and collaborations?</p> <ol style="list-style-type: none"> <li>3. Is there clarity over the apportionment of responsibilities and decision making authorities?</li> <li>4. How are governance/ control breaches identified and reported?</li> <li>5. Are we confident that the arrangements for material expenditure (tendering, contracting and capital procurement) are robust?</li> <li>6. Do we have confidence in whistleblowing (and similar arrangements) for raising concerns?</li> </ol> <p><u>Corporate Risks</u></p> <ol style="list-style-type: none"> <li>1. Have key accountabilities for the identification, assessment, monitoring and management of risks been adequately defined and implemented?</li> <li>2. Has the approach to risk management been designed and implemented effectively?</li> <li>3. How can the Committee be confident that the Corporate Risk Register captures all significant risks facing the Authority?</li> <li>4. Are the risk mitigation action plans credible and sufficient so as to achieve the desired outcomes?</li> </ol>	<p>assumptions understood, credible, documented and stress tested?</p> <ol style="list-style-type: none"> <li>4. Does the Finance function have suitable capabilities and capacity to manage financial risk/ meet statutory requirements and obligations to the Council?</li> <li>5. Do we have confidence that the budgetary process is likely to produce a plausible budget/ MTFP?</li> <li>6. Are there suitable arrangements in place to manage and report on overall financial performance?</li> </ol> <p><u>Financial Statements/ Misstatement Risk</u></p> <ol style="list-style-type: none"> <li>1. Is there a shared understanding as to the purpose of the Committee in reviewing draft financial statements? <ol style="list-style-type: none"> <li>a. Are the Notes to the Accounts reasonable?</li> <li>b. Are the narrative reports, including the Annual Governance Statement reasonable and accord with the committee's view?</li> </ol> </li> <li>2. Are we comfortable with EA's work and audit opinion?</li> </ol>
<p><b>Questions for the Committee to conclude...</b></p>	
<p>Do we have the necessary information to form conclusions/make recommendations/ escalate matters to the executive, council, relevant scrutiny committee?</p> <p>Do we need to follow up? If so, how?</p>	



**Governance and Audit Committee Action List**  
**29<sup>th</sup> April 2024**

<b>Action</b>	<b>Subject/ Meeting</b>	<b>Officer</b>	<b>Outcome</b>	<b>Due date</b>	<b>Action Status</b>	<b>Recommended to close Action Yes/No</b>
1	Action List: Statement of Accounts 2021/22	Jon Daves	Finance Team capacity – update on progress/outcomes. Paper to be sent to Chair by end of April 2024	30 <sup>th</sup> April 2024	OPEN	No
2	Action List: Audit Wales Work programme: Council progress	Matthew Gatehouse/ Richard Jones/Hannah Carter	People Strategy	May 2024	a) OPEN	No
3	MCC Statement of accounts/ISA260	Jon Davies	Update on the 3 ISA260 recommendations	July/Sept 2024	OPEN	No

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## Monmouthshire County Council – Detailed Audit Plan 2024

Audit year: 2023-24

Date issued: May 2024

Document reference: 4286A2024



This document has been prepared as part of work performed in accordance with statutory functions. Further information can be found in our [Statement of Responsibilities](#).

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



# About Audit Wales

## Our aims and ambitions

### Assure



the people of  
Wales that public  
money is well  
managed

### Explain



how public  
money is being  
used to meet  
people's needs

### Inspire



and empower  
the Welsh  
public sector to  
improve



Fully exploit  
our unique  
perspective,  
expertise and  
depth of insight



Strengthen our  
position as an  
authoritative,  
trusted and  
independent  
voice



Increase our  
visibility,  
influence and  
relevance



Be a model  
organisation for  
the public sector  
in Wales and  
beyond

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# Introduction

I have now largely completed my planning work.

This Detailed Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2024.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.



**Adrian Crompton**

Auditor General for  
Wales

## Audit of financial statements

I am required to issue a report on your financial statements which includes an opinion on their 'truth and fairness' and the proper preparation in accordance with accounting requirements.

I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#).

In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:

- responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
- the independent examination of Monmouthshire Farm School Endowment Trust charity
- the audit of the Welsh Church Act Fund Charity (a separate plan will be issued for this audit); and
- the certification of a number of grant claims and returns as agreed with the funding bodies.

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 is set out later in this plan.

There have been no limitations imposed on me in planning the scope of this audit.

## Performance audit work

I must satisfy myself that the Council:

- has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. I do this by undertaking an appropriate programme of performance audit work each year;
- is complying with the sustainable development principle when setting and taking steps to meet their well-being objectives;

My work programme is informed by specific issues and risks facing the Council and wider local government in Wales. I have also taken account of the work that is being undertaken or planned by other external review bodies and by internal audit.

My local performance audit programme will continue to be delivered through a combination of an Assurance and Risk Assessment Project, bespoke local projects and thematic projects examining risks common to all councils.

My performance audit work is designed to comply with auditing standards set out by the International Organisation of Supreme Audit Institutions (INTOSAI). This is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations

# Your audit at a glance



## **My financial statements audit will concentrate on your risks and other areas of focus**

My audit planning has identified the following risks:

### Significant financial statement risk

- Management override of controls

### Other areas of audit focus

- Valuation of land and buildings
- Valuation of the pension fund net liability
- Completeness of related party disclosures
- Senior officer remuneration disclosures



## **My performance audit will include:**

- Assurance and Risk Assessment
- Thematic Review – Staffing resources/pressures in local government
- Local work – to be confirmed



## Materiality

Materiality	£3.629 million
Reporting threshold	£0.181 million

# Financial statements' materiality



## Materiality £3.629m

My aim is to identify and correct material misstatements, that is, those that might otherwise cause the user of the accounts to be misled.

Materiality is calculated using:

- 2022-23 actual expenditure of £362.9 million
- Materiality percentage of 1%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).



## Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts, and we have set a lower materiality level for these:

- Senior officer remuneration £1,000
- Senior officer and member related parties £10,000



# Significant financial statements' risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

## Exhibit 1: significant financial statement risks

Significant risk	Our planned response
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.32-33].	The audit team will: <ul style="list-style-type: none"><li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements.</li><li>• review accounting estimates for bias; and</li><li>• evaluate the rationale for any significant transactions outside the normal course of business.</li></ul>

The audit team is yet to conclude all areas of the risk assessment. Should any further significant financial risks arise on completion of this work we will update the S151 officer and the Governance and Audit Committee via its chair and re-issue my Detailed Audit Plan if required

# Other areas of focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

## Exhibit 2: other areas of focus

Audit risk	Our planned response
<p><b>Valuation of pension fund net liability</b></p> <p>The Local Government Pension scheme (LGPS) pension fund liability as reflected in the financial statements are material estimates.</p> <p>The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small adjustments in the assumptions used in its calculation.</p> <p>The impact of economic conditions, particularly interest rate levels also have a significant impact on the liability.</p> <p>There are also several legal cases potentially impacting on the valuation of the net liability.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• evaluate the instructions issued by management to their management experts (actuary) for this estimate and the scope of the actuary’s work.</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the valuations.</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability.</li> <li>• test the accuracy of the pension fund net liability and disclosures in the financial statements with the actuarial report from the actuary.</li> <li>• assess the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor’s expert) and undertaking any additional procedures required; and</li> <li>• assess whether any legal cases could have a material impact on the net liability, and if so, confirm that this has been appropriately recognised and disclosed within the financial statements.</li> </ul>
<p><b>Valuation of land and buildings</b></p> <p>The value of land and buildings reflected in the balance sheet and notes to the accounts are material estimates.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• review the information provided to the valuer to assess for completeness.</li> </ul>

<p>Land and buildings are required to be held on a valuation basis which is dependent on the nature and use of the assets. This estimate is subject to a high degree of subjectivity depending on the specialist and management assumptions adopted and changes in these can result in material changes to valuations.</p> <p>Assets are required to be revalued every five years, but values may also change year on year and there is a risk that the carrying value of assets reflected in the accounts could be materially different to the current value of assets as at 31 March 2024, particularly in the current economic environment.</p> <p>In 2022-23 we recommended that the Council revise its treatment of capital expenditure when calculating the impact of revaluation adjustments to ensure assets are appropriately valued.</p>	<ul style="list-style-type: none"> <li>• evaluate the competence, capabilities and objectivity of the professional valuer.</li> <li>• test a sample of assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process are reasonable, and the revaluations have been correctly reflected in the financial statements; and</li> <li>• test the reconciliation between the financial ledger and the asset register.</li> </ul>
<p><b>Senior Officer Remuneration</b></p> <p>There has been a key change in the senior management team during 2023-24.</p> <p>There is a risk that this is not appropriately disclosed in the financial statements as remuneration paid to senior officers continues to be of high interest and is material by nature.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• understand the movements in the senior management team during 2023-24.</li> <li>• ensure that remuneration disclosed is consistent with supporting evidence; and</li> <li>• ensure that amounts paid are consistent with those approved by the Council.</li> </ul>
<p><b>Related Party Disclosures</b></p> <p>There is a risk that the disclosures are materially understated given the sensitive nature and lower materiality threshold for related party transactions.</p> <p>In 2021-22 we recommended that the Council implement an annual declaration process for members to aide compiling</p>	<p>The audit team will</p> <ul style="list-style-type: none"> <li>• review annual returns to identify related parties;</li> <li>• review other sources, such as Companies House, to confirm the completeness of declarations; and</li> <li>• review ledger transactions to confirm all transactions with</li> </ul>

the related party transactions disclosure note. In 2022-23 we found that whilst the Council had established a revised process in response to this, it had not yet been fully implemented.

related parties have been appropriately disclosed.

# Financial statements' audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

## Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2024 Detailed Audit Plan	February 2024 – June 2024	June 2024
Audit of financial statements work: <ul style="list-style-type: none"><li>• Audit of Financial Statements Report</li><li>• Opinion on the Financial Statements</li></ul>	July – November 2024	November 2024 <sup>1</sup>

<sup>1</sup> Subject to delivery of draft accounts in line with agreed timetable.

# Planned performance audit work

I set out below details of my performance audit work and key dates for delivery of planned outputs.

## Exhibit 4: key dates for delivery of planned outputs

<p><b>Assurance and risk assessment</b></p>	<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 and acting in accordance with the sustainable development principle.</p>	<p>Ongoing</p>
<p><b>Thematic review – Staffing resources/pressures in local government</b></p>	<p>A review of the arrangements that councils have in place to secure appropriate and cost-effective staff resources to support services.</p>	<p>Approximate timescales for the review across all councils are between October 2024 and June 2025. Timescales for individual projects will be discussed with the Council and detailed within the specific project brief produced for each audit.</p>
<p><b>Local project work</b></p>	<p>Where appropriate, my audit team will also undertake performance audit work that reflects issues specific to the Council. The focus of the local project work will be discussed and confirmed with the Council.</p>	<p>Timescales for the project will be discussed with the Council and detailed within the specific project brief produced for the audit.</p>

# Certification of grant claims and returns, and statutory audit functions

## Certification of grant claims and returns

I have also been requested to undertake certification work on the Council's grant claims, which I anticipate will include Housing Benefits, Teachers Pension, NDR, Money transfers and Pooled budget returns.

## Statutory audit functions

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.

As this work is reactive, I've made no allowance in the fee below. If I do receive questions and objections, I will discuss potential audit fees at the time.

# Fee and audit team

In January 2024 we published our [Fee Scheme](#) for the 2024-25 year as approved by the Senedd Finance Committee. My fee rates for 2024-25 have increased by an average of 6.4% as a result of unavoidable inflationary pressures and the ongoing need to invest in audit quality.

I estimate your total audit fee will be £404,246

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 S151 and Deputy S151 Officers.

## Our financial audit fee is based on the following assumptions:

- The agreed audit deliverables sets out the expected working paper requirements to support the financial statements and includes timescales and responsibilities.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

## Exhibit 5: breakdown of audit fee

Audit area	Proposed fee for 2024 (£) <sup>2</sup>	Actual fee for 2023 (£)
Audit of financial statements <sup>3</sup>	223,447	210,007
Performance audit work <sup>4</sup>	118,647	111,510
Grant certification work <sup>5</sup>	52,136	49,000 <sup>6</sup>
Other financial audit work <sup>7</sup>	10,016	9,414
<b>Total fee</b>	<b>404,246</b>	<b>379,931</b>

<sup>2</sup> The fees shown in this document are exclusive of VAT, which is not charged to you.

<sup>3</sup> Payable November 2023 to October 2024.

<sup>4</sup> Payable April 2024 to March 2025.

<sup>5</sup> Payable as work is undertaken.

<sup>6</sup> Estimated as 2022-23 grants certification work is not yet complete.

<sup>7</sup> Independent Examination of Monmouthshire Farm School Endowment trust £2,016 and Audit of Welsh Church Act Trust Fund £8,000.



The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

**Exhibit 6: my local audit team**

<b>Name</b>	<b>Role</b>	<b>Contact details</b>
Gareth Lucey	Engagement Director	<a href="mailto:Gareth.lucey@audit.wales">Gareth.lucey@audit.wales</a>
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I can confirm that my team members are all independent of the Council and your officers.

# Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD\* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2023](#).

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- Use of specialists
- Supervisions and review

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- Ethics
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- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

\* QAD is the quality monitoring arm of ICAEW.

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

## Capital Programme Management – Monmouthshire County Council

Audit year: 2022-23

Date issued: April 2024

Document reference: 4208A2024

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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# Summary report

## Summary

### What we reviewed and why

- 1 We reviewed the Council's arrangements for managing its capital programme. We looked at how the Council designs its capital programme, how it monitors delivery of the programme and how it reviews and evaluates the effectiveness of its arrangements. We also considered the risks and challenges the Council faces in relation to the design and delivery of the capital programme.
- 2 Capital expenditure relates to investments in assets such as buildings and transport infrastructure. It can include buying or building assets, but also maintaining and improving them. Capital expenditure makes up a significant proportion of local government expenditure: across Wales, councils forecasted capital expenditure of just under £2.2 billion during 2022-23<sup>1</sup> and capital outturn expenditure for 2022-23 was around £1.5 billion<sup>2</sup>.
- 3 In Monmouthshire, the Council forecast capital expenditure of around £44 million during 2023-24 and it spent £45.7 million on capital projects in 2022-23. **Exhibit 1** below shows the Council's capital expenditure between 2012-13 and 2022-23 totalled nearly £350 million<sup>3</sup>.

<sup>1</sup> [Capital Forecast, by service \(gov.wales\)](https://gov.wales/capital-forecast-by-service)

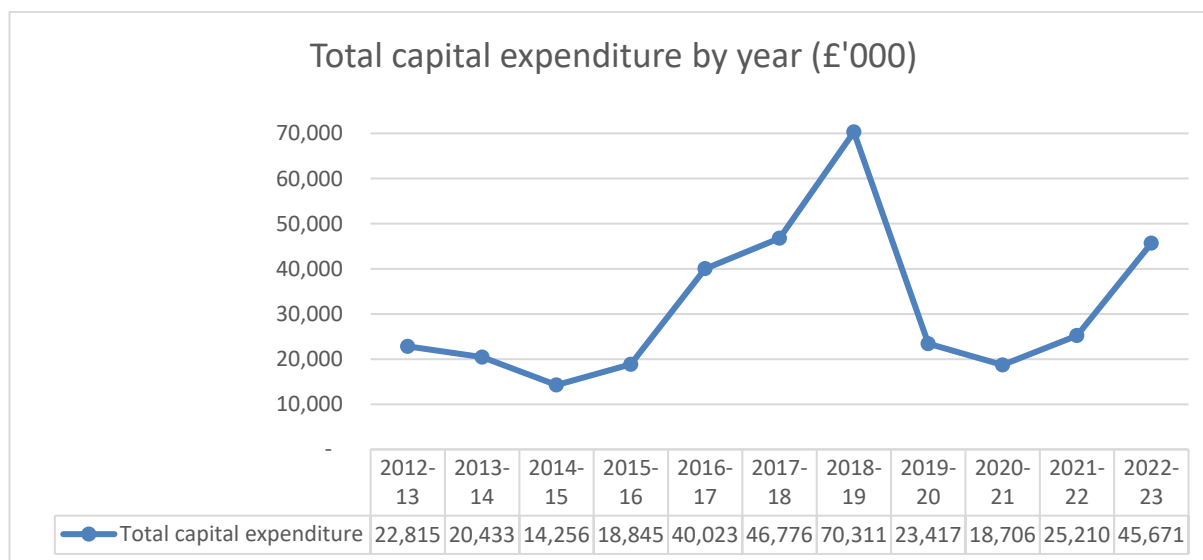
<sup>2</sup> [Capital outturn expenditure, by authority \(gov.wales\)](https://gov.wales/capital-outturn-expenditure-by-authority)

<sup>3</sup> The Council's capital expenditure was higher than usual in 2016-17, 2017-18 and 2022-23, due to investment in school buildings as part of the 21st Century Schools project. It also purchased Newport Leisure Park and Castlegate Business Park as investment properties during 2018-19.



### Exhibit 1: capital expenditure 2012-13 to 2022-23<sup>4</sup>

The chart below sets out how much the Council spent on capital projects between 2012-13 and 2022-23.

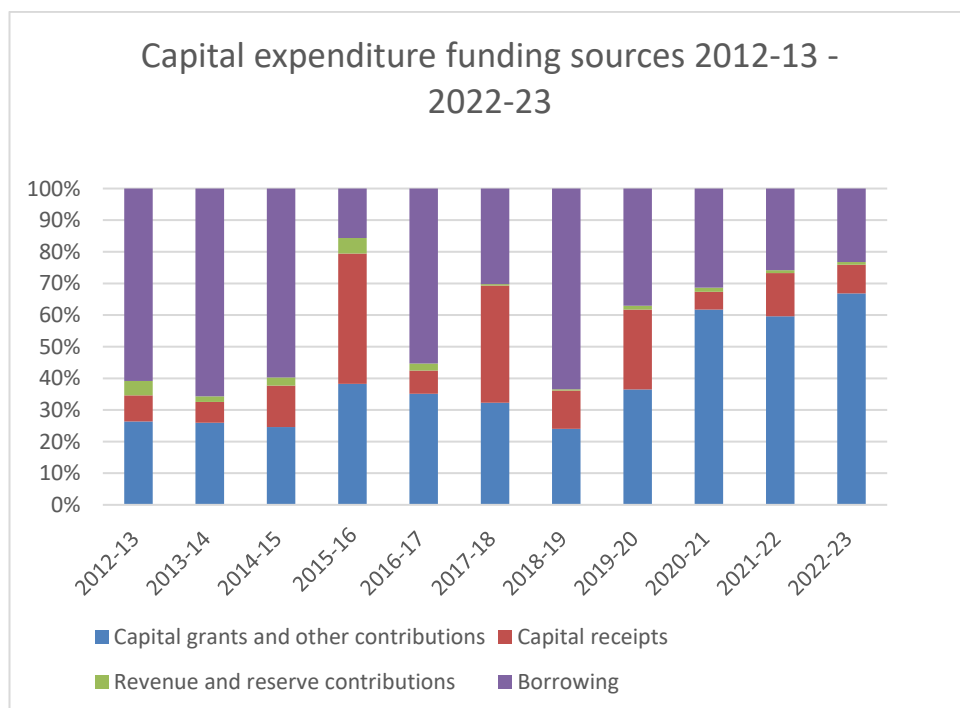


- 4 Most capital expenditure is funded by grants, capital receipts (from the sale of other assets) and prudential borrowing. **Exhibit 2** shows that the way capital projects are funded varies between years according to the availability of different funding sources. In recent years, grants have been the main source of funding, accounting for 67% (£30.5 million) of total funding in 2022-23. This reflects the timing and value of available grant schemes in those years. In contrast, only 26% (£6 million) of capital spending was funded by grants in 2012-13, when borrowing was the main source of income: 61% (£13.9 million).

<sup>4</sup> [Capital outturn expenditure, by authority \(£ thousand\) \(gov.wales\)](https://gov.wales/capital-outturn-expenditure-by-authority)

## Exhibit 2: capital expenditure funding sources 2012-13 to 2022-23<sup>5</sup>

The chart below sets out how the Council funded its capital projects between 2012-13 and 2022-23.



- 5 Funding from borrowing and capital receipts affords the Council more control over its capital programme, as grant funding often has strict criteria on what capital projects can be funded. But borrowing and capital receipts are limited by their affordability and availability. The current Capital Strategy reports that the Council has £188.1 million of borrowing and £38.3 million of treasury investments<sup>6</sup> resulting from historic capital expenditure. Financing this borrowing has long-term implications for the revenue budget and the Council is mindful of limiting further borrowing to ensure repayments are affordable.
- 6 Capital receipts are generated from the sale of existing assets and so the availability of funding will vary. Over recent years, the Council has made significant use of the Welsh Government's directive on flexible use of capital receipts. This allows it to use capital receipts to fund revenue expenditure that will generate ongoing savings or reduce revenue costs over the medium to long term. We noted in our 2021 [Financial Sustainability Assessment](#) that although use of the directive has helped relieve pressure on revenue budgets in the short term, it impacts on the Council's ability to fund capital projects over the medium to long term.

<sup>5</sup> [Capital outturn financing, by source of funding \(£ thousand\) \(gov.wales\)](#)

<sup>6</sup> As at December 2022.

- 7 Given the short and long-term financial impact of the capital programme, it is important that the Council has appropriate arrangements to ensure that its capital expenditure secures value for money. And, as capital projects are often designed to realise benefits over a long timescale, it is equally important that the Council applies the sustainable development principle when planning and delivering its capital programmes.
- 8 We undertook the review during the period November to December 2023. We used three capital projects as tracer areas to explore the arrangements in place. These were:
- Magor and Undy Community Hall build;
  - Crick Road care home build; and
  - Chepstow School planned maintenance work (window replacement).

## What we found

- 9 Our review sought to answer the question: Does the Council have proper arrangements in place to secure value for money in the design and delivery of its capital programme?
- 10 Overall, we found that: Capital programme management arrangements demonstrate some strengths but lack focus on outcomes and impact. We reached this conclusion because:
- planning arrangements are generally robust, but the capital programme lacks clear outcomes; and
  - monitoring arrangements focus on budget and timescales with limited consideration of impact or learning.

## Recommendations

### Exhibit 3: recommendations

The table below sets out the recommendations that we have identified following this review.

#### Setting and reporting on outcomes

- R1 The Council should clearly articulate in its Capital Strategy:
- the outcomes it is seeking to achieve from its capital programme and how individual projects can contribute towards these;
  - what success will look like; and
  - how it will measure this.

This will provide a clearer structure for monitoring, and help the Council to demonstrate if its capital programme provides value for money.

R2 The Council should report on progress against the capital programme's planned outcomes so that members can scrutinise and gain assurance.

# Detailed report

## Capital programme management arrangements demonstrate some strengths, but lack focus on outcomes and impact

### Planning arrangements are generally robust, but the capital programme lacks clear outcomes

- 11 In reaching this conclusion we found that:
- 12 **Involvement of stakeholders is appropriate and proportionate.** The annual budget consultation gives the public, staff, and elected members the opportunity to share their views on the draft capital budget. We also saw examples of the Council adapting the capital programme in response to that feedback, eg increasing funding for pothole repairs in 2023-24.
- 13 At project level, we found strong examples of involving stakeholders. For example, extensive public engagement, led by a local community group, took place to inform the community hall build. During the care home project, the Council also engaged regularly with residents' families and staff helped shape the design of the building. Although there was limited involvement of stakeholders in relation to the Chepstow School window replacements, this was proportionate to the project.
- 14 **There are robust arrangements to prioritise capital projects.** A priority matrix sets out the criteria against which the Council considers potential capital projects. The matrix prioritises spending on schemes relating to health and safety, and legal and regulatory obligations. It also gives high priority to projects that contribute towards delivery of the Council's well-being objectives. Grant conditions dictate the focus of grant-funded projects, but there is often alignment with Council priorities, eg 21st Century Schools funding. The Council also uses the priority matrix to ensure match funding goes to grant applications which contribute towards its own objectives.
- 15 At project level, both the community hall and care home projects demonstrate links to Council priorities, whereas the replacement windows were a health and safety priority informed by an independent condition survey.
- 16 **The capital programme lacks success criteria.** As a result, it is not clear what the Council wants to achieve from its overall capital programme or how it will measure this. By clearly defining the outcomes it wants to achieve and identifying appropriate measures, the Council will be better placed to monitor progress and assess the extent to which the completed programme provides value for money and contributes towards Council priorities. We understand the Council plans to introduce similar arrangements to demonstrate the benefits of its flexible use of capital receipts. This is a positive step to strengthening arrangements but should be rolled out to all types of capital spending.

- 17 **The Council collaborates effectively with a range of partners to deliver its capital programme.** The tracer projects demonstrate officers working with internal colleagues. For example, the care home scheme is being jointly project managed by officers from Estates and Social Services, allowing both to bring their own expertise to the project. The Council also worked with a wide range of external partners such as architects, construction companies, the local Health Board, community groups and the third sector. Project boards and stakeholder groups helped ensure regular communication between partners on the two construction tracer projects.
- 18 **Capital and revenue funding needed to deliver the Capital Strategy over the short and medium term is clearly set out in the annual capital budget but there remains a significant backlog of unfunded maintenance work.** Over the period 2023-24 to 2026-27, the Council has planned expenditure of £103 million. Nearly 75% of that total is budgeted in the first two years of the plan. After this, planned school schemes and use of capitalisation directive reduce, resulting in a much smaller annual budget.
- 19 The medium-term capital programme only includes funded schemes. The Council has identified a £52 million backlog of capital maintenance work which it is unable to fund. Although the scoring matrix gives assurance that the Council is prioritising higher-risk maintenance work, the backlog remains a key risk and delays to maintenance often lead to further deterioration which could result in larger future costs. Although the Capital Strategy and risk register recognise this risk, they do not quantify the potential long-term cost of the unfunded capital work.
- 20 The Strategy considers the longer-term revenue costs of capital expenditure; financing costs for existing borrowing are spread over the lower of 50 years and the expected life of the asset being funded. Both the Capital Strategy and budget monitoring reports recognise the need for caution in relation to borrowing and use of unbanked capital receipts. This is prudent in the context of the Council's financial position and the need to ensure finance costs are affordable over the long term.
- 21 At a project level, we found the Council has appropriate arrangements to identify delivery costs, revising where necessary in response to rising costs and unexpected issues. Despite very high levels of inflation impacting the care home construction costs, the Council was able to minimise the financial impact through value engineering and effective contract management. It also successfully secured additional grant funding to cover the increased costs. Consideration of ongoing cost implications varies by project. Whilst the care home business case sets out forecast annual revenue savings to energy and staffing costs, we did not see any figures to demonstrate the impact of the community hall's energy efficient design on running costs.
- 22 **The Strategic Risk Register and Capital Strategy demonstrate a good understanding of risks relating to availability of capital funding.** The Council also has appropriate arrangements for identifying and monitoring project level

risks. We found project risk registers in place for the two construction projects and regular updates and discussions on risks at board meetings and site visits.

## Monitoring arrangements focus on budget and timescales with limited consideration of impact or learning

- 23 In reaching this conclusion we found that:
- 24 **Budget reports monitor cost and timeliness of capital programme delivery.** These clearly set out forecast outturn, provisional slippage and other budget adjustments. Short explanations are provided for schemes with slippage and under /overspends, and members have the opportunity to scrutinise. Underlying these reports is a more detailed list of all capital schemes, which also includes forecasted position and explanations for variances. Where a project forecasts an overspend then funding must be identified. The Council also holds project budget holders to account at directorate management team meetings.
- 25 **The capital programme has high level of slippages.** The impact of the pandemic on supply chains and labour availability continued to affect project completion in 2022-23. In total, schemes with a value of £33 million slipped into the following year, including several large value projects. This represents 42% of the total capital budget for the year. In 2023-24, the Council forecasts slippage of £11.9 million (13%). We reviewed the reasons for the 2023-24 slippages and found that although some are due to external factors, others are within the Council's control. For example, delays relating to planning, public consultation and required investigatory work could be mitigated by more accurate profiling that takes into account internal capacity and learning from previous projects. Senior officers also recognise the need for more robust and timely challenge of profiling and slippages. The Council would benefit from analysing the reason for recent slippages to identify any themes and determine what actions it can take to address these. The Capital Strategy requires schemes that slip into future years to be reassessed to ensure they remain a priority and remain affordable within set budgets. This is particularly important given recent challenges around inflation and supply chain disruptions.
- 26 **The Council does not formally review the completed capital programme to consider the impact of projects against Council priorities.** As noted above, the Council does not set out the benefits it hopes to achieve from its overall capital programme. This makes it more challenging to review outcomes and demonstrate the impact of capital expenditure. Officers told us they reflect informally on achievements and the Council is required to demonstrate outcomes as part of grant funding conditions for individual projects, but members do not currently receive assurance that the capital programme has delivered its intended benefits. The Council should therefore consider how it can demonstrate the impact and value of its capital programme, so members have the opportunity to scrutinise its effectiveness.

- 27 **Learning is generally informal, which could present a risk that not all relevant people have access to it.** Officers told us they reflect on capital programme management arrangements annually as part of the budget process and when setting the new capital strategy. They were also able to articulate weaknesses in the current arrangements and provide examples of learning from recent capital projects. But capturing this learning in a format that can be shared more widely would be beneficial.



# Appendix 1

## Key questions and what we looked for

### Exhibit 4: key questions and what we looked for

The table below sets out the question we sought to answer in carrying out this audit, along with the audit criteria we used to arrive at our findings.

Level 2 questions	Audit Criteria <sup>7</sup> (what we are looking for)
2.1 Does the Council have robust arrangements to plan its capital programme?	<ul style="list-style-type: none"><li>• In developing its capital programme and strategy the Council:<ul style="list-style-type: none"><li>– involves an appropriate range and diversity of voices (including other organisations), including representatives of groups who share protected characteristics;</li><li>– considers how it will deliver longer term aims (ie its well-being objectives) and how it can deliver a range of benefits;</li><li>– sets out the outcomes it is seeking to achieve and how it will monitor their achievement; and</li><li>– identifies the resources needed to deliver the strategy over the short, medium and longer term.</li></ul></li><li>• When planning individual capital projects, the Council:<ul style="list-style-type: none"><li>– involves an appropriate range and diversity of voices;</li><li>– considers how it will deliver longer term aims (ie those in the strategy and its well-being objectives) and how it can deliver a range of benefits;</li><li>– works with others (internal and external) to deliver those benefits;</li><li>– sets out the outcomes it is seeking to achieve and how it will measure the value for money of the project over the short, medium and long term;</li><li>– identifies the resources needed to deliver the project over the short, medium and longer term (whole life costs) and how it will manage risks/meet those costs supported by reasonable financial assumptions;</li><li>– identifies key project risks and how they will be managed; and</li><li>– sets out clear timescales for delivery.</li></ul></li></ul>

<sup>7</sup> Our audit criteria have been informed by our cumulative knowledge of previous audit work, as well as the question hierarchy and positive indicators we have developed to support our sustainable development principle examinations.

Level 2 questions	Audit Criteria <sup>7</sup> (what we are looking for)
<p>2.2 Does the Council have effective arrangements to monitor the delivery of its capital programme?</p>	<ul style="list-style-type: none"> <li>• The Council regularly monitors the delivery of its capital programme from a value for money perspective including: <ul style="list-style-type: none"> <li>– delivery of projects to time and budget;</li> <li>– the impact of completed projects in relation to the Council's short, medium and long-term objectives;</li> <li>– taking effective action where projects are not being delivered with budget and/or on time; and</li> <li>– the Council has a track record of delivering projects on time and within budget.</li> </ul> </li> </ul>
<p>2.3 Does the Council learn lessons from its approach to managing its capital programme?</p>	<ul style="list-style-type: none"> <li>• The Council regularly reviews the effectiveness of capital programme management arrangements including: <ul style="list-style-type: none"> <li>– the economy, efficiency and effectiveness of arrangements in helping the Council to achieve its strategic objectives.</li> </ul> </li> <li>• The Council shares and applies any lessons learned from the development and delivery of its capital programme widely across the organisation, and with partners where relevant.</li> </ul>





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## Organisational response

**Report title:** Capital Programme Management - Monmouthshire County Council

**Completion date:**

**Document reference:** 4208A2024

Ref	Recommendation	Organisational response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
R1	<p><b>The Council should clearly articulate in its Capital Strategy:</b></p> <ul style="list-style-type: none"> <li>• <b>the outcomes it is seeking to achieve from its capital programme and how individual projects can contribute towards these;</b></li> <li>• <b>what success will look like; and</b></li> <li>• <b>how it will measure this.</b></li> </ul> <p><b>This will provide a clearer structure for monitoring and help the Council to demonstrate if its capital programme provides value for money.</b></p>	<p>The Capital strategy identifies the key objectives and the main governance and approval process for capital investments. This includes the process for approving capital investments and the agreed priority investment matrix which plays a key role in ensuring investment is properly aligned with the overall Community and Corporate Plan and wider strategic principles of the Council.</p> <p>In developing the 2025/26 capital strategy, we will incorporate in these sections' further information on the outcomes the strategy is seeking to achieve and how the delivery of these outcomes will be monitored.</p>	February 2025	Head of Finance

Ref	Recommendation	Organisational response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
R2	<b>The Council should report on progress against the capital programme's planned outcomes so that members can scrutinise and gain assurance.</b>	<p>The Capital Strategy identifies the current governance arrangements that are in place to monitor capital expenditure and strategy development and implementation. Strengthening alignment with the recently agreed revised Asset Management Strategy, that sets out the strategic objectives for our land and property and management of their strategic performance, is important to enable delivery of both strategies. These strategies align to deliver the Community and Corporate Plan 2022-28, for which an annual evaluation of progress against outcomes is completed.</p> <p>Monitoring outcomes is a role for responsibility holders for capital projects. We will reinforce the arrangements for this and set these out, including alignment to the community and corporate plan, in the capital strategy, as in response to recommendation 1. We will include an overview of the outcomes evaluated for the capital programme for significant capital projects (those decisions taken through cabinet or Council) following their completion in the next update of the capital strategy that is reported annually to full Council.</p> <p>Complete an annual report on the performance of the Asset Management Plan and report to Performance &amp; Overview scrutiny committee (As</p>	<p>February 2025 – (To set arrangements as part of capital strategy)</p> <p>February 2025</p>	<p>Responsibility holders for capital projects</p> <p>Acting Head of Landlord Services</p>

set out in the latest Asset Management Strategy).





## Monmouthshire County Council Annual Audit Summary 2023

This is our audit summary for Monmouthshire County Council. It shows the work completed since the last Annual Audit Summary, which was issued in March 2023. Our audit summary forms part of the Auditor General for Wales' duties.



More information about these duties can be found on our [website](#).

## About the Council

### Some of the services the Council provides



#### Key facts

The Council is made up of 46 councillors who represent the following political parties:

- Labour 22
- Conservative 18
- Independent 5
- Green Party 1

The Council spent £217.5 million on providing services<sup>1</sup> during 2022-23<sup>2</sup>.

<sup>1</sup> We define spending on services as the cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest.

<sup>2</sup> Source: 2022-23 Statement of Accounts

## Key facts

As at 31 March 2023, the Council had £26.9 million of useable financial reserves<sup>3</sup>. This is equivalent to 12% of the Council's annual spending on services<sup>4</sup>.

None of Monmouthshire's 56 areas are considered to be within the most-deprived 10% of areas in Wales<sup>5</sup>. This is the lowest of the 22 unitary councils in Wales<sup>6</sup>.

The population of Monmouthshire is projected to increase by 6% between 2023 and 2043 from 95,800 to 101,200, including a 4% decrease in the number of children, a 3% decrease in the number of the working-age population and a 30% increase in the number of people aged 65 and over<sup>7</sup>.

## The Auditor General's duties

### We completed work during 2022-23 to meet the following duties

- **Audit of Accounts**

Each year the Auditor General audits the Council's financial statements to make sure that public money is being properly accounted for.

- **Value for money**

The Auditor General examines whether the Council has put in place arrangements to get value for money for the resources it uses, and he has to be satisfied that it has done this.

- **Sustainable development principle**

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.

<sup>3</sup> We define useable financial reserves as reserves usable for revenue costs, where the purpose is not protected by law. This is the total of the general fund, earmarked reserves, and schools' balances. It excludes Housing Revenue Account reserves, capital receipts and capital grants unapplied.

<sup>4</sup> Source: 2022-23 Statement of Accounts

<sup>5</sup> An area in this context is defined as a 'Lower Super Output Area'. Source: Welsh Index of Multiple Deprivation data on Stats Wales. Further information on the Welsh Index of Multiple Deprivation can be found [here](#).

<sup>6</sup> The Council considers that this measure of assessing deprivation has its limitations and it references the [Monmouthshire Well-being Assessment 2022](#) as a more detailed assessment of the issues associated with deprivation within Monmouthshire.

<sup>7</sup> Source: [Stats Wales, Population Projections](#)

## What we found

### Audit of Monmouthshire County Council's 2022-23 Accounts

Each year we audit the Council's financial statements.



**To meet the Auditor General's duties we complete specific projects, but we also rely on other audit work, and the work of regulators such as Care Inspectorate Wales and Estyn (the education inspectorate). We take the findings of our audit work into account when assessing whether the Council has put in place arrangements to secure value for money. Our findings and conclusions are summarised below.**

#### For 2022-23:

- the draft statements were presented for audit on 19 July 2023. This was before the deadline of 31 July 2023 set by the Welsh Government.
- the quality of the draft statements presented for audit was generally good.
- the Auditor General gave an unqualified true and fair opinion on the Authority's financial statements on 23 February 2024, after the deadline agreed with the Welsh Government of 30 November 2023. The audit was delivered later than in previous years mainly due to the impact of new auditing standard requirements. These were covered in our audit plan considered by the Audit Committee on 29 June 2023.
- the Authority's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Authority and with our knowledge of the Authority.
- a number of changes were made to the Authority's financial statements arising from our audit work, which were reported to the Audit Committee in our Audit of Financial Statements Report in February 2024.
- in addition to the Auditor General's responsibilities for auditing the Authority's financial statements, he also has responsibility for the certification of a number of grant claims and returns. Our work to date has not identified any significant issues.
- the Auditor General issued the certificate confirming that the audit of accounts for 2022-23 has been completed.

## Assurance and risk assessment review

We reviewed the arrangements the Council has put in place to secure value for money in the use of its resources. We produced the following reports from our assurance and risk assessment work:

- Setting of well-being objectives – we looked at the Council's approach to setting its well-being objectives. We found that the Council has set its well-being objectives in accordance with the sustainable development principle and is aligning its key strategies and business plans to support their delivery, but it could further strengthen its approach by increasing the diversity of citizen involvement in future.
- Use of performance information –service user perspective and outcomes – we looked at the service user perspective and outcome data provided to members and senior officers, and how this information is used. We found that the Council provides some performance information to enable senior leaders to understand the perspective of service users, but information on outcomes is limited, restricting their ability to manage performance effectively.

## Capital programme management

We looked at the Council's arrangements to secure value for money in the design and delivery of its capital programme. We found that capital programme management arrangements demonstrate some strengths but lack focus on outcomes and impact.

## Other inspectorates

We also took into account the reports of Care Inspectorate Wales (CIW) and Estyn as well as any subsequent actions taken by the Council in response.

## Planned work for 2023-24

We also looked at the key challenges and opportunities facing the Council. These could have an effect on the Council's ability to meet its legal obligations in relation to the sustainable development principle and the use of its resources.

Our planned work for 2023-24 includes:

- Assurance and risk assessment
- Thematic review – digital strategy
- Thematic review – financial sustainability
- Thematic review – commissioning arrangements
- Local review – performance management arrangements

The Auditor General is independent of government and was appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the Senedd.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, fire and rescue authorities, national parks, and community councils. He also conducts local government value for money studies, assesses compliance with the remaining requirements of the Local Government (Wales) Measure 2009 and may undertake special inspections under the Local Government and Elections (Wales) Act 2021.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Senedd Commission, and National Health Service bodies in Wales.

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

This document is also available in Welsh.

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## Audit Wales Work Programme and Timetable – Monmouthshire County Council

**Quarterly Update: 31 March 2024**

### Annual Audit Summary

Description	Timetable	Status
A report summarising completed audit work since the last Annual Audit Summary, which was issued in March 2023.	March 2024	Draft issued April 2024

### Financial Audit work

Description	Scope	Timetable	Status
<b>Audit of the Council's 2022-23 statement of accounts</b>	Statutory audit of the Council's annual statement of accounts.	Accounts to be certified 23 February 2024	Accounts certified by AGW 23 February 2024
<b>Audit of the Monmouthshire County Council Welsh Church Act Fund's 2022-23 accounts</b>	External audit of the Fund's annual accounts.	Accounts to be certified 26 February 2024	Accounts certified by AGW 26 January 2024
<b>Independent examination of the Monmouthshire Farm School Endowment Trust Fund's 2022-23 accounts</b>	Certify each claim according to Certifying Instructions agreed with the awarding body.	Accounts to be certified 26 February 2024	Accounts certified by AGW 26 January 2024

Description	Scope	Timetable	Status
<b>Certification of 2022-23 Grant Claims and Returns</b>	Certify each claim according to Certifying Instructions agreed with the awarding body.	Audit work to be completed in early 2024.	Teachers' Pensions, NNDR, Pooled budget and Money transfers certified.  Housing benefit testing ongoing.

## Performance Audit work

2022-23 Performance Audit work	Scope	Timetable	Status
<b>Assurance and Risk Assessment</b>	<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 and acting in accordance with the sustainable development principle.</p> <ul style="list-style-type: none"> <li>Financial position</li> <li>Capital programme management</li> </ul>	<p>Ongoing monitoring of financial position</p> <p>Final report issued April 2024</p>	<p>Ongoing</p> <p>Completed</p>



2022-23 Performance Audit work	Scope	Timetable	Status
	<ul style="list-style-type: none"> <li>Use of performance information – with a focus on service user feedback and outcomes</li> </ul>	Final report issued March 2024	Completed
<b>Thematic Review – Unscheduled Care</b>	<p>A cross-sector review focusing on the flow of patients out of hospital. This review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.</p>	November 2022 – October 2023	Reporting from February 2024 onward.
<b>Thematic review – Digital</b>	<p>A review of councils' strategic approach to digital, and the extent to which this has been developed in accordance with the sustainable development principle; and that it will help to secure value for money in the use of councils' resources.</p>	April – September 2023	Draft report going through clearance process

2023-24 Performance Audit work	Scope	Timetable	Status
<b>Assurance and Risk Assessment</b>	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 and acting in accordance with the sustainable development principle.	August 2023 – March 2024	Workshop held with SLT February 2024
<b>Thematic review – commissioning and contract management</b>	A review focusing on how councils' arrangements for commissioning, and contract management apply value for money considerations and the sustainable development principle.	June – December 2024	Project brief to be issued May 2024
<b>Thematic review – Financial Sustainability</b>	A review of councils' financial sustainability including a focus on the actions, plans and arrangements to bridge funding gaps and address financial pressures over the medium term.	March – July 2024	Project brief issued and fieldwork planned for May-June 2024
<b>Local review – performance management</b>	A review of the Council's performance management arrangements.	To be confirmed	Scoping

## Local government national studies planned/in progress

Study	Scope	Timetable	Status	Fieldwork planned at Monmouthshire County Council
<b>Governance of special purpose authorities – National Parks</b>	Review of systems and effectiveness of governance	November 2022 – September 2023	Report drafting – published April 2024.	No
<b>Governance in Fire and Rescue Authorities</b>	Review of systems and effectiveness of governance	September 2023 – August 2024	Fieldwork underway. Publication due July 2024.	No
<b>Homelessness</b>	Examining how services are working together to progress the response to homelessness	To be confirmed	Scoping	To be confirmed
<b>Capital Planning in Local Government</b>	Examining whether capital investment in the asset base in local government is able to keep pace with demand	To be confirmed	Not started	To be confirmed

Study	Scope	Timetable	Status	Fieldwork planned at Monmouthshire County Council
<b>Financial constraints/ discretionary local government services</b>	Examining the potential impacts and councils' decision making processes in the context of the sustainable development principle.	To be confirmed	Not started	To be confirmed

## Estyn

Our link inspectors are continuing to work with Torfaen as part of our follow-up process for an authority causing significant concern. Conwy local government education service report was published on 18 January 2024, and we highlighted strong practice in the way the local authority worked across its service areas to provide integrated support for vulnerable young people.

We piloted a few new approaches to our inspection arrangements in the Vale of Glamorgan in the week beginning 11 March. We also inspected the Vale of Glamorgan's youth work in the week beginning 19 February 2024, and the findings of that inspection informed the evidence base for the LGES inspection. Both the youth and the LGES reports will be published on 30 April. During the spring term, Estyn link inspectors contributed to the assurance and risk workshops with local authorities across Wales.

During the summer term, we will be piloting our enhanced link visits in two local authorities. The visits will involve three link inspectors visiting a local authority for two days, focusing on one or two specific aspects of the local authority's work. The output is a letter to the Chief Executive Officers which is published on our website. We will also be inspecting Ceredigion and Caerphilly local government education services. We will be carrying out field work in all local authorities on the Implementation of the Additional Learning Needs and Education Tribunal [Wales] Act 2018 in non-maintained settings, primary and secondary schools, and all-age schools Year 2. This review follows on from the year 1 review of the implementation of the ALNET Act in schools, which was published in September 2023.





CIW planned work 2023-25	Scope	Timetable	Status
<p><b>Performance review of Local Authorities</b></p>	<p><u>We continue to inspect Local Authorities in line with our updated Code of Practice for our local authority inspection activity</u></p> <p><u>How we inspect local authority services and CAFCASS Cymru</u></p> <p>We published our report for Flintshire County Council children and adult services in February 2024 – <u>Inspection report for Flintshire County Council’s adults and children’s services published</u></p> <p>We completed a Performance Evaluation Inspection in Monmouthshire County Council between February and March. We will publish our report shortly.</p>	<p>Ongoing</p>	<p>Ongoing</p>
<p><b>Her Majesty’s Inspectorate of Probation – Youth Offending Inspection</b></p>	<p>We supported the delivery of HMIP’s Youth Offending Services Inspection in Denbighshire and Conwy. The report will be published shortly</p>	<p>Awaiting publication</p>	<p>Awaiting publication</p>

## Audit Wales national reports and other outputs published since March 2023

Report title	Publication date and link to report
Supporting Ukrainians in Wales	<a href="#">March 2024</a>
From firefighting to future-proofing – the challenge for Welsh public services	<a href="#">February 2024</a>
Betsi Cadwaladr University Health Board – board effectiveness follow-up	<a href="#">February 2024</a>
Local Government Financial Sustainability Data tool update uses data from the draft 2022-23 accounts	<a href="#">January 2024</a>
Planning for sustainable development – Brownfield regeneration	<a href="#">January 2024</a>
Corporate Joint Committees – commentary on their progress	<a href="#">November 2023</a>
Governance arrangements relating to an employment dispute at Amgueddfa Cymru – National Museum Wales	<a href="#">November 2023</a>
Failures in financial management and governance and losses incurred – Harlech Community Council	<a href="#">November 2023</a>
Putting out the false alarms: Fire and Rescue Authorities’ responses to Unwanted Fire Signals	<a href="#">October 2023</a>
Covering teachers’ absence – follow-up (letter to the Public Accounts and Public Administration Committee)	<a href="#">October 2023</a>
NHS workforce – data briefing	<a href="#">September 2023</a>



Report title	Publication date and link to report
Income Diversification for National Park Authorities in Wales	<a href="#">September 2023</a>
Approaches to achieving net zero across the UK	<a href="#">September 2023</a>
Springing Forward: Lessons learnt from our work on workforce and assets (in local government)	<a href="#">September 2023</a>
NHS finances data tool – to 31 March 2023	<a href="#">September 2023</a>
Public interest reports – Ammanford Town Council and Llanferres Community Council	<a href="#">September 2023</a>
Cwm Taf Morgannwg University Health Board – Quality Governance Arrangements Joint Review Follow-up	<a href="#">August 2023</a>
'Cracks in the Foundations' – Building Safety in Wales	<a href="#">August 2023</a>
Maximising EU funding – the Structural Funds Programme and the Rural Development Programme	<a href="#">June 2023</a>

## Audit Wales national reports and other outputs (work in progress/planned)<sup>1, 2</sup>

Title	Indicative publication date
Findings from community pharmacy data matching pilot	April 2024
A465 Section 2 – update	May 2024
Financial management and governance in town and community councils	May/June 2024
Local government digital strategy review – national summary	June 2024
Local government use of performance information, outcomes and service user perspective – national summary	June 2024
Affordable housing	Summer 2024
Active travel	Summer 2024
NHS finances data tool – to 31 March 2024	Summer 2024

<sup>1</sup> We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. Follow-up work could also lead to other outputs, as may other local audit work where we consider there is merit in a national summary output of some kind.

<sup>2</sup> We have also published a paper on our website – [Our work programme for 2023-2026](#) – that provides additional detail about our national work (including local thematic reviews). In addition to new work that we will be taking forward in 2023-24, the paper includes details about indicative topics for work to start in 2024-24 or 2025-26. We have recently identified plans for new areas of work to start during 2024-25 in our Annual Plan 2024-25.

Title	Indicative publication date
NHS workforce planning (national messages)	Summer 2024
Cancer services	Late summer 2024
Findings from GP registration data matching pilot	Late summer 2024
National Fraud Initiative – biennial report	Autumn 2024
Addressing biodiversity decline (pan-public sector and at Natural Resources Wales)	Pan-public sector review – autumn 2024  NRW to be confirmed (scoping)
Welsh Government capital and infrastructure investment	Late autumn 2024
Findings from sustainable development examinations (statutory report under the WFG Act)	By early May 2025
The senior public service	Scoping underway, delivery planned early summer
Challenges for the cultural sector	To be confirmed (scoping)
Rebalancing care and support	To be confirmed (scoping)
Tackling NHS waiting lists (local audit work at health boards)	To be confirmed (local work at each Health Board starting in May 2024)
Access to education for children with Additional Learning Needs	To be confirmed (scoping)

Title	Indicative publication date
Velindre Cancer Centre	To be confirmed (scoping)
Further and higher education funding and oversight – Commission for Tertiary Education and Research	To be confirmed (scoping)
Support for business	To be confirmed (starting in 2024-25)
Support for bus and rail services	To be confirmed (starting in 2024-25)
Progress with investment in school and college buildings through the Sustainable Communities for Learning Programme	To be confirmed (starting in 2024-25)
NHS bodies' approaches to digital transformation (local audit work)	To be confirmed (starting in 2024-25)

## Good Practice Exchange events and resources

Title	Link to resource
<p><b>Audit Committees: 'What does good look like?'</b>            Research and Development work to understand the broad audit committee landscape across all sectors in Wales. Outputs to support Good Practice Exchange events and potential future audit work.</p>	<p>Research and Development work            September – December 2023            Good Practice Event            Spring 2024</p>

Title	Link to resource
<p><b>Audit Committees: Effective practices and a positive impact</b></p> <p>Good governance arrangements are a critical part of how public service organisations function effectively and deliver value for money services for the citizens and communities of Wales. Audit Committees are one of the foundation stones that support good governance. With significant current and future pressures on public sector finances, there is an increasing need for effective practices and a positive impact. Audit Committees play a vital role in this. This event provides an opportunity to share experiences, learn, and network with peers across the public sector in Wales.</p>	<p><a href="#">Register for this event – Audit Committees: effective practices and a positive impact – Cardiff City Stadium, Wed 22 May 2024 10 am to 3:30 pm (tickettailor.com)</a></p>
<p>The Good Practice Exchange – Our yearly round up of events and resources</p>	<p><a href="#">December 2023</a></p>

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## REPORT

**SUBJECT: Annual report of Freedom of Information (FOI), Data Protection Act (DPA) Breaches, Data Subject Access Requests (DSARs)**

**MEETING: AUDIT COMMITTEE**

**DATE 6th June 2024**

### **1. PURPOSE:**

1.1 The purpose of this report is to inform members of how we manage our legal responsibilities towards the Freedom of Information (FOI) and Data Protection Act (DPA). These responsibilities are met wholly by the actions of staff and the policies and procedures that are in place. We will also present you with relevant performance statistics for you to evaluate.

### **2. RECOMMENDATIONS**

2.1 Members are asked to scrutinise to review and assess the Council's arrangements for managing and responding to information requests and breaches and to consider the adequacy and effectiveness of those arrangements.

### **3. KEY ISSUES:**

3.1 Information is a key resource alongside finance and people. Our use, storage and publication of information is governed by legislation in the form of the Freedom of Information and Data Protection Acts. Non-compliance with this legislation can result in financial penalties in severe cases. However, any financial penalties we incur are not as damaging as the disruption to our operational services or the loss of personal data.

3.2 The majority of our information is held in digital format, and modern flexible working practices have increased risk of data loss from cyber-crime or human error. Where personal information is compromised it's called a data breach, and there are protocols to follow to minimise the effects, or harm, to the people concerned.

3.3 The statistical data included in this report isn't just for information. It is actively used to target changes in the way we record information, making it easier to extract the relevant data on request. It is also used to assess the training needs of the organisation and to focus that training to services with a higher risk of a data breach.

### **4. FREEDOM OF INFORMATION**

4.1 Under the Freedom of Information Act (FOIA) 2000 and Environmental Information Regulations (EIR) 2004, members of the public are entitled to request copies of recorded information that the Council holds.

Requests can be for any information we hold. EIRs are requests for environmental matters. Information held may be in digital form, paper form or recordings. We do not have to create information if it is not held at the time of request.

Requests may be received via the Contact Centre, website, email, social media or written letter. EIRs can also be submitted verbally. FOIs and EIRs can be received by any member of staff and should be forwarded to the FOI team.

Once received by the Council, we have 20 working days to provide the response, if held, or to supply a refusal. It is the responsibility of the service departments to search for, collate and redact the information before it is submitted to the requestor.

We can only refuse to disclose information if it is covered by an exemption (FOI) or exception (EIR). Examples include personal data of third parties, safeguarding security, disclosure would adversely affect and course of justice.

Some FAQ datasets are held on our website for ease of responding to common themes.

Responses are normally sent in the same manner as request received – email, post etc. Enquirers can request alternative formats and methods of return.

If an enquirer is dissatisfied with the response, they can request an Internal Review which is carried out by the Senior Information Risk Officer (SIRO).

The number of requests received by Monmouthshire in recent years are documented in the following table. All statistics related to FOI compliance are now published on the [FOI page of the Corporate website](#).

#### 4.4.1 Breakdown of last financial year (April 2023 to March 2024)

Financial Year	Number of requests received
2020-21	796
2021-22	932
2022-23	992 (250 EIR, 742 FOI)
2023-24	1159 (292 EIR, 867 FOI)

	2020/21	2021/22	2022/23	2023/24
Requests received	796	932	992	1159
Requests closed on time	394 (50%)	685 (73%)	909 (92%)	1069 (92%)
Internal Reviews	5	11	19	25

#### 4.4.2 Internal Reviews (IR) are undertaken when the council has failed to provide FOI information within the legislative timescales or where the requestor believes we have sent inaccurate or incomplete information.

Members will note an increase in the number of Internal Reviews over the last 4 years. This is because:



- The FOI/EIR requests received are more complex and therefore take more time and resource to complete them.
- The FOI team actively promote the IR facility to ensure we assist members of the public to understand what we are able to do under the specific legislation and to help them find an informal resolution to their query before it is escalated to the ICO.
- A significant number of these reviews have been requested by a single enquirer.

#### 4.4.3 Current overview of this calendar year (2024):

1st January 2024 - 16th May 2024

Requests received	423
Requests closed	381
Requests closed on time	361 (95%)
Internal Reviews	8
Informal Responses*	57

*\*These queries were closed by FOI team as 'course of business' to reduce the administrative burden of departments.*

- 4.5 FOI requests are allocated into the service areas that 'own' the response by the statutory deadlines. This is to help Members identify where the FOI requests are targeted, and where we may store information differently to help people to self-serve.

<b>Service Area</b>	<b>Number of requests (2023/24 Financial year)</b>
Communities & Place	332
Children and Young People	97
Mon Life	52
Other (inc. Whole Org.)	42
People & Governance	58
Law & Governance (2024)	5
Policy & Performance	48
Resources	221
Social Care, Health and Safeguarding	304
<b>TOTAL</b>	<b>1159</b>

- 4.6 The Information Governance Officer has met with various service area leads to address the need for prompt action. Bespoke training is now being administered to specific service areas so that any issues with answering FOI/EIR requests can be addressed.
- 4.7 Considerable effort is being made to 'signpost' people to readily available information rather than respond in detail to an information request. This is linked to opening up our data on our website in order for people to self-serve. It should be noted that, up to 16<sup>th</sup> May 2024, the FOI team have responded (in full or part) to 32% of total information requests themselves.

## 5. DATA PROTECTION ACT BREACHES

- 5.1 Under Article 33 of the UK GDPR 2018, the Council must report any breaches of data to the supervisory authority unless it is unlikely to result in a risk to the rights and freedoms of natural persons. The supervisory authority for the Council is the Information Commissioner's Office (ICO).

All staff are asked to alert the Data Protection Officer if they suspect a breach of personal data. This information is assessed as to whether it is an actual breach and if there is any potential 'harm' to the person (the data subject) whose information has been shared in error.

All potential breaches are investigated thoroughly and logged alongside any relevant information. If it is necessary to report the breach to the ICO, then this must be done within 72 hours of being alerted to the issue. The ICO then make a judgement as to whether the breach was preventable and whether all preventative steps had been taken. They also have the power to issue fines if a serious infringement has occurred. They may, alternatively, issue warnings, reprimands or recommendations.

If a person or organisation has received any personal data of another person/s in error, then they are asked to return, delete or destroy that data. They are also asked to sign a containment form to confirm this.

In most cases, the data subject is also informed that the breach has occurred.

- 5.2 Breaches can be reported to us from internal or external sources and in any way. We encourage breach reporting of any kind so we can evaluate whether they are serious or not. We don't expect people to have that degree of knowledge of what constitutes a breach. Once reported, breaches are documented and categorized.
- 5.3 The tables below set out the number of breaches split into directorates and type. It is useful to note that the whole council is classed as a single 'data controller', whilst each school is its own 'data controller' so is responsible for its own data protection management. Table iii shows the number of breaches notified to the ICO.

*Table i - Number of Data Breaches recorded 1<sup>st</sup> April to 31<sup>st</sup> March (all data in the subsequent tables refer to data collected between these dates)*

Directorate	Number of Data Breaches		
	2021/22	2022/23	2023/24
Chief Execs	2	3	1
Children & Young People	10	12	10
Enterprise (Communities & Place)	6	13	10
Mon Life	n/a	4	1

People & Governance	n/a	3	2
Policy, Performance & Scrutiny	n/a	1	2
Resources	6	0	0
Schools ( <i>own Data Controllers</i> )	16	21	16
Social Care, Health & Safeguarding	29	32	24
<b>TOTAL</b>	<b>69</b>	<b>89</b>	<b>66</b>

Table ii - Type of data breach

	2021/22	2022/23	2023/24
Cyber Security Issue	0	0	0
Email**	55	70	52
Paper Records	3	11	3
Laptop/other devices	0	0	0
Other*	11	8	11
<b>TOTAL</b>	<b>69</b>	<b>89</b>	<b>66</b>

\* 'Other' breaches include electronic records shared or accessed incorrectly, records not redacted accurately, or photographs being shared without consent

\*\* Emails continue to account for a high proportion (79%) of all breaches in 2023/24. This is minor in proportion to the millions of emails sent from MCC accounts each year.

Table iii - Number of Data Breaches reported to the ICO

	2021/22	2022/23	2023/24
Corporate	3	2	1
Schools	0	0	0
<b>TOTAL</b>	<b>3</b>	<b>2</b>	<b>1</b>

- 5.4 The Data Breach that was reported to the ICO in **Table iii** did not result in any penalties or sanctions by them. When responding, the ICO issued a 'checklist' to support learning and training of staff with no further action from themselves.

Table iv - Number of Data Incidents ('near miss breaches')

	2021/22	2022/23	2023/24
Corporate	7	19	31
Schools	1	1	3
<b>TOTAL</b>	<b>8</b>	<b>20</b>	<b>34</b>

- 5.5 The Data Incidents referred to in **Table iv** relate to issues that have occurred where some personal data may have been compromised or lost but has not resulted in a breach. For example, an attachment being sent to the incorrect email address, but the password for the attachment was not shared, would be recorded as an 'incident' as no personal data was accessed by an incorrect recipient.
- 5.6 These Data Incidents, or 'near misses' provide good learning opportunities for staff to reflect on practices and can often instigate change in a process to ensure a breach is not incurred in future. It is pleasing that more incidents of this nature are being reported so that the cause of these can be investigated.

- 5.7 Records are kept of data breaches/incidents caused by other organisations that contain MCC data. For example, a member of a Health Board sharing a MCC care report with an incorrect person which resulted in a breach of personal data. These breaches are followed up robustly with the external organisation and recorded for reference purposes. For service areas who deal with a large amount of personal data, bespoke face to face training is also provided.

*Table v - Number of External Organisation Breaches and Incidents*

	2021/22	2022/23	2023/24
Corporate	6	5	7
Schools	1	2	1
<b>TOTAL</b>	<b>7</b>	<b>7</b>	<b>8</b>

- 5.8 Data Protection Impact Assessments (DPIA) are drawn up when services adopt new systems to ensure we are considering the implications of the data protection principles.

## 6. DATA SUBJECT ACCESS REQUESTS

- 6.1 Under Article 15 of the UK GDPR 2018, an individual is entitled to receive a copy of any records containing their personal data that are held by the Council.

Requests may be received via the Contact Centre, website, email, written letter or via a conversation with a member of staff.

Personal detail collection forms are sent to the requester to confirm their identification.

On receipt of confirmed identification, the Council have one calendar month to respond to the requester. All requests are recorded and sent to the pertinent service to process.

Records that contain third party information need to be redacted so that this information is not visible to the requester.

The records may be returned to the requester in paper or electronic format. This is agreed with the requester at the start of the process.

- 6.2 The vast majority of DSARs relate to Social Care and, because these records can go back many years, responding to these requests is quite an undertaking. The number of DSARs therefore may not reflect the resources needed to collate the information. The volume of requests has increased significantly in the last two financial years and is becoming even more resource intensive.

- 6.3 For the purposes of this report, the number of DSARs received and responded to is shown in the table below. This includes a breakdown of the main request service areas.

- |     |                        |           |
|-----|------------------------|-----------|
| 6.4 | Financial Year 2020/21 | 49 DSARs  |
|     | Financial Year 2021/22 | 61 DSARs  |
|     | Financial Year 2022/23 | 94 DSARs  |
|     | Financial Year 2023/24 | 108 DSARs |

- 6.5 **Number of Data Subject Access Requests for Financial Years (as current data stands)**

<b>Data Subject Access Requests</b>	<b>2020/21 Number</b>	<b>2021/22 Number</b>	<b>2022/23 Number</b>	<b>2023/24 Number</b>
Children's Services	31	41	69	57
Adult Services	6	4	9	16
Mixed Children's and Adult Services	3	2	10	4
Whole Authority	9	14	6	31
<b>TOTAL</b>	<b>49</b>	<b>61</b>	<b>94</b>	<b>108</b>
<i>Number of individual requestors above</i>	41	47	67	88
<i>Number of 'on time' replies (28 days)</i>	57%	59%	64%	65%
<i>Number of enquiries received (Missing Persons/Proof of Life etc.)</i>	<b>13</b>	<b>6</b>	<b>11</b>	<b>31</b>

**7. CONSULTEES:**

Information, Security and Technology Team  
Chief Officer Resources

**8. BACKGROUND PAPERS:**

FOI requests, DPA breach notifications & DSARs records

**AUTHOR:** Sian Hayward – Head of Information Security and Technology & SIRO

**CONTACT DETAILS:**

Tel: 01633 344309 / 07971 893998

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**SUBJECT: INTERNAL AUDIT SECTION  
CONTRACT PROCEDURE RULES -  
EXEMPTIONS**

**DIRECTORATE: Resources**  
**MEETING: Governance & Audit Committee**  
**DATE: June 2024**  
**DIVISION/WARDS AFFECTED: All**

## **1. PURPOSE**

- 1.1 To consider the adequacy and appropriateness of the exemption process from the Authority's Contract Procedure Rules.
- 1.2 To inform the Governance and Audit Committee of the number of exemptions requested by operational managers and to identify any noncompliance with the process or adverse trends.

## **2. RECOMMENDATION(S)**

- 2.1 That the Governance and Audit Committee accepts and acknowledges the justifications for the exemptions provided by operational officers.
- 2.2 If the justifications are not accepted, then consideration should be given to calling in the respective operational officer and their respective Head of Service to further account for the reasons why they could not comply with the Council's Contract Procedure Rules at the time of the procurement.
- 2.3 That the Governance and Audit Committee receive an updated report in 6 month's time.

## **3. KEY ISSUES**

- 3.1 To ensure compliance with the Council's Contract Procedure Rules in the way goods, works and services are procured on behalf of the Authority.
- 3.2 Reassurance that the exemption process from Contract Procedure Rules is operating as intended by managers procuring goods, works or services on behalf of the Authority.

- 3.3 Some operational managers procuring goods, works and services on behalf of the Authority may not be as familiar with Contract Procedure Rules and the exemption process as they should be.

#### **4. REASONS**

- 4.1 Contract Procedure Rules (CPR) were revised and updated in 2020/21 and approved by Council as part of the update of its Constitution in March 2021.
- 4.2 The previous report regarding CPR Exemptions was presented to the Governance & Audit Committee in November 2023.
- 4.3 A number of potential legislative changes with regards to Procurement are being discussed by UK Government and the Senedd which may result in the Councils Contract Procedure Rules requiring an update within the next 12 months.
- 4.4 Previously, managers have been invited to attend a Governance & Audit Committee meeting to explain to Members their reasons for seeking an exemption rather than complying with the Council's Contract Procedure Rules. The Acting Chief Internal Auditor is not recommending that any managers be called in to the Governance and Audit Committee as a result of this report.

#### **5. EXEMPTIONS - Background**

- 5.1 Although the Contract Procedure Rules were written to ensure a consistent and fair approach to how officers procure works, goods and services on behalf of the Council, there will be occasions where full compliance may not be appropriate or possible. Provided there is sufficient justification and appropriate approval for not following these rules the policy recognises this.
- 5.2 Management need to ensure that the use of exemptions is proper and they are not being used for convenience or to avoid following CPRs. Exemptions from CPRs are therefore currently administered by Internal Audit, although approvals are given by Heads of Service, Chief Officers and/or Cabinet Members.
- 5.3 As detailed within the previous report to the Governance & Audit Committee, forms are sometimes not returned back to the Internal Audit team after being requested. These exemptions may not have been ultimately needed by the service managers but they may not have notified Internal Audit of this. Despite an extensive exercise, for the previous reporting period, November 2021 to September 2023, 7 forms remain outstanding with service managers and it has not been possible to determine whether or not the correct authorisation procedures had been followed.



- 5.4 It is important to note that this process only captures the exemptions which have been requested via and returned to Internal Audit.
- 5.5 Comprehensive guidance documents and a set of FAQ's are available via the internal MCC Hub for Officers who conduct procurement exercises. This includes specific guidance on Exemptions to the Contract Procurement Rules.
- 5.6 The correct process is as follows:
- Obtain a sequentially numbered exemption form from Internal Audit
  - Record the reason for requesting the exemption on the form
  - Check that Procurement Team are happy with the justification of the exemption
  - Obtain the appropriate level of approval
  - Return the fully signed off and approved form to Internal Audit.

## **6. EXEMPTIONS - Summary**

### **6.1 EXEMPTIONS – October 2023 – March 2024 [349 - 365] [Appendix 3]**

Of the 9 requested exemptions.

- 4 were returned to Internal Audit as required and were correctly authorised
- 1 was authorised by the Head of Service but was missing commentary from Procurement.
- 1 was no longer required after the form was issued
- 3 were not returned to Internal Audit

6.2 The comments of the Acting Chief Internal Auditor regarding the requested exemptions can be seen within the table at Appendix 3. It was pleasing to note that where forms had been returned, these contained appropriate justifications as to why an exemption was required.

6.3 However, out of 9 forms issued 3 have not yet been returned. The respective offers were contacted on a number of occasions prior to writing this report to ascertain their current status but no properly completed and authorised form has yet been received by Internal Audit. These were all within the same service area and this has been raised with the respective Chief Officer. We were informed that for each of these, they were for an extension of an existing contract. This extension has already taken place, without the necessary approval being demonstrated in accordance with the Councils Contract Procedure Rules. These are detailed within Appendix 3 (No's. 447, 448, 449).

## **8. RESOURCE IMPLICATIONS**

None.

**9. CONSULTEES**

Deputy Chief Executive & Chief Officer Resources

**10. BACKGROUND PAPERS**

Internal Audit CPR Exemption Logs

**11. AUTHOR AND CONTACT DETAILS**

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**AUDIT COMMITTEE JUNE 2024**

**CONTRACT PROCEDURE RULES - EXEMPTIONS**

**APPENDIX 1**

**Contract Procedure Rules  
Exemption Forms Log**

		Period	Exemption Ref	No' of exemption requests	Cumulative
Report 1	January 2011	April 2009 to 31 Aug 2010	1 – 41	41	41
Report 2	November 2012	September 2010 to August 2011	42 – 60	19	60
		September 2011 to August 2012	61 – 92	32	92
Report 3	May 2013	September 2012 to March 2013	93 – 102	10	102
Report 4	December 2013	April 2013 to October 2013	103 - 117	15	117
Report 5	July 2014	November 2103 to May 2014	118 - 132	15	132
Report 6	December 2014	June 2014 to October 2014	133 - 141	9	141
Report 7	July 2015	November 2014 to May 2015	142 - 174	33	174
Report 8	December 2015	June 2015 to October 2015	174 - 179	5	179
Report 9	June 2016	November 2015 to May 2016	180 - 194	15	194
Report 10	December 2016	June 2016 to October 2016	195 - 207	13	207
Report 11	November 2017	November 2016 to May 2017	208 - 222	15	222
Report 12	November 2018	June 2017 to October 2017	223 - 246	24	246
		November 2017 to May 2018	247 - 259	13	259
Report 13	July 2019	June 2018 to October 2018	260 - 272	13	272
		November 2018 to May 2019	273 - 280	8	280
Report 14	May 2021	June 2019 to October 2019	281 - 291	11	291
		November 2019 to May 2020	292 - 300	9	300
		June 2020 to October 2020	301 - 312	12	312

Report 15	June 2021	November 2020 to April 2021	313 - 333	21	333
		May 2021 to October 2021	334 - 348	15	348
Report 16	October 2023	November 2021 to March 2022 * 5 month period	349 - 365	17	365
		April 2022 to September 2022	366 - 397	32	397
		October 2023 to March 2023	398 - 420	23	420
		April 2023 to September 2023	421 - 440	20	440
Report 17	May 2024 (this report)	October 2023 to March 2024	441 - 449	9	449

## APPENDIX 2

### EXTRACT FROM CONTRACT PROCEDURE RULES

#### 4. Exempt Contracts

The following contracts are exempt from the requirements of Contract Procedure Rules:

- a) contracts of employment which make an individual a direct employee of the Council (this exemption does not extend to the recruitment of agency staff)
- b) contracts relating solely to the disposal or acquisition of an interest in land and property.
- c) Contracts for the execution of mandatory works by statutory undertakers, such as utilities providers.
- d) use of the Council's in-house services
- e) individual care packages or education placements where it is considered in the Council's interest or the Council is required to meet obligations under relevant legislation
- f) orders placed under a corporate framework arrangement or contract arranged for the Council by the Strategic Procurement Manager.
- g) unconditional grants by the Council
- h) In a genuine emergency threatening public health, injury to persons or serious and immediate damage to property, an Authorised Officer can take any necessary action to alleviate the threat. This power is limited to the alleviation of the threat and does not extend to any Works beyond what is strictly essential.

An exemption form does not need to be completed for any of the reasons stated in clause 4.

## 5. Exemption Process

- a) In exceptional circumstances an Authorised Officer can request an exemption from the Council's Contract Procedure Rules. No exemption will be considered where the value of such action exceeds the EU procurement thresholds or any subsequent UK Government threshold. Approval has to be obtained in the first instance by the completion of the "Request for Exemption from Compliance with the Contract Procedure Rules", which can be obtained from Internal Audit.
  
- b) Where approval has been granted Contract Procedure Rules shall not apply to the following:
  - I. Purchase by auction or works of art-artists
  - II. Single tender action where a single contractor or a proprietary item or service of a special character is required and justified.
  - III. Extensions of existing contracts where the extension is in accordance with the terms & conditions, specification, rates and/or prices of the original Contract award and where provision for the extension was provided for in the original contract notice.
  - IV. Extensions of consultancy contracts (where the combined original value and extension value do not exceed any EU/UK thresholds), where continuation of Services is deemed necessary, and where the particular knowledge and understanding of the requirement is intrinsically linked to the supplier, and no suitable supplier could undertake the work without undue delay or additional/further cost.

Poor planning or insufficient time is not justification for seeking an exemption.

## 39. Contract Extension

- c) Where the terms of the contract and the original procurement exercise do not expressly provide for an extension, the contract may only be extended in exceptional circumstances, where legislation permits and value for money issues

have been addressed. Such decisions will be made by the relevant Authorised Officer, Internal Audit & the Strategic Procurement Manager.

### APPENDIX 3

#### EXEMPTIONS – October 2023 to March 2024 [441 - 449]

No	Requester	Details / comment	Estimated Contract Value	Service Area	Date Issued	Correctly Completed & Authorised	Date Returned to Internal Audit	Reason for Exemption	Chief Internal Auditor Comments
441	RD	Animal Breeding Trading Standards Project Team - additional modules to system.	£75k	C&P	04/10/23	Yes	17/10/23	CPR 5 b) II	The reason for an extension to the original contract was justified within the report.
442	JH	SIMS / ESS migration	n/a	CYP	16/10/23	n/a	n/a	n/a	The exemption request was cancelled as it was not required.
443	RC	Works relating to the miniature railway	£15k	MonLife	09/11/23	Yes	04/05/24	CPR 5 b) II	This was a retrospective approval. The report justifies the exemption request and demonstrates that attempts had been made to secure alternative quotes.
444	DB	Art Project	£16k	MonLife	11/12/23	Yes	02/04/24	CPR 5 b) II	The use of a specialist supplier was justified within the report.
445	NV-B	Pobl - Hereford Road	£170k	SCH	19/01/24	Yes	04/10/24	CPR 5 b) II	Justification was provided within the report detailing why an exemption was appropriate.
446	CP	Replacement Weather Station	£25k	C&P	20/02/24	No	03/07/24	CPR 5 b) II	No comments had been included on the form from Procurement. The report justifies the use of the supplier.
447	CT	Retrospective approval of Gully Cleaning Contract Extension	£600k	C&P	27/02/24				No paperwork has been returned. This was looking for a retrospective approval.
448	LC	Abergavenny green waste for one/two months	£70k	C&P	12/03/24				No paperwork has been returned. The contract has been extended.
449	LC	Print waste for up to six months	£370k	C&P	12/03/24				No paperwork has been returned. The contract has been extended.





<b>SUBJECT:</b>	<b>INTERNAL AUDIT Annual Report 2023/24</b>
<b>DIRECTORATE:</b>	<b>Resources</b>
<b>MEETING:</b>	<b>Governance and Audit Committee</b>
<b>DATE:</b>	<b>June 2024</b>
<b>DIVISION/WARDS AFFECTED: All</b>	

## 1. PURPOSE

To receive and consider the Annual Internal Audit Report for 2023/24.

## 2. RECOMMENDATION(S)

That the Governance and Audit Committee receive, comment on and endorse the Annual Report.

## 3. KEY ISSUES

- 3.1 The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual opinion based upon and limited to the work performed on the overall adequacy and effectiveness of Monmouthshire County Council's framework of governance, risk management and internal control. This is achieved through a risk-based plan of work, agreed with management, which should provide a reasonable level of assurance. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 3.2 The audit opinions issued reflect the level of assurance obtained; these are shown at Appendix B. **34** audit opinions were issued during 2023/24 ranging from Substantial to Limited assurance (a total of 22 opinions were issued in 2022/23). The overall opinion was **Reasonable assurance**, which indicates *There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.*
- 3.3 **8 Limited assurance** opinions were issued.

- 
- 3.4 The 2023/24 Audit opinion is partially reliant on previous work undertaken by the team where Reasonable Assurance opinions were issued; there have been no significant changes to the organisation's systems or key personnel and no major frauds were identified.
  - 3.5 Internal Audit opinions on the work undertaken at the SRS by Torfaen Internal Audit team were also taken into consideration.
  - 3.6 The Internal Audit team achieved 82% of the agreed 2023/24 audit plan against a target of 80% (72% in 2022/23).

#### **4. REASONS**

- 4.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for internal audit in accordance with the Local Government Act.
- 4.2 Internal Audit is an independent function established by the management of Monmouthshire County Council to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 4.3 In line with the Public Sector Internal Auditing Standards (PSIAS), the Chief Internal Auditor should present a formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment, governance arrangements and risk management processes. The Standards require an external review of Internal Audit to be completed at least every five years. An External Quality Assessment (EQA) was completed during the 2023/24 financial year by the Acting Audit Manager of Caerphilly County Borough Council, this found that the Internal Audit team were 'Generally Compliant' with the PSIAS. The results of the EQA was reported to the Governance & Audit Committee at the April 2024 meeting.

#### **5. RESOURCE IMPLICATIONS**

None.

#### **6. CONSULTEES**

Deputy Chief Executive / Chief Officer (Resources) & S151 Officer

#### **7. BACKGROUND PAPERS**

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Internal Audit Annual Report  
Operational Internal Audit Plan 2023/24  
Public Sector Internal Auditing Standards  
Shared Resource Service (SRS) – Internal Audit Annual Report  
2023/24 (Torfaen IA Team)

**8. AUTHOR AND CONTACT DETAILS**

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monmouthshire  
sir fynwy

# INTERNAL AUDIT ANNUAL REPORT 2023/24



Date of Report Issue

June 2024

Report Author

Jan Furtek, Acting Chief Internal Auditor  
Page 88

## 1. Introduction

- 1.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for internal audit in accordance with the Local Government Act.
- 1.2 The Regulations state that the Responsible Finance Officer (S.151) of the organisation shall maintain an adequate and effective internal audit of the accounts of that organisation and its systems of internal control. Internal Audit undertakes this role on behalf of the S.151 Officer. Internal Audit is seen as an independent function established by the management of Monmouthshire County Council for the review of the internal control system as a service to the organisation. It enhances and protects organisational value by providing risk-based and objective assurance, advice and insight.
- 1.3 In line with the Public Sector Internal Audit Standards, the Chief Internal Auditor should present a formal annual report to the Governance and Audit Committee which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment. The annual report should also:
- a. disclose any qualifications to that opinion, together with reasons for the qualification;
  - b. present a summary of the audit work undertaken to formulate the opinion;
  - c. draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the annual governance statement (to be reported separately);
  - d. compare the work actually undertaken with that planned and summarise the performance of the internal audit function against its performance measures and criteria;
- 1.4 This report is the Annual Internal Audit Report which meets the requirements of the Standards. It provides the overall audit opinion for Members on the internal controls operating within the County Council and provides a summary of the work completed during the year, identifying key findings and outcomes from the work undertaken. It also outlines the performance of the Internal Audit team during the year against agreed pre-set targets.
- 1.5 The internal controls operating within the Council are of a complex nature, reflecting the organisational arrangements. Internal Audit plans its work to address the major risks that the Authority faces. That work

is not designed to check the work of others but to comment on the controls in place to protect the Council from loss of assets or inefficient operations, whatever the cause.

- 1.6 The objectives of the Section for the year were: -
- (a) To deliver an internal audit service in accordance with the Public Sector Internal Auditing Standards and meeting statutory requirements;
  - (b) To undertake risk-based assessments of the Authority's internal control environment and hence contribute to the Annual Governance Statement;
  - (c) To maintain and enhance the audit involvement in all areas as an aid to good financial stewardship and protection of public funds.

## 2. Audit Opinion

- 2.1 In 2023/24, based on the planned work undertaken during the year, overall, the systems and procedures in place were adequately controlled, although risks were identified which could compromise the overall control environment; improvements are required. The opinion definitions are noted at Appendix A.
- 2.2 The overall audit opinion for the internal controls operating within the Council in 2023/24 was **Reasonable assurance**:

The Internal Audit team has completed its internal audit work for the year based upon the Operational Audit Plan approved by the Audit Committee in July 2023. The Plan was designed to ensure adequate coverage over the Council's financial and operational systems using a risk based assessment methodology.

The audit work included reviews, on a sample basis, of each of these systems/establishments sufficient to discharge the Authority's responsibilities for Internal Audit under section 151 of the Local Government Act 1972 and The Accounts and Audit (Wales) Regulations 2014. The opinion is based upon the work undertaken. Work was planned in order to provide sufficient evidence to give me reasonable assurance of the internal control environments tested.

The 2023/24 Audit opinion is partially reliant on previous work undertaken by the team where Reasonable Assurance opinions were issued; there have been no significant changes to the organisation's systems or key personnel and no major frauds were identified.

Internal Audit opinions on the work undertaken at the SRS by Torfaen Internal Audit team were also taken into consideration.

Based on the planned work undertaken during the year, in my view the internal controls in operation give **Reasonable Assurance**; *There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.*

The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Jan Furtek  
Acting Chief Internal Auditor  
June 2024

- 2.3 On undertaking audit reviews in accordance with the Annual Audit Plan, an opinion is given on how well the internal controls of the system or establishment are operating. Internal audit reports provide a balanced view of the controls in place. The opinion is determined by the number of strengths and weaknesses identified during the course of the review and the risk rating and priority given to each. Each audit review undergoes a comprehensive review process by the Chief Internal Auditor and/or Principal Auditor before the draft report is sent out to management. The controls are generally measured against a predetermined matrix of expected internal controls for each system; for fundamental systems these are usually derived from CIPFA.

2.4 The overall opinion has been compiled from individual audit reviews undertaken during the year [see Appendix B] and consideration of the previous years' Internal Audit opinion:

Audit Opinion	2021/22	%	2022/23	%	2023/24	%
Substantial	5	25	7	32	8	23.5
Considerable	6	30	10	45	-	-
Reasonable	7	35	4	18	18	53
Limited	2	10	1	5	8	23.5
No Assurance	-	-	-	-	0	0
	20	100	22	100	34	100

Qualified	-	-	-	-	1	-
Unqualified	3	-	3	-	2	-
	3	-	3	-	3	-

<b>Overall Opinion</b>	<b>Reasonable</b>	<b>Reasonable</b>	<b>Reasonable</b>
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2.5 The Annual Internal Audit Report for the Shared Resource Service (Torfaen CBC Internal Audit Team) will be presented to the July 2024 meeting of the Governance & Audit Committee following it's approved by the SRS Finance & Governance Board.

2.6 The Internal Audit opinions on the work undertaken at the SRS by Torfaen Internal Audit team were taken into consideration within this annual report. The SRS are the Council's IT providers, so assurances have been provided on the adequacy of controls in place within that organisation to demonstrate effective governance, risk management and internal control processes.

2.7 Extract from the Draft Annual Internal Audit Report 2023/24 of the Shared Resource Service - "The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control. The overall opinion is **Satisfactory**.

- A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and
- None of the individual assignment reports have an overall report classification of either high or critical risk.



2.8 Managers within directorates need to ensure that robust internal controls are in place and adhered to in order to ensure that the systems in operation run efficiently and effectively and the scope for misappropriation, theft or error is minimised. Chief Officers and Heads of Service have a responsibility to ensure that the Council's Financial Procedure Rules and Contract Procedure Rules are complied with at an operational level. Staff should be made aware of these and the requirements therein and the consequences of non-compliance.

### **3. Extent of Coverage**

3.1 The Internal Team started the 2023/24 year with an establishment of 5.5 FTE with an Audit Manager and Senior Auditor vacancy (2 FTE). Shortly after the start of the year, the Chief Internal Auditor (0.5 FTE) left the Authority. The Audit Manager commenced in role in late April 2023 and immediately fulfilled the Head of Internal Audit responsibilities for the remainder of the year. No back-fill arrangements were put in place. The collaboration agreement between Monmouthshire County Council and Newport City Council for the shared Chief Internal Auditor service was put on hold while both Councils considered the future operating model for their Internal Audit service.

3.2 During the 2023/24 year, the Deputy Chief Executive / Chief Officer – Resources along with the Chair of the Governance & Audit Committee and the Acting Chief Internal Auditor considered the future delivery model for Internal Audit services within Monmouthshire. A report regarding this was considered by the Governance & Audit Committee in April 2024.

3.3 Over the course of the year, the Senior Auditor post was successfully recruited to with the post holder commencing work in August 2024.

3.4 When completing the Internal Audit plan for 2023/24 provision was included for vacancy periods arising from the full year 0.5 FTE Chief Internal Auditor vacancy and a vacancy period for the Senior Auditor.

3.5 Due to the above vacancies, additional resource was planned to be procured from an outside agency. Originally, an agreement was reached for 40 days (4 reviews) of support, however, due to the budget situation of the Council, only 20 days (2 reviews) was actually provided.

3.6 There have been no significant changes in systems or personnel in key positions and no major frauds have been uncovered.

3.7 Overall, whilst not all planned audits were carried out, the actual number achieved is considered acceptable in view of the relative risk and priorities of other audit needs. Planned audit work not undertaken during the year is shown at Appendix C.

### **4. Audit Coverage**

- 4.1 The full list of audit reviews completed by the Section during the year is shown in the attached Appendix B, together with the relevant internal control opinion issued for each audit.
- 4.2 Control opinions range from Substantial to No Assurance in accordance with the definitions shown in Appendix A. In June 2023 it was agreed with the Governance & Audit Committee that the audit opinions used by the Internal Audit team would be revised to bring them in line with those recommended by CIPFA for use across the UK public sector.
- 4.3 During the course of the year, the audit team revised the report format to ensure that the reports provide clear findings and recommendations. The new report format has been positively received across the organisation.
- 4.4 Audit reviews concluding with a control opinion of Limited assurance are routinely reported (in summary form) to the Governance and Audit Committee. For 2023/24, 8 **Limited assurance** opinions were issued; further details are included within Section 5 of this report. The significant increase of the number of reviews where a negative assurance rating was provided is of concern and will need to be closely monitored to see if any pattern emerges.
- Chepstow School
  - Till Float Reconciliations
  - Commissioning & Contracts
  - Employee General Expenses
  - Employee Travel Claims
  - Children Looked After (CLA) Savings
  - Private Sector Leasing
  - Democratic Services & Governance
- 4.5 The added value, non-opinion work undertaken by Internal Audit is shown at Appendix D; this is mainly financial advice and monitoring the implementation of the agreed recommendations along with the completion of the Annual Governance Statement.
- 4.6 During the course of the year, the team has completed 5 unplanned (reactive) pieces of work in addition to the completion of the audit plan.
- Till Float Reconciliations
  - Employee General Expenses
  - Employee Travel Claims
  - National Fraud Initiative - CTRS/Elec Reg December deadline
  - Internal Audit migration to the Sharepoint system – although this was not ‘audit work’ it did take up an unplanned amount of time.

## 5. Update on Unfavourable Audit Opinions issued

- 5.1 During the 2023/24 financial year, the Internal Audit team have continued to follow-up reviews where a previous 'Limited' audit opinion had been issued. It is pleasing to confirm that where the most recent follow-up review has been conducted, the area examined has received a more favourable audit opinion.
- 5.2 The tables below detail the unfavourable opinions issued by the Internal Audit Team which had not been followed up prior to the 2022/23 financial year. All those previously followed up had received a more favourable audit opinion and this has been reported to the Committee.
- 5.3 During 2019/20, 8 reports were issued with a **Limited** opinion. 6 of these had already been followed-up with more favourable opinions being issued. The remaining 2 reviews were followed up / finalised during 2023/24. These were as follows:

Year	Assignment	Original Opinion	Revised Opinion
2019/20	Castle Park Primary School	Limited	Substantial
2019/20	Tintern Old Station	Limited	Reasonable

Both of the reviews have been issued with improved audit opinions. This has already been reported to the Committee during the Internal Audit Quarterly update reports.

- 5.4 During 2022/23, 1 **Limited** opinion was issued which required to be followed up during 2023/24 year.

Year	Assignment	Original Opinion	Revised Opinion
2022/23	Our Lady and St Michael's R.C. School	Limited	Reasonable (Draft - March 2024)

It was pleasing to note that the follow-up review of Our Lady and St Michaels RC Primary School has obtained an improved 'Reasonable Assurance' opinion. This report is currently at draft stage and the team are in the process of agreeing management actions with the School to address any areas not yet fully implemented.

- 5.5 During the 2023/24 financial year **8 Limited** audit opinions were issued. It is intended that each of these will be followed up during the 2024/25 year.

The reasons as to why these reviews were considered to be of limited assurance was presented to the Committee over the course of the year via the Chief Internal Auditors quarterly reports, with the exception of those issued during Quarter 4. Extracts from those reports issued during quarter 4 detailing the reasons why the opinion was issued can be found within Appendix G to I of this report. Links are included within the table below to the Committee reports where the other reviews were discussed.

Year	Assignment	Opinion	Date Issued	Details
2022/23	Chepstow School	Limited	August 2023	<a href="#">G&amp;AC - October 2023</a>
2022/23	Till Float Reconciliations	Limited	October 2023	<a href="#">G&amp;AC - February 2024</a>
2022/23	Commissioning & Contracts	Limited	November 2023	<a href="#">G&amp;AC - February 2024</a>
2022/23	Employee General Expenses	Limited	November 2023	<a href="#">G&amp;AC - February 2024</a>
2022/23	Employee Travel Claims	Limited	November 2023	<a href="#">G&amp;AC - February 2024</a>
2022/23	Children Looked After (CLA) Savings	Limited	February 2024	Appendix F
2022/23	Private Sector Leasing	Limited	February 2024	Appendix G
2022/23	Democratic Services & Governance	Limited	March 2024	Appendix H

## 6. Non-Audit Duties

6.1 The team now has a minimal involvement with controlled stationery, although still administers the imprest account process. The audit team have worked over the year to close down the remaining imprest accounts with now only a small number of approved accounts remaining for operational reasons. Internal Audit involvement with this process is now minimal.

## 7. Fraud, Irregularity and Special Work/Investigations

7.1 No major frauds were identified during the year in relation to Monmouthshire's normal business operations.

- 7.2 The Internal Audit team have been involved with 5 special investigations during the course of the year;

S01 – the matter was dealt with in accordance with the Council's Disciplinary Policy, whereby there was an investigation into the facts undertaken by a Investigating Officer. In this instance it was an externally nominated Investigating Officer. In consideration of the findings of the independent investigation report, the evidence and statements within, the nominated officer held a meeting under the Council's disciplinary procedure. The outcome is confidential.

S02 – Work was completed by the Internal Audit team relating to a planned audit where specific concerns and findings needed to be investigated further. No further action was necessary.

S03 – At the request of the Chief Executive, further samples were reviewed in relation to the Unplanned Employee Mileage review which was subject to an unfavourable opinion as detailed above. The findings from this were shared with the Deputy Chief Executive and the Chief Officer – People, Performance & Partnerships.

S04 – Following a request from Gwent Police a concern was investigated. The allegation could not be substantiated and this was reported back to the Police.

S05 – The Chief Officer – Communities & Place requested that the Internal Audit team complete a review into the Wyebridge Car Park project. The findings from this have been reported to the appropriate officers for future improvements.

- 7.2 The Internal Audit Team is responsible for co-ordinating the National Fraud Initiative (NFI) process for the Council, an initiative run by the Cabinet Office. This is a biennial data matching exercise that matches electronic data within and between participating bodies to detect and prevent fraud and overpayments from the public purse across the UK. On an annual basis Council Tax and Electoral Roll data is collated and matched.

## **8. Training**

- 8.1 During the year a number of staff attended external courses / webinars on a variety of topics to ensure continued professional development.
- 8.2 The Section also participates in a number of local audit groups including the Welsh Chief Auditors' Group and the national Chief Auditors Network.
- 8.3 Management fully support the development and training of the audit staff and will continue to send staff to appropriate seminars/courses

etc., to maintain an awareness of technical and legislative developments and to support user groups within the area in order to provide a more effective service. This will be beneficial on a personal and professional level.

## **9. Audit Team Performance**

- 9.1 To ensure a quality Internal Audit service is provided, the Section uses a range of performance indicators which it compares with other Welsh authorities via the Welsh Chief Auditors' Group.
- 9.2 As shown at Appendix G, 82% of the agreed plan was completed against a target of 80%.
- 9.3 Excluding finalisation work from 2022/23, 62 audit jobs were included in the audit plan for 2023/24; 51 jobs were completed to at least draft report stage. [Not all jobs in the plan would warrant an audit opinion e.g. audit advice, Annual Governance Statement, external work etc.].
- 9.4 As a measure of the quality of the work produced, the Team was able to report that 100% of its recommendations were accepted by the service managers. [This does not take into account reports that were in draft at year end]. The percentage of previously agreed recommendations which had been implemented or partially implemented will be reported later in the year.
- 9.5 Getting audit reports out to clients in a timely manner is a key aspect of maintaining relationships and ensuring control weakness are addressed at an early stage.
- a. Final reports were sent out 1.4 days following receipt of management comments, against a target of 5 days.
  - b. Draft reports were sent out to clients 1.8 days after the completion of the audit work against a target of 10 days.
- 9.6 Of the audit evaluation questionnaires which were returned by operational managers, 100% were 'satisfied' or 'very satisfied' with the audit service they had received. Where managers have highlighted any areas for improvement, these will be considered and acted upon by the Chief Internal Auditor. All clients have the opportunity to discuss any concerns with the audit process directly with the Chief Internal Auditor.

## **10. Conclusions**

- 10.1 It is considered that, over the course of the financial year, the objectives of the Team (as stated in paragraph 1.6) have been met.

- 10.2 The reporting procedures for all areas of the Team are now well established. Working practices are updated as a matter of course to underpin the quality of work undertaken. Team meetings are held on a regular basis to ensure all staff are kept aware of new developments and management can monitor progress of work against the plan.
- 10.3 The Team's management maintained a continuous review process throughout the year to ensure, where possible, that the highest risk areas were targeted and the Operational Plan for 2024/25 was also designed to ensure that any priority areas outstanding would be covered in the next financial year.
- 10.4 The objective of the Internal Audit Team is to provide assurance to Management and Members of the adequacy of the internal control environment, governance arrangements and risk management processes within Monmouthshire. Reduced audit staff resources leads to less coverage across the services provided by the Council which limits the assurance that can be given. In addition the team becomes less flexible in its ability to undertake special investigations in response to allegations of fraud, theft or non-compliance.
- 10.5 The Chief Internal Auditor will have to monitor the situation closely and use a range of options to ensure appropriate audit coverage is provided. Although demands on the resources are increasing, the Chief Internal Auditor is confident that adequate and appropriate coverage will be provided throughout the Council; prioritisation may be required.
- 10.6 Finally, the support of all audit staff as well as senior management must be acknowledged in helping to continue to provide a comprehensive and valuable service to the Authority.

## Definitions of Internal Audit Opinions Used

SUBSTANTIAL ASSURANCE	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
REASONABLE ASSURANCE	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
LIMITED ASSURANCE	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
NO ASSURANCE	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

**Unqualified** – the terms and conditions of the grant were complied with.

**Qualified** - the terms and conditions of the grant were not complied with.



## Audit Opinions

<b>Overall Opinion</b>	<b>2023/24</b>	<b>Reasonable</b>
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## Summary

	21/22	22/23	23/24
Substantial	5	7	8
Considerable	6	10	-
Reasonable	7	4	18
Limited	2	1	8
No Assurance	-	-	0
	20	22	34
Unqualified	3	3	2
Qualified	0	0	1
<b>Total Opinions</b>	<b>23</b>	<b>25</b>	<b>37</b>

Job Number	Directorate	Service	Job Name	Risk Rating / Priority	Final (31/03/24)	Opinion Given
P2324-01	Resources	Finance - Corporate Accountancy	Insurances	High	Yes	Substantial
P2324-03	Resources	Finance - Revenues, Systems & Exchequer	Creditor Payments (2022/23)	Medium	Yes	Substantial
P2324-05	Resources	Finance - Revenues, Systems & Exchequer	Benefits	Medium	Yes	Substantial
P2324-23	Children & Young People	Primary Schools	Pembroke Primary	Medium	Yes	Substantial
P2324-34	Social Care, Health & Safeguarding	Social Services Finance	Appointeeships & Deputyships (2022/23)	Medium	Yes	Substantial
P2324-40	Communities & Place	Placemaking, Housing, Highways and Flood	Planning Applications (2022/23)	Medium	Yes	Substantial
P2324-43	Communities & Place	Neighbourhood Services	Winter Maintenance (2022/23)	Medium	Yes	Substantial
P2324-49	Mon Life	Outdoor	Countryside (2022/23)	Medium	Yes	Substantial

Job Number	Directorate	Service	Job Name	Risk Rating / Priority	Final (31/03/24)	Opinion Given
P2324-07	Resources	Finance - Revenues, Systems & Exchequer	Revenues Shared Service (2022/23)	Medium	Yes	Reasonable
P2324-08	Resources	Commercial, Property, Fleet, Facilities	Cemeteries	Medium	Yes	Reasonable
P2324-12	People & Governance	Electoral Registration	Electoral Registration	High	Yes	Reasonable
P2324-19	Children & Young People	Primary Schools	Archbishop Rowan Williams Church in Wales Primary	Medium	Yes	Reasonable
P2324-20	Children & Young People	Primary Schools	Durand Primary	Medium	Draft	Reasonable
P2324-21	Children & Young People	Primary Schools	Llantilio Pertholey Primary	Medium	Yes	Reasonable
P2324-22	Children & Young People	Primary Schools	Our Lady & St Michaels RC (Follow-up)	High	Draft	Reasonable
P2324-24	Children & Young People	Primary Schools	The Dell Primary	Medium	Draft	Reasonable
P2324-26	Children & Young People	CYP General	Schools Control Risk Self Assessments	Medium	Yes	Reasonable
P2324-35	Social Care, Health & Safeguarding	Public Protection	Trading Standards	Medium	Yes	Reasonable
P2324-47	Mon Life	Active	Point of Sale System	High	Yes	Reasonable
P2324-48	Mon Life	Heritage	Old Station, Tintern (Follow-up)	High	Yes	Reasonable
P2324-53	Chief Executive's	Policy, Performance & Scrutiny	Risk Management	High	Yes	Reasonable
P2324-57	Corporate	Corporate	National Fraud Initiative (NFI)	Medium	Yes	Reasonable
P2324-58	Corporate	Corporate	Climate Change	High	Draft	Reasonable
P2324-59	Corporate	Corporate	Partnership Assurance (2022/23)	Medium	Yes	Reasonable
P2324-62	Communities & Place	Commercial, Property, Fleet, Facilities	Passenger Transport Unit	Medium	Draft	Reasonable
P2324-63	Mon Life	Mon Life General	CRSAs (Leisure Centres)	Medium	Yes	Reasonable

Job Number	Directorate	Service	Job Name	Risk Rating / Priority	Final (31/03/24)	Opinion Given
P2324-11	People & Governance	Democratic Services & Communications	Democratic Services & Governance	High	Draft	Limited
P2324-25	Children & Young People	Secondary Schools	Chepstow School	Medium	Yes	Limited
P2324-29	Social Care, Health & Safeguarding	Commissioning & Disability Service	Commissioning & Contracts	High	Yes	Limited
P2324-30	Social Care, Health & Safeguarding	Safeguarding, Quality Assurance & Child Protection	CLA Savings	High	Draft	Limited
P2324-41	Communities & Place	Placemaking, Housing, Highways and Flood	Private Sector Leasing	High	Yes	Limited
U2324-01	Resources	Finance - Revenues, Systems & Exchequer	Till Float Reconciliations	Unplanned	Draft	Limited
U2324-02	People & Governance	Payroll & Systems	Employee General Expenses	Unplanned	Draft	Limited
U2324-03	People & Governance	Payroll & Systems	Employee Travel Claims	Unplanned	Draft	Limited
P2324-17	Children & Young People	Finance & Support Services	School Improvement Grant	Medium	Yes	Unqualified
P2324-42	Communities & Place	Enterprise and Community Animation	Housing Support Grant	Medium	Yes	Unqualified
P2324-18	Children & Young People	Finance & Support Services	Pupil Development Grant	Medium	Yes	Qualified

2023/24 Planned jobs not undertaken

Job number	Directorate	Service	Job Name	Reason
P2324-02	Resources	Finance - Revenues, Systems & Exchequer	Council Tax	Council Tax Reduction Scheme covered within Housing Benefits Audit Review
P2324-04	Resources	Finance - Revenues, Systems & Exchequer	Procurement Cards	Work in progress at year end
P2324-15	Children & Young People	Additional Learning Needs	ALN (previously SEN)	Unable to commence the review due to the impact of 'Action Short of Strike' at Schools
P2324-16	Children & Young People	Achievement & Extended Services	Flying Start	Work in progress at year end
P2324-31	Social Care, Health & Safeguarding	Youth Offending Service	Youth Offending Service	Work in progress at year end
P2324-32	Social Care, Health & Safeguarding	Managed Care/Looked After Children	Long Term Support Team	No resource available
P2324-33	Social Care, Health & Safeguarding	Wellbeing	Therapeutic Practice	No resource available – originally planned to be completed by an External Resource
P2324-44	Communities & Place	Neighbourhood Services	Waste Collections	Head of Service requested a delay into the 2024/25 year
P2324-50	Mon Life	Connect	Active Travel	Work in progress at year end
P2324-55	Chief Executive's	Chief Executives General	Monitoring Implementation of Previous Recommendations	Not required – no audit reviews in the area to follow-up
P2324-60	Corporate	Corporate General	Implementation of new Follow-up of Agreed Actions / Recommendations system	Delays with system build and reduced resources within the Digital Design & Innovation Team has delayed the implementation

## Appendix D

### Non opinion related audit work 2023/24 Internal Audit Added Value

Job number	Directorate	Service	Job Name
P2324-06	Resources	Finance - Revenues, Systems & Exchequer	Imprest Accounts Closure
P2324-09	Resources	Resources General	Audit Advice
P2324-10	Resources	Resources General	Monitoring Implementation of Previous Recommendations
P2324-13	People & Governance	People & Governance General	Audit Advice
P2324-14	People & Governance	People & Governance General	Monitoring Implementation of Previous Recommendations
P2324-27	Children & Young People	CYP General	Audit Advice
P2324-28	Children & Young People	CYP General	Monitoring Implementation of Previous Recommendations
P2324-37	Social Care, Health & Safeguarding	SCH & Safeguarding General	Audit Advice
P2324-38	Social Care, Health & Safeguarding	SCH & Safeguarding General	Financial Assessments
P2324-39	Social Care, Health & Safeguarding	SCH & Safeguarding General	Monitoring Implementation of Previous Recommendations
P2324-45	Communities & Place	Communities & Place General	Audit Advice
P2324-46	Communities & Place	Communities & Place General	Monitoring Implementation of Previous Recommendations
P2324-51	Mon Life	Mon Life General	Audit Advice
P2324-52	Mon Life	Mon Life General	Monitoring Implementation of Previous Recommendations
P2324-54	Chief Executive's	Chief Executives General	Audit Advice
P2324-56	Corporate	Corporate	Annual Governance Statement
P2324-61	Corporate	Corporate General	Audit Advice

## Performance of the Internal Audit Section

Performance Indicator	2019/20	2020/21	2021/22	2022/23	Annual Target	2022/23
Percentage of planned audits completed	77%	57%	64%	72%	80%	82%
Average no. of days from end of fieldwork to issue of a draft report	26 days	16 days	6 days	4.4 days	17 days	1.8 days
Average no. of days from receipt of agreement to draft report to issue of the final report	20 days	38 days	5 days	8.5 days	5 days	1.4 days
Percentage of recommendations made that were accepted by the clients	98%	99%	99%	100%	95%	100%
Percentage of clients at least 'satisfied' by audit process	100%	100%	100%	100%	95%	100%

### Children Looked After (CLA) Savings – Limited Assurance

The audit's objective was to evaluate the financial and administrative controls and the effectiveness of the governance framework for safeguarding children's monies at Monmouthshire County Council. The audit covered several areas, including the Council's financial policies and procedures for monies held on behalf of Children Looked After and Young People, the management of Criminal Injuries Compensation Authority Payments, Junior Individual Savings Accounts (ISA's), and Duty of Care Settlements.

The report identified several weaknesses, including the absence of a financial policy or procedures to provide a control framework for safeguarding children's monies, issues with record keeping and administration, and a lack of awareness among social workers regarding financial settlements held by the Court Funds Office on behalf of the children.

The report includes an action plan with recommendations for addressing the identified weaknesses, such as establishing a financial policy that covers the requirements of the Social Services and Well-being (Wales) Act 2014, advising young people to seek independent financial advice ahead of their 18th birthday, and ensuring that social workers are aware of any financial monies held by the Authority or an independent third party.

RISK RATING	DESCRIPTION	TOTAL IDENTIFIED
CRITICAL	Major or unacceptable risk which requires immediate action.	0
SIGNIFICANT	Important risk that requires attention as soon as possible.	8
MODERATE	Risk partially mitigated but should still be addressed.	3
STRENGTH	No risk. Sound operational controls and processes confirmed.	2

Ref.	SIGNIFICANT
1.02	The Authority did not have a financial policy for Children Looked After.
1.03	There was no evidence available to demonstrate that Young People were advised to seek independent financial advice ahead of their 18th Birthday.
3.02	Although statements were received from the Share Foundation, these were not reviewed, and appropriate action taken promptly.
3.03	The Authority was still administering 103 Junior ISA's totalling £27,972.89 for Young People who were no longer under local authority care or had turned 18 years of age. Young People had not been paid money they were entitled to.
3.04	There was no evidence available to confirm that Young People, Parents/Guardians or Carers were made aware of the existence of a Junior ISA account at the appropriate time.

<b>Ref.</b>	<b>SIGNIFICANT</b>
3.05	The Pathway Planning process was not fit for purpose. Sample testing of Young People could not identify the existence of Pathway Plans.
4.01	A record was not maintained of all Young People who have Duty of Care Settlements where a Monmouthshire County Council employee was acting as the Litigation Friend.
4.02	Social Workers were not aware of the financial settlements held by the Court Funds Office on behalf of the Children Looked After or Young People.

<b>Ref.</b>	<b>MODERATE</b>
1.04	The Corporate Parenting Strategy was not readily available on the Authority's website.
3.06	Sample testing did not identify any file notes or flags on Plant in relation to Children or Young Peoples' JISA.
3.07	The Authority does not provide savings for Children Looked After or Young People under local authority care.



**Private Sector Leasing – Limited Assurance**

The audit report for Private Sector Leasing (2023-24) at Monmouthshire County Council, led by SWAP Internal Audit Services, highlights the need for improvement in governance and control systems. Key issues include ineffective documentation of objectives and risks, an expired housing repairs contract leading to budget overspend, and risks associated with third-party data security and manual rental processes.

RISK RATING	DESCRIPTION	TOTAL IDENTIFIED
CRITICAL	Major or unacceptable risk which requires immediate action.	0
SIGNIFICANT	Important risk that requires attention as soon as possible.	3
MODERATE	Risk partially mitigated but should still be addressed.	6
STRENGTH	No risk. Sound operational controls and processes confirmed.	4

Ref.	SIGNIFICANT
1.05	The Housing & Communities Service Plan 2023-26 requires completion of key elements such as risk, action and performance detail. It could also be further enhanced through the introduction of measures to assess the value for money obtained by the implementation of Private Sector Leasing in Monmouthshire.
1.06	The Housing Service's maintenance and repair contract is overdue for renewal.
1.07	The Housing Service have not yet progressed an existing project to implement a rental system to replace their manual processes. And there are no formal agreements in place to ensure the security of their data which is still held by a third party following their exit from a previously shared rental management system.

Ref.	MODERATE
1.08	Although the issue has since been rectified, approval of leases which were entered into pre-May 2021 cannot be evidenced.
1.09	Improvements could be made to how the Housing Service collaborate with other service areas to deliver their strategic and operational priorities.
2.01	The needs of the county's vulnerable individuals and households are not considered at the point of evaluating new lease agreements and the value for money obtained by the Housing Service's implementation of PSL.
1.10	The Property Details form captures unnecessary sensitive data.
1.11	Landlord's consent to share their personal data with tenants is not always recorded.

<b>Ref.</b>	<b>MODERATE</b>
1.12	There exists an opportunity to improve how the Housing Options team store and dispose of personal data.

**Democratic Services & Governance – Limited Assurance**

The audit's objective was to evaluate the governance framework's effectiveness using a risk-based approach. It reviewed the arrangement, management, and reporting of meetings, support and training for members, and the Democratic Services team's operational activity.

Key findings include two critical weaknesses: sensitive and confidential information from the Communities and Place Directorate Management Team was accessible to members of the public via the council's website, and there were significant IT control issues surrounding the Council Chamber recording system. These issues have also been reported to the Councils Senior Information Risk Officer (SIRO) for awareness and action where necessary.

RISK RATING	DESCRIPTION	TOTAL IDENTIFIED
CRITICAL	Major or unacceptable risk which requires immediate action.	2
SIGNIFICANT	Important risk that requires attention as soon as possible.	6
MODERATE	Risk partially mitigated but should still be addressed.	5
STRENGTH	No risk. Sound operational controls and processes confirmed.	22

Ref.	CRITICAL
1.15	A data incident was identified where internal decisions made by the Communities and Place Directorate Management Team were shown on the Monmouthshire County Council website. This has not been formally reported by the service area to the Information Security & Governance Team.
1.16	Weaknesses in IT controls were identified by the Council's Chief Information Security Officer as part of an assessment of the Usk Council Chamber recording system.

Ref.	SIGNIFICANT
1.17	Monmouthshire Council did not publish a 'Guide to the Constitution'.
1.18	Physically signed minutes for Full Council were not held.
1.19	The Council has no agreed protocol for the live streaming and recording of council meetings.
1.20	The access arrangements for the Councils YouTube account were inappropriate.

<b>Ref.</b>	<b>SIGNIFICANT</b>
1.21	The minutes of Council meetings did not always detail the discussion which had taken place. The change to the format of minutes was not included within the Councils Constitution.
2.04	There was no record of attendance to evidence that all Members had attended induction or other training appropriate to their role since joining the council.

<b>Ref.</b>	<b>MODERATE</b>
1.22	The website grouped Full Council with other committees on the "Committee Structure" area of the website. The 'Sevenside Forum' was classed as a committee of the Council on the website.
1.23	Agendas, minutes and reports held on the website exceeded the recommended timeframe for data retention, set out in the Constitution and "LA Retention Schedule". Both the Constitution and LA Retention schedule did not specify any details regarding data retention periods for YouTube and internally held copies of meeting recordings.
1.24	In one case, the template used to record a Cabinet decision was incorrect.
2.05	A training needs analysis, part of the Personal Development Review (PDR) process, had not yet been completed for all Members. Annual reviews of this process had not taken place as at the time of the audit.
2.06	No records were held to show that all staff within Democratic Services had completed Data Protection / GDPR or Safeguarding training.



## REPORT

<b>SUBJECT:</b>	<b>TREASURY MANAGEMENT OUTTURN REPORT 2023/24</b>
<b>MEETING:</b>	<b>Governance &amp; Audit Committee</b>
<b>DATE:</b>	<b>6<sup>th</sup> June 2024</b>
<b>DIVISIONS/WARD AFFECTED:</b>	<b>All</b>

### 1. **PURPOSE:**

- 1.1. The Prudential Code and CIPFA treasury guidance require local authorities to produce annually a Treasury Management Strategy Statement and Prudential Indicators on their likely financing and investment activity, and to ensure that the appropriate governance function that oversees the treasury management activities of the Authority is kept informed of activity quarterly. This report represents the fourth and final update of treasury management activity during 2023/24.

### 2. **RECOMMENDATIONS:**

That Governance & Audit committee review the results of treasury management activities and the performance achieved in quarter 4 and throughout 2023/24 as part of their delegated responsibility to provide scrutiny of treasury policy, strategy and activity on behalf of Council.

### 3. **KEY ISSUES:**

- 3.1. The Authority's treasury management strategy for 2023/24 was approved by Council on 9<sup>th</sup> March 2023. Over the final quarter of the year the Authority has continued to borrow and invest substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

#### 3.2. **Key data metrics during the quarter:**

Type	Metric	Q1	Q2	Q3	Q4
External	Bank of England base rate	4.5%	5.25%	5.25%	5.25%
External	UK Consumer Prices Index	7.9%	6.7%	4.0%	3.2%
External	10-year UK gilt yield	4.39%	4.45%	3.61%	3.94%
Internal	Borrowing	£180.8m	£179.4m	£173.5m	£173.9m
Internal	Borrowing Average rate	3.24%	3.38%	3.47%	3.50%
Internal	Investments	£25.0m	£34.0m	£13.6m	£11.9m
Internal	Investment Average rate	4.54%	4.88%	5.09%	5.16%
Internal	Credit score/rating	AA- / 3.90	AA- / 3.91	AA- / 4.08	A+ / 4.51

#### 3.3. **Key messages:**

**Treasury management activities undertaken during the last quarter and consequently for the 2023/24 financial year complied fully with the CIPFA code and the limits and indicators as set out in the Authority's approved Treasury Management Strategy.**

**The Authorities average cost of borrowing has increased over the year, driven by increases in Gilt yields which have remained volatile. Yields have seen upward pressure from perceived sticker inflation, but also downward pressure from falling inflation and a struggling economy.**

**£10.6m of Lender Option Borrower Option (LOBO) loans were called during the year. The Authority chose to repay these at no extra cost, refinancing temporarily from short term cashflows and subsequently via new PWLB loans. This removes future interest rate risk.**

**Cash balances reduced over the year as part of the continued internal borrowing strategy. During the year, the authority's investment balances ranged from between £10.4m and £64.3m.**

**Investments in externally managed pooled funds generated £199k (5.6%) income return, together with a £72k (2.02%) unrealised capital gain in year.**

**Unrealised capital losses over the lifetime of the investments stand at £365k, for which the Authority maintains a sufficient treasury risk reserve to mitigate against realisation.**

**A new Environmental, Social and Governance (ESG) specific investment product has been opened during the year and will be prioritised for investment going forward where returns remain competitive.**

**Non-treasury investments, comprising the Authority's Solar farm and two strategic property assets, generated a £329k or 1.06% return (1.69% in 2022/23). This was inclusive of a bad debt write-off of £217k (return excluding write-off was 1.76%).**

#### 4. **ECONOMIC SUMMARY**

- 4.1. **Economic background:** UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.2%, but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.
- 4.2. The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.
- 4.3. Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

#### 5. **BORROWING ACTIVITY**

- 5.1. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio and, where practicable, to maintain borrowing and investments below their underlying levels, known as internal borrowing.
- 5.2. Gilt yields fell in late 2023, reaching April 2023 lows in December 2023 before rebounding to an extent in the first three months of 2024. Gilt yields have remained volatile, seeing upward pressure from perceived sticker inflation at times and downward pressure from falling inflation and a struggling economy at other times.
- 5.3. On 31st March 2024, the PWLB certainty rates for maturity loans were 4.74% for 10 year loans, 5.18% for 20-year loans and 5.01% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.
- 5.4. The cost of short term borrowing from other local authorities has generally risen in line with Base Rate rises over the year. Available rates peaked at around 7% towards the later part of March 2024 as many authorities required cash at the same time. These rates have fallen back somewhat in April 2024.
- 5.5. The Authorities' borrowing position at the end of the year can be seen below:

	<b>31.3.23 Balance £m</b>	<b>31.3.23 Weighted Average Rate %</b>	<b>31.3.23 Weighted Average Maturity (years)</b>	<b>Balance Movement</b>	<b>31.3.24 Balance £m</b>	<b>31.3.24 Weighted Average Rate %</b>	<b>31.3.24 Weighted Average Maturity (years)</b>
Public Works Loan Board	119.8	3.3	22.8	5.3	125.1	3.3	20.1
Banks (LOBO)	13.6	4.8	18.8	(10.6)	3.0	4.5	19.6
Welsh Govt Interest Free	5.3	0.0	3.0	2.4	7.7	0.0	1.8
Local Authorities / Other	60.0	2.6	0.5	(22.0)	38.0	4.9	0.4
<b>Total borrowing</b>	<b>198.7</b>	<b>3.1</b>	<b>15.2</b>	<b>(24.8)</b>	<b>173.9</b>	<b>3.5</b>	<b>14.9</b>

- 5.6. The Authority's total borrowing has reduced over the year by £24.8m as cash and investment balances have been used in lieu of borrowing, as a result of pursuing the strategy of internal borrowing.
- 5.7. Two lenders exercised their option to call and increase the interest rate on Lender's Option Borrower's Option (LOBO) Loans. Loans of £7.0m and £3.6m had options exercised with proposed rates changing from 5.03% to 6.9% and 4.6% to 6.1% respectively. The Authority chose to repay these loans at no extra cost, financing initially through short term cashflows and then through two new PWLB equal instalment of principal (EIP) loans. Total borrowing was further reduced by the maturity of temporary loans and principal repayments of existing PWLB EIP loans.

## 6. INVESTMENT ACTIVITY

6.1. During the year, the authority's investment balances ranged from between £10.4m and £64.3m due to timing differences between income and expenditure. The movement in investments during the year was:

	<b>31.3.23 Balance</b>	<b>Net Movement</b>	<b>31.3.24 Balance</b>	<b>31.3.24 Income Return</b>	<b>31.3.24 Weighted Average Maturity Days</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	
Banks & building societies (unsecured)	(2.0)	0.2	(1.9)	Average 4.93%	Up to 180 days
Government (incl. local authorities)	(13.0)	10.0	(3.0)		
Money Market Funds (MMFs)	(19.5)	16.5	(3.0)		
Multi asset income, Pooled funds	(4.0)	0.0	(4.0)	5.6%	N/A
<b>Total investments</b>	<b>(38.5)</b>	<b>26.7</b>	<b>(11.9)</b>		

6.2. Bank Rate increased by 1% over the year, from 4.25% at the beginning of April 2023 to 5.25% by the end March 2024. Short term rates peaked at 5.7% for 3-month rates and 6.7% for 12-month rates during the period, although these rates subsequently began to decline towards the end of the period. Money Market Rates also rose and were between 5.15% and 5.29% by the end of March 2024.

6.3. **Externally Managed Pooled Funds:** £4m of the Authority's investments are invested in externally managed strategic pooled multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and longer-term price stability.

6.4. These funds provide an important diversification for the Authority and generated £199k (5.6%) income return, together with a £72k (2.02%) unrealised capital gain in year.

6.5. Accumulated unrealised capital losses over the lifetime of the investment stand at £365k. The Authority maintains an adequate treasury risk reserve to mitigate against the risk that capital losses on pooled funds become realised and consequently result in a charge against the Council Fund.

## 7. **Environmental, Social and Governance**

7.1. Throughout the year the investment portfolio has been assessed against 3 charters that organisations can voluntarily sign up for to ensure that all are meeting minimum level of ESG responsibility.

7.2. The majority of the Authorities funds were invested in organisations that were signatories of all three charters. Investments in two funds that were not signatories of the Net-Zero Asset Managers Initiative have subsequently been unwound.

7.3. A new ESG specific Investment product opened during the year and continues to be used. This fund aims to provide security of capital and liquidity while focussing on the performance of the underlying issuers on a range of environmental, social and governance.

7.4. At 31<sup>st</sup> March 2024 the ESG specific Money Market Fund returned 5.15% compared to an average rate of 5.22% for all Money Market Funds. The best and worst performing funds earned 5.19% and 5.14% respectively.



## 8. NON-TREASURY INVESTMENTS:

8.1. The authority continues to hold £31.4m of non-financial asset investments and their forecast performance can be seen in the table below:

	<b>Net (income) / loss 2023/24 £000's</b>	<b>Carrying Value 31.03.24 £000's</b>	<b>Net return 2023/24 %</b>	<b>Net return 2022/23 %</b>
Oak Grove Solar Farm	(530)	5,611	9.45	13.44
Newport Leisure Park & service loan	(29)	18,819	0.15*	0.01
Castlegate Business Park	230	6,654	-3.46	-6.58
<b>Total</b>	<b>(329)</b>	<b>31,084</b>	<b>1.06</b>	<b>1.69</b>

\*Includes a one-off write-off of historic bad debt of £217k. Net return excluding this write-off would be 1.31% (overall portfolio 1.76%).

8.2. The investment at Oak Grove Solar Farm continues to provide an excellent return on investment and is reflective of the increase in energy prices and ability to export energy at a higher price.

8.3. The investment at Newport leisure park continues to provide a net income stream for the Authority, although this remains lower than the expected 2% return after borrowing until currently negotiated rent free periods end. **Expanded update to be provided in final version**

8.4. The investment in Castlegate is still providing a net negative return on investment, however continued negotiations with interested parties should further improve the net return in 2024/25 following rent free periods. The majority of anchor tenant space is now occupied. This continues to represent a significant improvement on the position since the anchor tenant vacated their space in Spring 2022. **Expanded update to be provided in final version**

## 9. Compliance with treasury limits and indicators

9.1. The Section 151 officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA code and the limits and indicators as set out in the Authority's approved Treasury Management Strategy.

## 10. CONSULTEES

Cabinet Member - Resources

Deputy Chief Executive, (Section 151 officer)

Arlingclose Limited – External Treasury management advisors to Monmouthshire CC

## 11. BACKGROUND PAPERS

Appendix 1 – 2023/24 Treasury Management Outturn report

12. **AUTHORS**

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Finance Business Partner

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## 2023/24 Treasury Management Outturn Report – (as at 31<sup>st</sup> March 2024)

Section 1	External market conditions
Section 2	Movement in treasury balances
Section 3	Borrowing activity during the year
Section 4	Investment Activity during the year
Section 5	Environmental, Social and Governance
Section 6	Non-treasury investments
Section 7	Treasury budget performance.
Section 8	Compliance with prudential indicators and treasury limits

### 1. **External market conditions**

- 1.1. Economic background: UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.2% but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.
- 1.2. The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.
- 1.3. Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.
- 1.4. Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.
- 1.5. In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the Page 149

Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

- 1.6. Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in H2 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.
- 1.7. The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.
- 1.8. Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.
- 1.9. **Financial markets:** Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.
- 1.10. Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March.
- 1.11. **Credit review:** In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.
- 1.12. Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.
- 1.13. In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini- budget.
- 1.14. Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.

1.15. Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.

1.16. Heightened market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

## 2. Movement in Treasury balances

2.1. 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 to offset the CFR or for investment.

**Table 1: Balance Sheet Summary**

	31.3.23 £m	Movement £m	31.3.24 £m
General Fund CFR	193.3	5.0	198.3
<b>Less: *Other debt liabilities</b>	<b>(2.4)</b>	0.1	<b>(2.3)</b>
<b>Borrowing CFR</b>	<b>190.9</b>	<b>5.1</b>	<b>196.0</b>
<b>Less: External borrowing</b>	<b>(198.7)</b>	24.8	<b>(173.9)</b>
<b>Net External borrowing</b>	<b>(7.8)</b>	<b>30.0</b>	<b>22.2</b>
<b>Less: Usable reserves</b>	<b>(39.8)</b>	14.5	<b>(25.3)</b>
<b>Less: Working capital</b>	9.0	<b>(17.8)</b>	<b>(8.8)</b>
<b>(Net Investments) at 31<sup>st</sup> March 2023</b>	<b>(38.5)</b>	<b>26.7</b>	<b>(11.9)</b>

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

2.2. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels for the majority of the year, known as internal borrowing, in order to reduce risk and keep interest costs low. Table 1 above highlights that at the end of the year the Authority was internally borrowed by £22.2m, meaning that reserves and working capital were being used in lieu of external borrowing.

2.3. At the end of the year the Authority had net investments of £11.9m. Balances over the year ranged from between £10.4m and £64.3m due to timing differences between income and expenditure and borrowing activity.

2.4. The treasury management position at 31st March 2024 and the change during the year is shown in Table 2 below.

**Table 2: Borrowing and Investment Summary**

	31.3.23 Balance £m	31.3.23 Rate %	Movement	31.3.24 Balance £m	31.3.24 Rate %
Long-term borrowing	133.0	3.2	<b>(8.8)</b>	124.2	3.3

Short-term borrowing	65.7	2.8	(16.0)	49.7	4.2
<b>Total borrowing</b>	<b>198.7</b>	<b>3.1</b>	<b>(24.8)</b>	<b>173.9</b>	<b>3.5</b>
Long-term investments	0.0	N/A	0.0	0.0	N/A
Short-term investments	(13.0)	2.1	10.0	(3.0)	4.93
Pooled Funds	(4.0)	4.5	0.0	(4.0)	5.60
Cash and cash equivalents	(21.5)	Included in ST above	16.7	(4.9)	Included in ST above
<b>Total investments</b>	<b>(38.5)</b>	<b>2.4</b>	<b>26.7</b>	<b>(11.9)</b>	<b>5.16</b>
<b>Net Borrowing</b>	<b>160.2</b>		<b>1.9</b>	<b>162.0</b>	

2.5. The authorities net borrowing position has increased over the year which is reflective of an increasing CFR, and additional long term loans taken out during the year to provide a further degree of certainty over future interest costs in a rising interest rate environment.

### 3. Borrowing activity during the year

3.1. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio and, where practicable, to maintain borrowing and investments below their underlying levels, known as internal borrowing.

3.2. Interest rates have seen substantial rises over the last two years with rises now plateauing towards the back end of the year. Gilt yields fell in late 2023, reaching April 2023 lows in December 2023 before rebounding to an extent in the first three months of 2024. Gilt yields have remained volatile, seeing upward pressure from perceived sticker inflation at times and downward pressure from falling inflation and a weak economy at other times.

3.3. On 31st March 2024, the PWLB certainty rates for maturity loans were 4.74% for 10 year loans, 5.18% for 20-year loans and 5.01% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.

3.4. The cost of short term borrowing from other local authorities has generally risen in line with Base Rate rises over the year. Available rates peaked at around 7% towards the later part of March 2024 as many authorities required cash at the same time. These rates have fallen back somewhat in April 2024.

3.5. At 31st March 2024 the Authority held £173.9m of loans, a decrease of £24.8m from 31st March 2023, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in Table 3 below.

**Table 3: Borrowing Position**

	31.3.23 Balance £m	31.3.23 Weighted Average Rate %	31.3.23 Weighted Average Maturity (years)	Balance Movement	31.3.24 Balance £m	31.3.24 Weighted Average Rate %	31.3.24 Weighted Average Maturity (years)
Public Works Loan Board	119.8	3.3	22.8	5.3	125.1	3.3	20.1
Banks (LOBO)	13.6	4.8	18.8	(10.6)	3.0	4.5	19.6

Welsh Gov Interest Free	5.3	0.0	3.0	2.4	7.7	0.0	1.8
Local authorities /Other	60.0	2.6	0.5	(22.0)	38.0	4.9	0.4
<b>Total borrowing</b>	<b>198.7</b>	<b>3.1</b>	<b>15.2</b>	<b>(24.8)</b>	<b>173.9</b>	<b>3.5</b>	<b>14.9</b>

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

3.7. To that end, during the year some short-term borrowing was replaced with long-term PWLB borrowing at competitive rates of interest.

**Table 4: Long-dated Loans borrowed**

	Amount £m	Rate %	Period (years)
PWLB EIP Loan	3.5	4.85	15
PWLB EIP Loan	3.5	4.86	15
PWLB EIP Loan	3.0	5.32	2.5
<b>Total</b>	<b>10.0</b>		

### 3.8. Other borrowing activity

3.9. **LOBO Loans:** On 1st April 2023 the Authority held £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 and terms or to repay the loan at no additional cost. The LOBO loans repaid in year are summarised in Table 5 below.

**Table 5: LOBO Loans repaid in Year**

	Amount £m	Rate %	Final Maturity	New rate proposed %	Action taken by Authority
Loan 1	7.0	5.0	06/06/2041	6.9	Repaid at no cost and refinanced by PWLB loan @ 4.86% for 15 years
Loan 2	3.6	4.6	15/08/2041	6.1	Repaid at no cost and refinanced by PWLB loan @ 5.32% for 2.5 years
<b>Total</b>	<b>10.6</b>	<b>4.88</b>		<b>6.64</b>	

3.10. The Authority has one remaining LOBO loan of £3m with an options date in May 2024. At the time of writing, the lender has exercised this option and gave notice of an increase in the rate from 4.5% to 8.2%. This loan was subsequently repaid at no additional cost. Repayment was financed with available short term cash with the opportunity to re-finance with longer term with PWLB borrowing being monitored.

3.11. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

3.12. The Authority currently holds commercial investments that were purchased prior to the change in the CIPFA Prudential Code. The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able to access PWLB borrowing if considered cost effective.

#### 4. Investment activity during the year

4.1. The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

4.2. The Authority holds significant invested funds during the year, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged from between £10.4m and £64.3m due to timing differences between income and expenditure. The investment position at year end was:

**Table 6: Treasury Investment Position**

	<b>31.3.23 Balance</b>	<b>Net Movement</b>	<b>31.3.24 Balance</b>	<b>31.3.24 Income Return</b>	<b>31.3.24 Weighted Average Maturity Days</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	
Banks & building societies (unsecured)	(2.0)	0.2	(1.9)	Average 4.93%	Up to 180 days
Government (incl. local authorities)	(13.0)	10.0	(3.0)		
Money Market Funds (MMFs)	(19.5)	16.5	(3.0)		
Multi asset income, Pooled funds	(4.0)	0.0	(4.0)	5.6%	N/A
<b>Total investments</b>	<b>(38.5)</b>	<b>26.7</b>	<b>(11.9)</b>		

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

4.4. The Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.



4.5. The combination of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in the table below.

**Table 7: Investment Benchmarking – Treasury investments managed in-house**

	Credit Score	Credit Rating	<u>Bail-in Exposure</u>	Weighted Average Maturity (days)	Rate of Return %
MCC 31.03.2023	AA-	4.46	62%	4	3.89
MCC 31.03.2024	A+	4.51	62%	4	5.01
Similar LAs	AA-	4.06	21%	174	5.22
All LAs	A+	4.7	61%	9	5.1

4.6. Whilst bail-in exposure as a percentage metric remains high in comparison to similar Local Authorities, this is skewed by the overall lower value of investments held at 31<sup>st</sup> March 2024. Throughout the year the Authority has looked to prioritise shorter term investments in Government backed products which reduced overall bail-in exposure.

4.7. **Externally Managed Pooled Funds:** £4m of the Authority’s investments are invested in externally managed strategic pooled multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and longer-term price stability.

4.8. These funds provide an important diversification for the Authority and generated £199k (5.6%) income return, together with a £72k (2.02%) unrealised capital gain in year.

4.9. Accumulated unrealised capital losses over the lifetime of the investment stand at £365k. The Authority maintains an adequate treasury risk reserve to mitigate against the risk that capital losses on pooled funds become realised and consequently result in a charge against the Council Fund.

4.10. 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 medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over the longer term that total returns will exceed cash interest rates.

4.11. **Statutory override:** In April 2023 the Department for Levelling Up, Housing and Communities (DLUHC) published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for two years until 31<sup>st</sup> March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Authority will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

## 5. Environmental, Social and Governance

5.1. Throughout the year the investment portfolio has been assessed against 3 charters that organisations can voluntarily sign up for to ensure that all are meeting minimum level of ESG responsibility. These are shown in the table below:

**Table 8: ESG Charter Signatories**

	UN Principles for Responsible Investment	Uk Stewardship Code 2020	Net-Zero Asset Managers Initiative
Aberdeen Asset Liquidity	✓	✓	✓
Aegon	✓	✓	✓
CCLA Investment Management	✓	✓	✓
Federated (Prime Rate) Liquidity Fund	✓	✓	✓
HSBC Global Asset Management	✓	✓	✓
LEGAL AND GENERAL MMF	✓	✓	✓
Ninety-One	✓	✓	✓
STATE STREET	✓	✓	✓
Morgan Stanley - No Longer Used	✓	✓	x
Goldman Sachs - No Longer Used	✓	✓	x

5.2. The majority of the Authorities funds were invested in organisations that were signatories of all three charters. Investments in two funds that were not signatories of the Net-Zero Asset Managers Initiative have subsequently been unwound.

5.3. An updated list of signatories to the three charters is provided by the Authority's treasury advisors each quarter and will continue to be monitored. Any counterparties not signed up to all three charters will be removed from the Authorities investment portfolio.

5.4. A new ESG specific Investment product opened during the year and continues to be used. This fund aims to provide security of capital and liquidity while focussing on the performance of the underlying issuers on a range of environmental, social and governance.

5.5. At 31<sup>st</sup> March 2024 the ESG specific Money Market Fund returned 5.15% compared to an average rate of 5.22% for all Money Market Funds. The best and worst performing funds earned 5.19% and 5.14% respectively.

## **6. Non-Treasury Investments**

6.1. The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return.

6.2. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and/or for commercial purposes (made primarily for financial return).

- 6.3. Investment Guidance issued by DLUHC and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 6.4. The Authority held a net book value of £31.1m of such non-financial asset investments at the 31<sup>st</sup> March 2024 (£32.2m as at 31<sup>st</sup> March 2023) made up of:

	<b>Net (income) / loss 2023/24 £000's</b>	<b>Carrying Value 31.03.24 £000's</b>	<b>Net return 2023/24 %</b>	<b>Net return 2022/23 %</b>
Oak Grove Solar Farm	(530)	5,611	9.45	13.44
Newport Leisure Park & service loan	(29)	18,819	0.15*	0.01
Castlegate Business Park	230	6,654	-3.46	-6.58
<b>Total</b>	<b>(329)</b>	<b>31,084</b>	<b>1.06</b>	<b>1.69</b>

\*includes a one-off write-off of £217k of historic bad debt. Net return excluding this write-off would be 1.31% (overall portfolio 1.76%).

- 6.5. The Authority also holds a portfolio of legacy non-financial asset investments that have been held for over a decade and are retained for income generation, capital gain or to support wider economic development or broader policy objectives. Income generation for these agricultural, retail and industrial assets are a secondary consideration and as such return against original investment would be considered negligible.

## 7. Treasury performance

- 7.1. The Authority measures the financial performance of its treasury management activities in terms of its impact upon the revenue budget. The following table shows that the overall net cost of its activities was £1.014m (16.8%) less than originally budgeted at the start of the year. The large variance is reflective of the volatile economic environment that continues to impact treasury management forecasts.

**Table 9: Budget performance**

	<b>Actual £000's</b>	<b>Budget £000's</b>	<b>Over / (under) Budget £000's</b>
<b>Interest Payable</b>			
PWLB	3,896	3,922	(26)
Market loans	440	653	(213)
Short term loans	2,285	2,378	(93)
<b>Total Interest payable on borrowing</b>	<b>6,622</b>	<b>6,953</b>	<b>(332)</b>
<b>Interest Receivable</b>			
Invested cash short term	(1,325)	(925)	(400)
Pooled Funds	(190)	Included above	(190)

Finance lease income	(55)	Included above	(55)
Other Interest	(37)	0	(37)
<b>Total income from Investments</b>	<b>(1,608)</b>	<b>(925)</b>	<b>(683)</b>
<b>Total</b>	<b>5,014</b>	<b>6,028</b>	<b>(1,014)</b>

## 8. Compliance with treasury limits and indicators

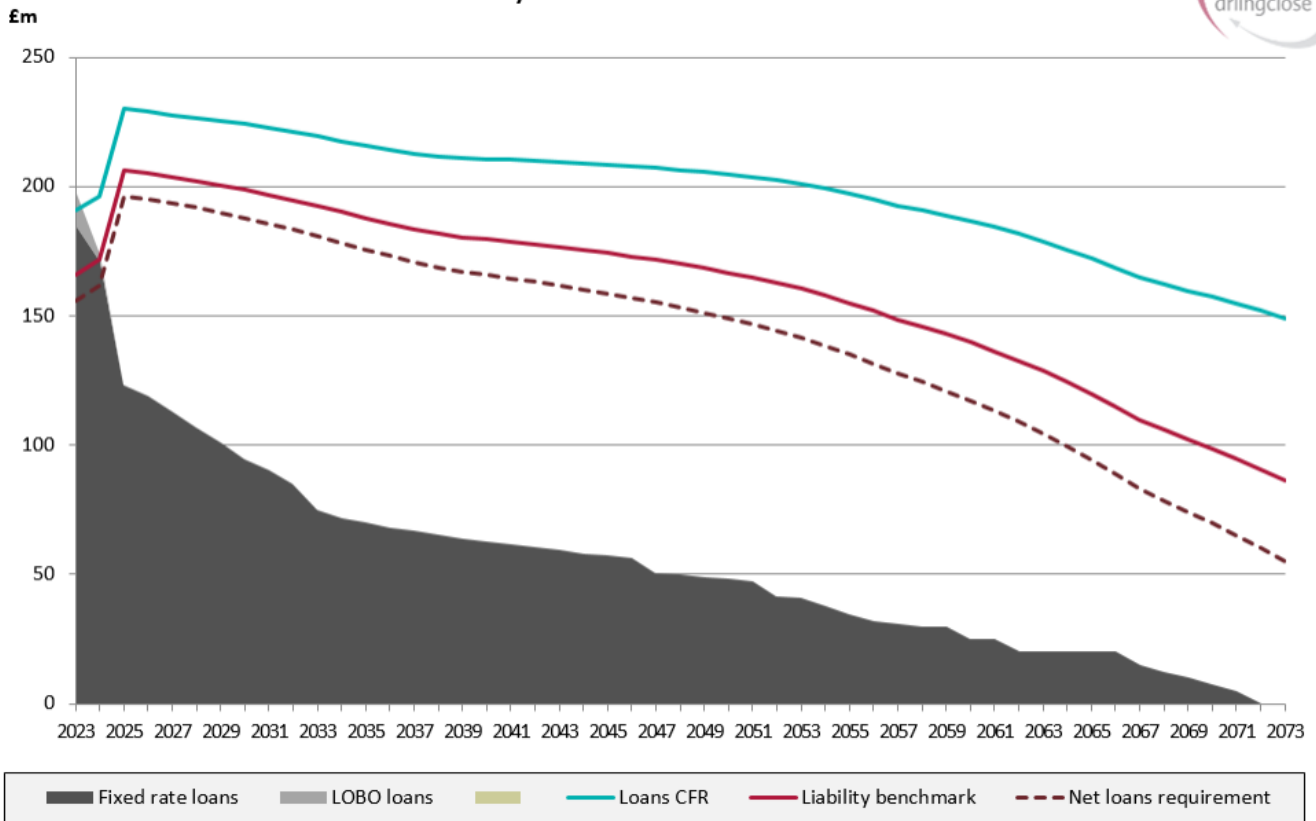
- 8.1. The Section 151 officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA code and the limits and indicators as set out in the Authority's approved Treasury Management Strategy.
- 8.2. **Liability Benchmark:** This indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

**Table 10: Liability Benchmark**

	<b>31.3.24 Actual</b>	<b>31.3.25 Forecast</b>	<b>31.3.26 Forecast</b>	<b>31.3.27 Forecast</b>
Loans CFR	196.0	230.2	229.2	227.7
Less: Balance sheet resources	(34.1)	(34.1)	(34.1)	(34.1)
<b>Net loans requirement</b>	161.9	196.2	195.1	193.6
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
<b>Liability benchmark</b>	<b>171.9</b>	<b>206.2</b>	<b>205.1</b>	<b>203.6</b>
<b>Current loan profile</b>	<b>(173.9)</b>	<b>(123.1)</b>	<b>(119.0)</b>	<b>(112.9)</b>
<b>Borrowing requirement</b>	<b>0.0</b>	<b>83.1</b>	<b>86.1</b>	<b>90.7</b>

- 8.3. Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing is in line with the medium-term financial plan, minimum revenue provision on new capital expenditure is based on the annuity method, and expenditure and reserves all increasing by inflation of 2.5% p.a. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing.

Liability Benchmark - Monmouthshire CC



8.4. The gap between the dotted red line and the grey shaded area of the chart represents the forecast difference between the estimated borrowing requirement and the Council’s current borrowing profile. If capital expenditure plans remain accurate, this represents a borrowing requirement which will need to be met by new and replacement borrowing over time.

8.5. **Borrowing limits:** Compliance with the [authorised limit](#) and [operational boundary](#) for external debt is demonstrated in the table below.

**Table 11: Borrowing Limits**

	2023/24 Maximum during the year £m	31.3.24 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied? Yes/No
Borrowing	198.7	173.9	239.9	263.9	Yes
PFI, Finance Leases & Other LT liabs	2.4	2.3	2.9	4.4	Yes
<b>Total debt</b>	<b>201.1</b>	<b>176.1</b>	<b>242.8</b>	<b>268.3</b>	<b>Yes</b>

8.6. **Note:** Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

8.7. **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 all borrowing were:

**Table 12: Maturity Structure of borrowing**

Maturity	31.3.24 Actual	Lower Limit	Upper Limit	Complied?	31.3.23 Actual (For info)
Under 12 months	29%	0%	60%	Yes	33%
12 months and within 24 months	3%	0%	30%	Yes	4%
24 months and within 5 years	10%	0%	30%	Yes	6%
5 years and within 10 years	16%	0%	30%	Yes	14%
10 years and within 20 years	10%	0%	30%	Yes	12%
20 years and within 30 years	12%	0%	30%	Yes	11%
30 years and within 40 years	10%	0%	30%	Yes	10%
40 years and within 50 years	12%	0%	30%	Yes	10%
50 years and above	0%	0%	30%	Yes	0%

**Table 13: Investment Limits**

	Maximum in year	2023/24 Limit	Complied? Yes/No
The UK Government	£32m	Unlimited	Yes
Local Authorities per counterparty	£0m	£4m	Yes
Secured Investments	£0m	£4m	Yes
Banks per counterparty, rating A- or above	£2m (£3m total for the Councils operational bank)	£2m (£3m total for the Councils operational bank)	Yes
Building societies (unsecured)	£0m	£2m	Yes
Registered providers (e.g. Housing Associations (unsecured)	£0m	£2m	Yes
Money Market Funds	£4m	£4m	Yes
Any group of pooled funds under the same management	£2m	£5m	Yes
Real estate investment trusts	£0m	£5m	Yes
Limit per non-UK country	£0m	£4m	Yes
Other Investments	£0m	£2m	Yes

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

**Table 14: Credit Risk**

	<b>31.3.24 Actual</b>	<b>2023/24 Target</b>	<b>Complied?</b>
Portfolio average credit	A+/4.51	A-/5.0	Yes

8.9. **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

**Table 15: Principal invested for period longer than a year**

	<b>During 2023/24</b>
Actual principal invested for 365 days & beyond year end	£0m
Limit	£6m
Complied?	Yes



<b>Authorised Limit</b>	<p>The affordable borrowing limit determined in compliance with the Local Government Act 2003 (English and Welsh authorities) and the Local Government in Scotland Act 2003. This Prudential Indicator is a statutory limit for total external debt. It is set by the Authority and needs to be consistent with the Authority's plans for capital expenditure financing and funding. The Authorised Limit provides headroom over and above the <i>Operational Boundary</i> to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit.</p> <p>(see also <i>Operational Boundary</i>, below)</p>
<b>Balances and Reserves</b>	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
<b>Bail-in</b>	Refers to the process which the banking regulatory authorities will use to restructure a financial institution which is failing or likely to fail. Unsecured creditors of and investors in that financial institution will participate in its restructure who will, as a consequence, incur a non-recoverable loss (commonly referred to as a 'haircut') on their obligation/investment. Local authority investments with banks and building societies such as term deposits, certificates of deposit, call accounts and non-collateralised bonds are unsecured investments and are therefore vulnerable to bail-in.
<b>Bank Rate</b>	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
<b>Bond</b>	A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
<b>Capital Expenditure</b>	Expenditure on the acquisition, creation or enhancement of capital assets
<b>Capital Financing Requirement (CFR)</b>	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
<b>Capital growth</b>	Increase in the value of the asset (in the context of a collective investment scheme, it will be the increase in the unit price of the fund)
<b>Capital receipts</b>	Money obtained on the sale of a capital asset.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy
<b>Constant Net Asset Value (CNAV)</b>	Also referred to as Stable Net Asset Value. A term used in relation to the valuation of 1 share in a fund. This means that at all times the value of 1 share is £1/€1/US\$1 (depending on the currency of the fund). The Constant NAV is maintained since dividend income (or interest) is either added to the shareholders' account by creating shares equal to the value of interest earned or paid to the shareholder's bank account, depending on which option is selected by the shareholder.
<b>Collective Investment Schemes</b>	Funds in which several investors collectively hold units or shares. The assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'Pooled Funds'). Unit Trusts and Open-Ended Investment Companies are types of collective investment schemes / pooled funds.
<b>Corporate Bonds</b>	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.



<b>Corporate Bond Funds</b>	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
<b>CPI</b> <i>Also see RPI</i>	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
<b>Credit Default Swap (CDS)</b>	A Credit Default Swap is similar to an insurance policy against a credit default. Both the buyer and seller of a CDS are exposed to credit risk. Naked CDS, i.e. one which is not linked to an underlying security, can lead to speculative trading.
<b>Credit Rating</b>	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.
<b>Cost of carry</b>	When a loan is borrowed in advance of requirement, this is the difference between the interest rate and (other associated costs) on the loan and the income earned from investing the cash in the interim.
<b>Credit default swaps</b>	Financial instrument for swapping the risk of debt default; the buyer effectively pays a premium against the risk of default.
<b>Diversification / diversified exposure</b>	The spreading of investments among different types of assets or between markets in order to reduce risk.
<b>Derivatives</b>	Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded 'over the counter'.
<b>ECB</b>	European Central Bank
<b>Federal Reserve</b>	The US central bank. (Often referred to as "the Fed")
<b>Floating Rate Notes</b>	A bond issued by a company where the interest rate paid on the bond changes at set intervals (generally every 3 months). The rate of interest is linked to LIBOR and may therefore increase or decrease at each rate setting
<b>GDP</b>	Gross domestic product – also termed as "growth" in the economy. The value of the national aggregate production of goods and services in the economy.
<b>General Fund</b>	This includes most of the day-to-day spending and income. (All spending and income related to the management and maintenance of the housing stock is kept separately in the HRA).
<b>Gilts (UK Govt)</b>	Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
<b>Housing Revenue Account (HRA)</b>	A ring-fenced account of all housing income and expenditure, required by statute
<b>IFRS</b>	International Financial Reporting Standards
<b>Income Distribution</b>	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a 'dividend'

<b>Investments</b> <ul style="list-style-type: none"> <li>- Secured</li> <li>- unsecured</li> </ul>	<p>Secured investments which have underlying collateral in the form of assets which can be called upon in the event of default</p> <p>Unsecured investments do not have underlying collateral. Such investments made by local authorities with banks and building societies are at risk of bail-in should the regulator determine that the bank is failing or likely to fail.</p>
<b>Liability Benchmark</b>	<p>Term in CIPFA's Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level (which may be zero).</p>
<b>LOBOs</b>	<p>LOBO stands for 'Lender's Option Borrower's Option'. The underlying loan facility is typically long term and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at predetermined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.</p>
<b>LVNAV (Low Volatility Net Asset Value)</b>	<p>From 2019 Money Market Funds will have to operate under a variable Net Value Structure with minimal volatility (fluctuations around £1 limited to between 99.8p to 100.2p)</p>
<b>Maturity</b>	<p>The date when an investment or borrowing is repaid.</p>
<b>Maturity profile</b>	<p>A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by-quarter or month-by-month basis.</p>
<b>MiFID II</b>	<p>MiFID II replaced the Markets in Financial Instruments Directive (MiFID I) from 3 January 2018. It is a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.</p>
<b>Money Market Funds (MMF)</b>	<p>Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.</p>
<b>Minimum Revenue Provision</b>	<p>An annual provision that the Authority is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets</p>
<b>Non-Specified Investments</b>	<p>Term used in the Communities and Local Government Guidance and Welsh Assembly Guidance for Local Authority Investments. It includes any investment for periods greater than one year or those with bodies that do not have a high credit rating, use of which must be justified.</p>
<b>Net Asset Value (NAV)</b>	<p>A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.</p>
<b>Operational Boundary</b>	<p>This is the limit set by the Authority as its most likely, i.e. prudent, estimate level of external debt, but not the worst case scenario. This limit links directly to the Authority's plans for capital expenditure, the estimates of the Capital Financing Requirement (CFR) and the estimate of cashflow requirements for the year.</p>
<b>Permitted Investments</b>	<p>Term used by Scottish Authorities as those the Authority has formally approved for use.</p>
<b>Pooled funds</b>	<p>See Collective Investment Schemes (above)</p>

<b>Premiums and Discounts</b>	<p>In the context of local authority borrowing, (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the discount is the gain arising when a loan is redeemed prior to its maturity date. If on a £1 million loan, it is calculated* that a £100,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,100,000 plus accrued interest. If on a £1 million loan, it is calculated that a £100,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £900,000 plus accrued interest.</p> <p>PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate.</p> <p>*The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.</p>
<b>Private Finance Initiative (PFI)</b>	<p>Private Finance Initiative (PFI) provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. Contracts can typically last for 30 years, during which time the asset is leased by a public authority.</p>
<b>Prudential Code</b>	<p>Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.</p>
<b>Prudential Indicators</b>	<p>Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators between authorities.</p>
<b>PWLB</b>	<p>Public Works Loans Board. It is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.</p>
<b>Quantitative Easing</b>	<p>In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It "does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy". Source: Bank of England</p>
<b>Registered Provider of Social Housing</b>	<p>Formerly known as Housing Association</p>
<b>Revenue Expenditure</b>	<p>Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges</p>
<b>RPI</b>	<p>Retail Prices Index. A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the CPI index.</p>

<b>SORP</b>	Statement of Recommended Practice for Accounting (Code of Practice on Local Authority Accounting in the United Kingdom).
<b>Specified Investments</b>	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local authorities and bodies that have a high credit rating.
<b>Supported Borrowing</b>	Borrowing for which the costs are supported by the government or third party.
<b>Supranational Bonds</b>	Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an AAA rating in their own right. Examples of supranational organisations are those issued by the European Investment Bank, the International Bank for Reconstruction and Development.
<b>Treasury Management Code</b>	CIPFA's Code of Practice for Treasury Management in the Public Services.
<b>Temporary Borrowing</b>	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
<b>Term Deposits</b>	Deposits of cash with terms attached relating to maturity and rate of return (interest)
<b>Unsupported Borrowing</b>	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
<b>Usable Reserves</b>	Resources available to finance future revenue and capital expenditure
<b>Variable Net Asset Value (VNAV)</b>	A term used in relation to the valuation of 1 share in a fund. This means that the net asset value (NAV) of these funds is calculated daily based on market prices.
<b>Working Capital</b>	Timing differences between income/expenditure and receipts/payments
<b>Yield</b>	The measure of the return on an investment instrument

<b>SUBJECT:</b>	<b>PEOPLE STRATEGY</b>
<b>MEETING:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>6 June 2024</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All</b>

## 1. PURPOSE:

- 1.1 To provide the Governance and Audit Committee with a copy of the People Strategy, which is one of a suite of enabling strategies that sit underneath the Community and Corporate Plan. This should enable the committee to seek assurance about the effectiveness of the authority's enabling strategies in supporting the delivery of the authority's ambition.

## 2. RECOMMENDATIONS:

- 2.1 That the committee use the report to seek assurance that the enabling strategies sitting below the Community and Corporate Plan provide sufficient clarity and direction to ensure that the authority's resources will be deployed effectively and in alignment with its purpose and objectives.

## 3. KEY ISSUES:

- 3.1 The Community and Corporate Plan established a clear purpose for Monmouthshire to be a zero-carbon county, supporting well-being, health and dignity for everyone at every stage of life. This strategy is underpinned by a series of enabling strategies including the Finance Strategy and Asset Management Strategy and Plan. Together these should ensure that all of the council's assets and resources are aligned behind its purpose.
- 3.2 The People Strategy creates the framework for us to support and develop our colleagues so that everyone's contribution can be maximised. The strategy highlights the opportunities and challenges we face. It also describes the things that need to be in place for our colleagues to thrive and succeed.
- 3.3 Monmouthshire is an attractive place to live and work which has a positive effect on our ability to recruit and retain good people. The authority benefitted from early adoption of agile working approaches and digital technology which gave us an advantage in the recruitment market. However, the pandemic accelerated the adoption of these approaches by others meaning they are now commonplace. We no longer stand out as we once did and need to work hard to ensure we remain an employer of choice.

- 3.4 The nature of the workplace and the workforce is changing across the UK and globally. Younger workers are less likely to remain with an employer for life in favour of portfolio careers. They are not as focused on final salaries and are more likely to job-hop to increase their earnings. We do not currently have the development opportunities in place in all areas to achieve this, although there are notable exceptions such as Social Care and Health which has benefitted from the Social Care Workforce Development Grant for many years.
- 3.5 We have increased the size of our workforce over the past ten years, but our employee budget has only gone up by around 1%. The increased staffing is being afforded by grants for specific projects. This creates a risk that we are increasingly dependent on unsecure and short-term funding and therefore more vulnerable if they were to be removed. It also creates challenges for colleagues who find themselves employed on a series of short-term contracts that deny them the stability they are seeking.
- 3.6 We also need to understand the challenges and opportunities afforded by automation and generative artificial intelligence. These bring significant potential to improve productivity and greater equality in earnings in some professions. However, we are also aware that it can result in the reinforcement of historical biases that exist in society. It should be used to complement the compassion, empathy and problem-solving skills of our colleagues with the decisions that affects peoples' lives being made by colleagues rather than computers.
- 3.7 During the development of the strategy, we've been talking to teams about the things they need to succeed in the workplace. These range from things such as autonomy and a clear purpose which occur frequently in academic research through to better weatherproof clothing for staff working outdoors. The strategy sets out a bit more detail on these things. What was evident through these conversations was the passion colleagues had for Monmouthshire.
- 3.8 All of this has informed the development of a series of objectives focused on our culture, capacity, capability and the contribution. These are shown under six themes:
- Involved and Informed – A clear purpose, supported by an enabling culture where colleagues have the information they need and are empowered to make a difference to the people we serve.
  - Diverse and Inclusive – A workforce with a diverse range of experiences, skills and backgrounds where people can be themselves.
  - Learning and Developing – People can access the training they need to do their job and the development opportunities to take the next step in their career.
  - Recruiting and retaining – We are an employer of choice, attracting talent from a wide range of industries with career pathways that enable us to retain the best people.
  - Well-being – Colleagues have access to the resources to manage their own well-being and can access tiered support to help them back to work if they experience sickness related absence.
  - Innovative and creative – People have the mindset, skills and support needed to develop and implement the solutions to the biggest challenges facing the council and the communities we serve.

- 3.9 These objectives will be delivered through an action plan which is attached as an appendix. These include:
- Launch a new e-recruitment system to improve process efficiency and improve the recruitment and onboarding experience for recruiting managers and potential and new employees.
  - Pilot and roll-out a new appraisal scheme so that we can ensure clear alignment between the work of our colleagues and the priorities of the council – and use this to develop a training needs analysis.
  - Launch the new e-learning system to ensure staff can access the training they need to do their current role and the development opportunities they need to take their career to the next level which improving the efficiency and effectiveness of our back-office processes.
  - Build on our recently attained Disability Confident Employer status to ensure we attract and retain a diversity of talent and reduce the disability pay gap.
  - Continue to develop and promote our Well-being offer and staff benefits package.
  - Support Staff to take action to reduce their carbon footprint – both in the workplace, at home and while travelling.
  - Improve our use and analysis of workforce data.

The actions will continually evolve in response to feedback and emerging best practice.

- 3.10 The People Strategy will achieve nothing if it remains a series of pixels on a screen. Our colleagues need to live and breathe it. It will be communicated in a variety of bite-size chunks appropriate to the location and audience. If we are successful, we would expect to be able to see this in a number of key metrics including increased job applications and reduced sickness absence.

- 3.11 Our people are our most important asset. They are the means by which we achieve almost everything we do in our communities. If we get this right, then we will create and sustain the conditions and culture in which they thrive and succeed.

#### **4. REASONS:**

- 4.1 To ensure that the authority's resources are aligned with the delivery of its purpose.

#### **5. RESOURCE IMPLICATIONS:**

- 8.1 The strategy itself does not require any resource commitments above those already in place. However, people are arguable our biggest single resource with payroll costs of around £100M. We have choices about *what* the people in our employment do – that it set by the community and Corporate Plan, as well as legislation and political direction. Of equal importance is *how* they do it. Not making effective use of this resource carries significant opportunity cost in terms of the capacity, capability and contribution made by our workforce.

#### **6. CONSULTEES:**

This draft strategy has been shaped by engagement with groups of staff and discussions with Cabinet. It has also been presented to the Joint Advisory Group

**7. BACKGROUND PAPERS:**

None

**8. AUTHOR:**

Matthew Gatehouse, Chief Officer – People, Performance and Partnerships

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# People Strategy



monmouthshire  
sir fynwy

## Version Control

<b>Title</b>	People Strategy
<b>Purpose</b>	To ensure we create the conditions for our colleagues to maximise their contribution to achieving the authority's purpose as set in the Community and Corporate Plan
<b>Owner</b>	Chief Officer – People, Performance and Partnerships
<b>Approved by</b>	Not yet approved – scheduled for Cabinet decision on 5 June
<b>Date</b>	28/5/2024
<b>Version Number</b>	1.0
<b>Status</b>	Draft
<b>Review Frequency</b>	Following any update to the Community and Corporate Plan
<b>Next review date</b>	May 2027
<b>Consultation</b>	Staff Consultation, Joint Advisory Group (Trade Unions), Strategic Leadership Team, Cabinet.

### 1. Our Strategic Context

The Community and Corporate Plan sets our ambition for the council and county of Monmouthshire. Our purpose is for Monmouthshire to be a zero-carbon county, supporting well-being, health and dignity for everyone at every stage of life. To achieve this, it's important that we make best use of all of the authority's resources, be that budgets, people, buildings or land. We have a series of enabling strategies and plans to make sure this happens.

The world of work is changing. We've seen a much tighter employment market in recent years making it harder to fill some key jobs. New generations entering the workforce have different expectations to those who came before them. For example, we see far more use of short-term contracts and people are more likely to have portfolio careers than stay with one employer for their whole life.

Alongside this we face a growing financial challenge. We have forecast a significant budget shortfall in the medium term. This means we simply don't have the money to keep doing everything we are doing now in the same way. This is because of challenges being seen across society such as greater demand and complexity in adult social care, increasing homelessness and rising prices for the things we buy such as fuel for refuse wagons and the buses that take children to school and heat the classrooms they are taught in. We also have a clearly stated ambition to work with and alongside our communities to deliver our purpose. There are countless people throughout the county who care passionately about their place. Achieving our ambition for Monmouthshire depends on the efforts of people on and off our payroll including volunteers, partners, foster carers and contractors. This document does not cover the work of all of these groups, but it recognises that our colleagues need to have the skills and mindsets to work with them for the good of all.

Our People Strategy sets out how we will maximise our colleagues' contributions within the available financial resources. This document does not set out *what* people do. That is the preserve of our elected councillors, headteachers and governing bodies. This strategy is about *how* people work. People are our most important asset, with payroll costs making up almost half of our revenue budget. Almost everything we do to serve our communities is delivered by our people. Our colleagues collect bins, repair roads, support vulnerable people to live at home, teach children in schools, drive buses and much more. Our People Strategy exists to make sure we make the very best of these skills and talents.

## 2. Our Culture and Values

A healthy and effective organisational culture is essential if we are to succeed in delivering our strategies and achieving our purpose. A positive culture allows employees to understand the organisation and feel that their voice matters. This will translate into everything they do through to the quality of service received by our residents, businesses and visitors. Importantly it also leads to workforce satisfaction and retention.

We pride ourselves on being a values-based organisation. Values matter to us. They set our expectations for ourselves, each other and those we work with. Our value set was created by our colleagues many years ago and has stood the test of time.

- Teamwork – Collaboration is at the heart of everything we do. We will work with you and our partners to support and inspire everyone to get involved. We will make the best of the ideas, and resources available to do the things that most positively impact our people and places.
- Openness - We are open and honest. People have the chance to be involved and tell us what matters.
- Flexibility - We are flexible, enabling delivery of the most effective and efficient services. This means working with everyone to embrace new ways of working.
- Fairness - We provide opportunities for all people and communities to thrive. We will always try to treat everyone fairly and consistently; we will sometimes need to take positive action to overcome some of the challenges faced by people with different protected characteristics.
- Kindness – We will show kindness to all those we work with, putting the importance of relationships and the connections we have with one another at the heart of all interactions.

If we get this right, it should be clear to ourselves and those we work with. There's a table further on in the strategy that sets this out, but first it's important to understand some of the opportunities and challenges facing us – and to establish the things we need to prioritise as a result.





### 3. Our Workforce Context – Where are we now?

#### Strengths and Opportunities

- A loyal, dedicated and talented workforce, delivering the things they were employed to do.
- We have traditionally attracted people from a wide range of backgrounds, drawn by the culture and profile of our organisation.
- We've benefitted from strong retention of good people. Our organisational culture is central to this.
- Monmouthshire is an attractive place to live and work. We have great connections to large population centres like Cardiff, Newport and Bristol, which increases our potential recruitment area.
- As a small organisation we can't afford, or indeed justify, having every specialist we need on our payroll. From time-to-time we use external consultants and advisors which is a cost-effective way to bring in technical expertise and expose our staff to new skills without incurring the ongoing costs.
- A strong well-being offer, including the 'Go To' group, People Leaders Q&A, *Digital Cwtch*, free counselling and a well-regarded occupational health service.
- We have a flexible approach and, for many jobs, people don't need to travel to their base every day. This means we can recruit people who may live further afield and are enabled by technology to perform their roles remotely.
- There are opportunities afforded by automation and generative AI, to increase productivity. Some teams may previously have moved to a position of optimum efficiency, but developments in technology have reset the bar on what's possible.
- Most people tell us that our organisation is friendly and welcoming. We have some unevenness of practice but, in most parts, we operate as a networked rather than a hierarchical organisation.
- We benefit from positive officer/member relations and good working relationships with trade unions, evidenced through the Joint Advisory Group.
- A well-regarded defined benefits pension scheme can act as a draw to those looking to move from the private sector and increases our ability to retain workers in the final years of their careers.
- We are a large employer and also have a significant spend with suppliers and contractors which gives us the opportunity to have a positive effect on the employment practices in other organisations, for example through the specifications in our tender documentation.



## Areas for Development and Challenges

- We were an early adopter of remote and hybrid working, which gives us a good selling point when recruiting. The pandemic accelerated the adoption of these approaches by others which has eroded that competitive advantage.
- Hybrid working means that some teams do not come together in person or only do so infrequently. This can inhibit creativity and stop new workers establishing the same sense of connection or growing networks within the wider organisation. However, this applies to only a small percentage of our total workforce. The vast majority of our colleagues perform roles that require them to be with clients, in vehicles, schools, libraries or leisure centres where they provide a service to the public.
- There is an unevenness in management practices across the organisation, for example some colleagues have roles that are suitable for remote working but this isn't being enabled.
- We do not have all of the development pathways in place to retain younger workers who are more likely to have portfolio careers and want to gain development and transferable skills from an employer. National research indicates that this group are not as focused on final salaries and are more likely to job-hop to increase their earnings.
- We have an older workforce, with an average (mean) age of 46 with the most common (modal) age being 55. Many people perform physically demanding jobs which become harder as we get older. We don't always have arrangements in place to help them transition into different types of work to enable them to remain in the organisation.
- Turnover in 2022-23 and 2023-24 was higher than we have typically seen in the previous ten years. This is something we need to be mindful of. This may be an adjustment after lower-than-average turnover during the pandemic when less people were moving jobs.
- We have a large number of roles which are unique to one individual creating a single point of strength but also a potential single point of weakness.
- Our sickness figures are broadly unchanged in recent years but are marginally above industry average.
- 25% of absences were down to mental health in 2019-20 compared to 24% in 2022-23. We now record work related stress as a distinct absence category. Around a third of stress absences were work related. We need to recognise that wider economic pressures are likely to be affecting many people outside of work.
- High property prices in our area mean those in lower paid professions cannot always afford to live in the area and must travel into the county.
- Our total payroll bill has increased by 3.6% over the past ten years which is significantly below the rate of inflation over the same period. Public sector pay restraint means our payroll costs, and colleagues pay, has reduced in real terms.
- We have increased the size of our workforce over the past ten years but the increased staffing is being costed to specific grants, usually from the Welsh or UK Government. This creates a risk that we are increasingly dependent on insecure and short-term grant funding for core front line service delivery and therefore more vulnerable if they were to be removed.
- Increased use of fixed-terms contracts increases uncertainty for colleagues who are worried about their own futures and can reduce the sense of attachment and belonging they have, potentially leading to increased turnover. It also creates pressure on support services like HR and Finance, where teams are doing more with less.
- We have a low ratio of HR staff to employees meaning we are often reacting to problems and operational issues rather than deploying HR business partners to strategically support change.
- The financial and demand pressures we face mean we need to continually redesign how we do things. Our organisation development capacity is very small affecting our ability to implement transformational change.

## What People tell us they need to Thrive and Succeed.

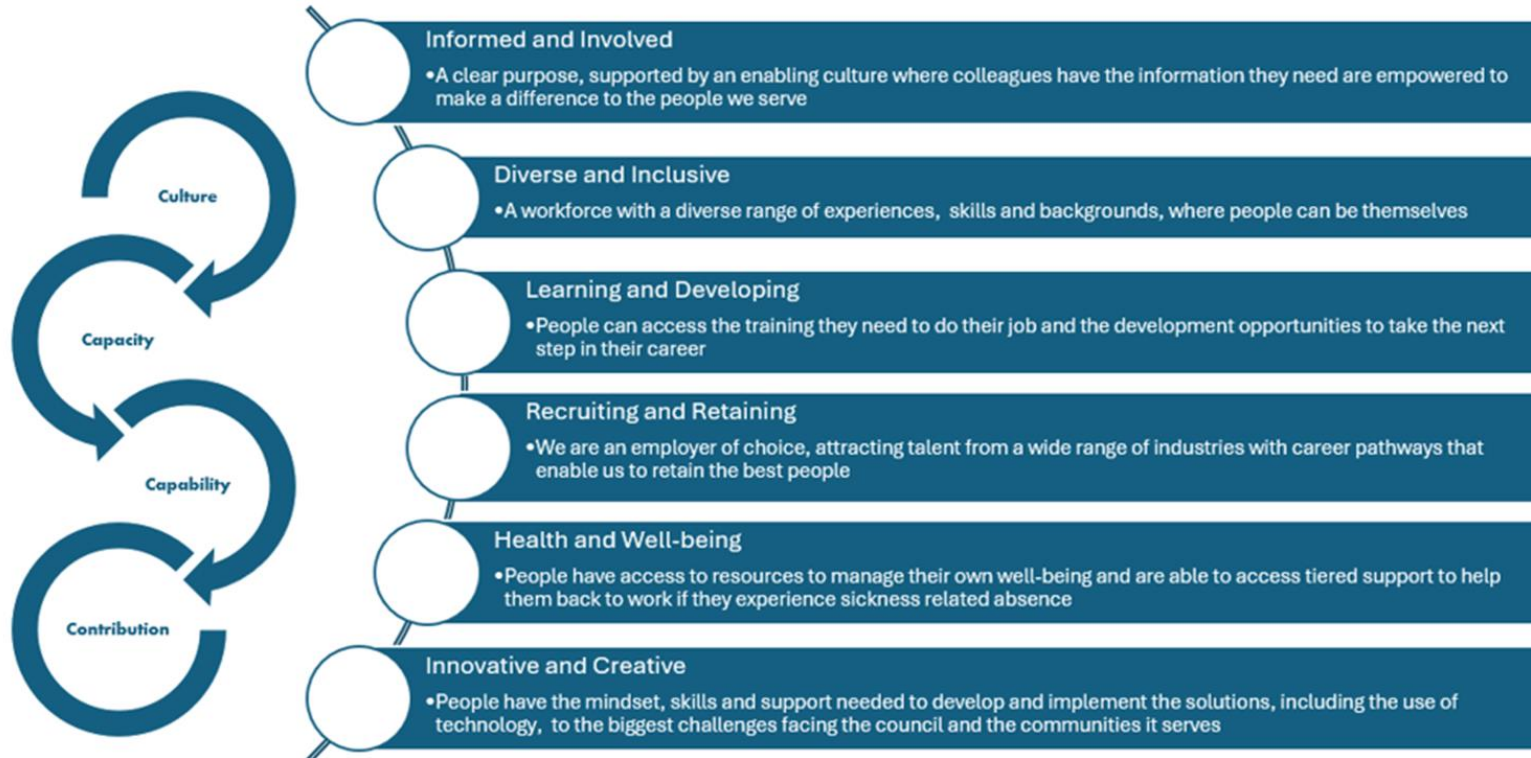
There is a rich body of research into the factors that increase employee motivation and engagement. We've examined this and spoken with our colleagues about what matters to them. This has resulted in a set of conditions, the things we need to have in place to make sure everyone is able to give their best for the people of Monmouthshire.

- Autonomy – The freedom to make decisions, express creativity and navigate work with a sense of control.
- Inclusivity – Colleagues perspectives are not just acknowledged but celebrated and there is opportunity to be involved in the discussions and decisions that shape how work is done.
- Learning and Development – The opportunity to improve in their current role.
- Career Progression Pathway / Opportunities – Many colleagues want the chance to develop new skills that will help them progress their career.
- Recognition for their Effort and Contribution – People work hard, many put in more hours and effort than we have any right to expect.
- Accountability – Sometimes people will not get it right. Pushing boundaries and mistakes made in the name of innovation are an opportunity to learn, but where people are consistently not delivering or under-performing they need to be held accountable.
- Safe Working Environment – People need to feel safe and comfortable in their work environment.
- The Tools to do the Job – People need to have the right tools to do the job, whether that is plant and machinery or a waterproof jacket.
- Flexibility – Not all jobs are the same, but where possible employees will have flexibility in where and when they do their job. Purpose and achievement are more important than where people are sat or the time they work.
- Well-being – An offer which is integrated into how we work rather than an add-on.
- Work/Life Balance – Many teams are stretched. It's important that people can take time away from work and are not continually checking e-mails or messages when they are on leave just to keep up.
- Certainty and Stability – We do not use zero hours contracts, but we also need to ensure that we do everything we can to provide stability and a sense of belonging for those colleagues employees on fixed term contracts.
- Purpose – Ensuring a connection to the wider purpose of the organisation and an understanding their contribution to the whole.
- Two-Way Communication – To be involved in developing ideas and having an understanding of the decisions that are being made and what it means for them.
- Values – To know that the organisation is holding true to its values.
- Belief / Hope / Confidence – that challenging times will not last for ever.
- Social Connections and Professional Networks – Some groups of staff are spending more time working from home. This can be isolating, reduce informal learning opportunities and loosen the bonds that exist between colleagues which can help people through difficult times.

We have used this to inform the development of the objectives and action plan. This list isn't static and we will continue to evolve our understanding through discussions with our colleagues and engagement with professionals and academics in the sector.

## Our Objectives

We have drawn together all of this information to produce six objectives. This is followed by a table that sets out what we expect people to see and feel if we get this right:





## What this Looks Like

For Colleagues	For Leaders	For the Organisation	For Residents
<ul style="list-style-type: none"> <li>• Colleagues understand their role and how it contributes to the authority’s purpose.</li> <li>• Colleagues can demonstrate how they live the authority’s values.</li> <li>• Colleagues are able to contribute ideas and are recognised for their contribution.</li> <li>• Colleagues have regular discussions about their performance and opportunities for development.</li> <li>• Colleagues are accessing training for their current role and to support career development.</li> <li>• Colleagues have the equipment they need to do their jobs effectively.</li> <li>• Colleagues have access to a range of tools to manage well-being.</li> <li>• Colleagues have the skills and mindsets to work across geographical and organisational boundaries.</li> </ul>	<ul style="list-style-type: none"> <li>• Leaders understand their role and how it contributes to the authority’s purpose.</li> <li>• Leaders demonstrate positive leadership underpinned by authority’s values.</li> <li>• Leaders communicate key decisions from Council and Cabinet.</li> <li>• Leaders take ownership of and proactively manage change.</li> <li>• Leaders have conversations with team members to manage their performance and keep them motivated.</li> <li>• Leaders take well-being and work/life balance seriously and help colleagues enhance these.</li> <li>• Leaders develop their teams and grow new leaders.</li> <li>• Leaders celebrate success and recognise effort and contribution.</li> </ul>	<ul style="list-style-type: none"> <li>• We can evidence progress towards objectives in the Community and Corporate Plan.</li> <li>• We can demonstrate our values and this is recognised by councillors, residents and businesses.</li> <li>• We have confidence in our workforce to deliver – and celebrate success.</li> <li>• We make the best use of our peoples’ talents and create the capacity to deliver our objectives.</li> <li>• We are an employer of choice in our own sector and beyond.</li> <li>• We continually learn from and apply cutting edge practice.</li> </ul>	<ul style="list-style-type: none"> <li>• We will always aim to put the customer at the heart of all we do.</li> <li>• Our staff will be polite, turn up on time and have a ‘can do’ attitude.</li> <li>• If you talk to someone and they can’t help you, they will do their best to put you in touch with someone who can.</li> </ul>

## Action Plan

The actions below describe some the immediate things we will put in place to help achieve our objectives. There is additional activity being developed that will contribute and which will feature in future updates of this action plan. The action plan will also be enhanced by more detailed activity within service business plans at team level.

	Objective	Action	Responsible Officer	Measures / Milestones & Timescale
Informed and Involved	A clear purpose, supported by an enabling culture where colleagues have the information they need and are empowered to make a difference to the people we serve.	Develop a new approach to staff appraisal to ensure that everyone can articulate their contribution to the organisation's purpose and give us a clear understanding of training and development needs.	Head of Organisation and Workforce Development	<ul style="list-style-type: none"> <li>• New appraisal scheme launched – July 2024</li> <li>• Percentage of staff receiving an appraisal</li> <li>• Training needed analysis in place – March 2025</li> </ul>
	A clear purpose, supported by an enabling culture where colleagues have the information they need and are empowered to make a difference to the people we serve.	Develop a programme to roll-out the skills and tools taught as part of the InFuSe programme and ensure these are targeted at the biggest challenges facing the organisation alongside operational efficiencies. <i>(This action is also featured under 'Innovative and Creative')</i>	Chief Officer – People, Performance and Partnerships  Deputy Chief Executive	<ul style="list-style-type: none"> <li>• Programme in place – December 2024</li> </ul>
	A clear purpose, supported by an enabling culture where colleagues have the information they need and are empowered to make a difference to the people we serve.	Improve briefing and cascade of information to our workforce about the business of Council and Cabinet to maintain the connection to the direction set by, and decisions taken by, our politicians.	Chief Officer – People, Performance and Partnerships	<ul style="list-style-type: none"> <li>• New staff survey in place – March 2025</li> <li>• Measures to be informed by staff survey – March 2025</li> </ul>

	Objective	Action	Responsible Officer	Measures / Milestones & Timescale
Informed and Involved	A clear purpose, supported by an enabling culture where colleagues have the information they need and are empowered to make a difference to the people we serve.	Improve our use and analysis of workforce data.	Chief Officer – People, Performance and Partnerships	<ul style="list-style-type: none"> <li>Workforce data is featured in all service business plans and a whole authority dashboard – September 2024</li> </ul>
	A clear purpose, supported by an enabling culture where colleagues have the information they need and are empowered to make a difference to the people we serve.	Ensure clear communication about new starters, leavers and internal promotions so colleagues and councillors always know who is responsible for key areas of work.	Head of Human Resources	<ul style="list-style-type: none"> <li>New section features in our regular staff newsletter 'The Compass' – September 2024</li> </ul>
	A clear purpose, supported by an enabling culture where colleagues have the information they need and are empowered to make a difference to the people we serve.	Develop a series of face-to-face staff briefing and events which build on the <i>Digital Cwtch</i> and other online events to maintain the connections and networks that promote the values and culture of the organisation and involve staff in developing the ideas that will be the lifeblood of future public service delivery.	Head of Organisation and Workforce Development	<ul style="list-style-type: none"> <li>Programme of activity in place</li> <li>Measures to be informed by staff survey – March 2025</li> </ul>
	A clear purpose, supported by an enabling culture where colleagues have the information they need and are empowered to make a difference to the people we serve.	Support our staff to take action to reduce their carbon footprint – both in the workplace, at home and while travelling.	Head of Human Resources Head of Decarbonisation, Transport and Support Services	<ul style="list-style-type: none"> <li>Measured by commuting data from Net Zero Carbon submission to Welsh Government</li> </ul>

	Objective	Action	Responsible Officer	Measures / Milestones & Timescale
Diverse and Inclusive	A workforce with a diverse range of experiences, skills and backgrounds where people can be themselves.	Build on our recently attained Disability Confident Employer status to ensure we attract and retain a diversity of talent and reduce the disability pay gap.	Equality and Welsh Language Manager	<ul style="list-style-type: none"> <li>• Average difference in pay between employees who are disabled and those who are not (£)</li> </ul>
	A workforce with a diverse range of experiences, skills and backgrounds where people can be themselves.	Undertake research to identify the actions likely to have greatest success in reducing the gender pay gap in the authority.	Equality and Welsh Language Manager Head of Human Resources	<ul style="list-style-type: none"> <li>• Research concluded and recommendations made – September 2025</li> <li>• Average difference in pay between males and females (£)</li> </ul>
	A workforce with a diverse range of experiences, skills and backgrounds where people can be themselves.	Encourage and support the development of staff groups to share experiences and identify opportunities for support, building on the example of the dyslexia group started by colleagues.	Equality and Welsh Language Manager Head of Human Resources	<ul style="list-style-type: none"> <li>• Existence of more staff groups</li> </ul>
Learning and Development	People can access the training they need to do their job and the development opportunities to take the next step in their career.	Launch the new e-learning system (Thinqi) to ensure staff can access the training they need to do their current role and the development opportunities they need to take their career to the next level.	Head of Organisation and Workforce Development	<ul style="list-style-type: none"> <li>• E-learning system launched authority-wide – June 2024</li> <li>• Percentage of non-teaching workforce accessing courses on Thinqi.</li> </ul>

	Objective	Action	Responsible Officer	Measures / Milestones & Timescale
Learning and Development	People can access the training they need to do their job and the development opportunities to take the next step in their career.	Create a new training space for the organisation to reduce costs and ensure we have a physical space for learning to accompany our new online platform.	Head of Organisation and Workforce Development	<ul style="list-style-type: none"> <li>• New training space is in place – 2025</li> </ul>
	People can access the training they need to do their job and the development opportunities to take the next step in their career.	Ensure our workforce have the knowledge and skills to achieve objectives in the Community and Corporate Plan.	Head Organisation and Workforce Development	<ul style="list-style-type: none"> <li>• To be measured via individual performance appraisals</li> </ul>
Recruiting and Retaining	We are an employer of choice, attracting talent from a wide range of industries with career pathways that enable us to retain the best people.	Embed workforce planning across the organisation to address shortages and ensure career pathways are in place.	Head of Human Resources	<ul style="list-style-type: none"> <li>• Staff turnover</li> <li>• Expenditure on agency staff</li> <li>• Measures to be informed by staff survey – March 2025</li> </ul>
	We are an employer of choice, attracting talent from a wide range of industries with career pathways that enable us to retain the best people.	Create a pathway to enable colleagues in physically demanding roles to develop the skills and knowledge to secure other roles at later stages of their careers.	Head of Human Resources	<ul style="list-style-type: none"> <li>• Pathway in place</li> <li>• To be measured by retention data in key departments</li> </ul>
	We are an employer of choice, attracting talent from a wide range of industries with career pathways that enable us to retain the best people.	Introduce a new scheme for work experience, apprenticeships and graduate recruitment.	Head Organisation and Workforce Development	<ul style="list-style-type: none"> <li>• New scheme in place – December 2024</li> <li>• Number of i) apprentices ii) interns iii) graduates employed by the council</li> </ul>

	Objective	Action	Responsible Officer	Measures / Milestones & Timescale
Recruiting and Retaining	We are an employer of choice, attracting talent from a wide range of industries with career pathways that enable us to retain the best people.	Launch a new e-recruitment system to improve process efficiency and improve the recruitment and onboarding experience for recruiting managers and potential and new employees.	Head of Systems and Payroll	<ul style="list-style-type: none"> <li>E-recruitment system in place – June 2024</li> <li>Average number of applicants for each new role</li> </ul>
	We are an employer of choice, attracting talent from a wide range of industries with career pathways that enable us to retain the best people.	Promote career development opportunities to ensure that we keep good people in local government.	Chief Officer – People, Performance and Partnerships	<ul style="list-style-type: none"> <li>Turnover (%)</li> <li>Measures to be informed by staff survey – March 2025</li> </ul>
	We are an employer of choice, attracting talent from a wide range of industries with career pathways that enable us to retain the best people.	Build and use networks to attract talent and ensure our workforce are continually seeking the ideas and cutting-edge practice that could be applied in Monmouthshire.	Chief Officer – People, Performance and Partnerships	<ul style="list-style-type: none"> <li>Measures to be informed by staff survey – March 2025</li> </ul>
Health and Well-being	Colleagues have access to the resources to manage their own well-being and can access tiered support to help them back to work if they experience sickness related absence.	Continue to develop and promote our well-being offer and staff benefits package.	Head of Human Resources	<ul style="list-style-type: none"> <li>New staff benefits page in place – September 2025</li> <li>Measures to be informed by staff survey – March 2025</li> <li>Sickness absence (%)</li> </ul>
	Colleagues have access to the resources to manage their own well-being and can access tiered support to help them back to work if they experience sickness related absence.	Undertake audits of our culture to ensure that we have early signs of any emerging issues that need to be addressed.	Head Organisation and Workforce Development	<ul style="list-style-type: none"> <li>Culture audit undertaken – March 2026</li> </ul>

	Objective	Action	Responsible Officer	Measures / Milestones & Timescale
Innovative and Creative	People have the mindset, skills and support needed to develop and implement the solutions, including the use of technology, to the biggest challenges facing the council and the communities we serve.	Ensure that we have a good understanding of the future of work, in areas such as automation and artificial intelligence, and use these to inform our workforce development.	Head Organisation and Workforce Development	<ul style="list-style-type: none"> <li>• Milestone to be identified as this work is developed.</li> </ul>
	People have the mindset, skills and support needed to develop and implement the solutions, including the use of technology, to the biggest challenges facing the council and the communities we serve.	Develop a programme to roll-out the skills and tools taught as part of the InFuSe programme and ensure these are targeted at the biggest challenges facing the organisation alongside operational efficiencies. <i>(This action is also featured under 'Informed and Involved')</i>	Chief Officer – People, Performance and Partnerships Deputy Chief Executive	<ul style="list-style-type: none"> <li>• Programme in place – December 2024</li> </ul>

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Report Title	Report Author	Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
Draft Freedom of Information (FOI) & Data Protection Act (DPA) Breaches & Data Subject Access Request (DSARs)	Sian Hayward		ü			
CPR Exemptions - 6 monthly update to 31st March 2024	Jan Furtek				ü	
2023/4 Treasury Outturn report	Jonathan Davies	ü				
Draft Financial Strategy	Jon Davies/Peter Davies	ü				
People Strategy	Matt Gatehouse		ü			
Annual Audit Plan 24-25	Audit Wales					ü
Audit Wales Capital Programme Management Review	Audit Wales					ü
Audit Wales MCC Annual Audit Summary 2023	Audit Wales					ü
Audit Wales Work Programme and Timetable quarterly update - March 2024	Audit Wales					ü
<b>17TH JULY 2024</b>						
<b>Reports to be with Peter by – 1st July 2024</b>						
<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting – 3rd July 2024</b>						
<b>Pre-meeting – 5th July 2024</b>						
<b>Finalised reports to committee section – 8th July 2024</b>						
<b>Despatch by committee section – 9th July 2024</b>						
		<b>Terms of reference category</b>				

Report Title	Report Author	Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
2024/5 Q1 - Treasury report	Jonathan Davies	ü				
2023/4 Draft WCF/Mon Farm Statement of Accounts	Jon Davies	ü				
2023/24 MCC Draft Statement of Accounts	Jon Davies	ü				
3 ISA 260 recommendations	Jon Davies	ü				
Draft Annual Governance Statement 2023/24	Jan Furtek				ü	
Internal Audit Quarterly progress report (Q1)	Jan Furtek				ü	
Internal Audit Plan and Annual Report for Shared Resource Service (SRS)	TCBC IA Team				ü	
Internal Audit Annual Report 2023/24	Jan Furtek				ü	
Governance & Audit Committee Annual report 2023/4	Chair – Andrew Blackmore		ü			
Audit Wales Financial Sustainability Review	Audit Wales					ü
Internal assessment of corporate risk control arrangements	Richard Jones		ü			
Audit Wales Digital Review	Charlotte Owen					ü
<b>5TH SEPTEMBER 2024</b>						
<b>Reports to be with Peter by –</b>						
<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting –</b>						
<b>Pre-meeting – 22nd August 2024</b>						
<b>Finalised reports to committee section –</b>						
<b>Despatch by committee section –</b>						
			<b>Terms of reference category</b>			

Report Title	Report Author	Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
Draft Self Assessment Report	Richard Jones		ü			
<b>17TH OCTOBER 2024</b>						
<b>Reports to be with Peter by –</b>						
<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting –</b>						
<b>Pre-meeting – 7th October 2024</b>						
<b>Finalised reports to committee section –</b>						
<b>Despatch by committee section –</b>						
		<b>Terms of reference category</b>				
Report Title	Report Author	Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
Page 159						
Anti Bribery Risk Assessment	Peter Davies		ü			
The Ombudsmans's Annual Letter - 2022/23	Annette Evans			ü		
Audit Wales Work Programme and timetable quarter 1 update	Audit Wales					ü
Audit Wales Work Programme: Council Progress update	Richard Jones		ü			
Audit Grants report	Audit Wales - Rachel Freitag					ü
Annual Audit Plan 22-23 Welsh Church Funds	Rachel Freitag					ü
Internal Audit quarterly progress report (Q2)	Jan Furtek				ü	
<b>28TH NOVEMBER 2024</b>						

<b>Reports to be with Peter by –</b>						
<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting –</b>						
<b>Pre-meeting – 18th November 2024</b>						
<b>Finalised reports to committee section –</b>						
<b>Despatch by committee section –</b>						
		<b>Terms of reference category</b>				
<b>Report Title</b>	<b>Report Author</b>	<b>Financial Affairs</b>	<b>Risk, Internal Control, Performance &amp; Corporate Governance</b>	<b>Complaints</b>	<b>Internal Audit</b>	<b>External Audit</b>
24/25 Q2 Treasury report	Jon Davies	ü				
2023/24 MCC Statement of Accounts Final	Jon Davies	ü				
ISA 260 response to accounts	Rachel Freitag/Jon Davies					ü
Effectiveness of Strategic Risk Management Framework and summary of wider arrangements	Richard Jones		ü			
CPR Exemptions - 6 monthly update to 30th September 2024	Jan Furtek				ü	
Whole Authority annual complaints report	Annette Evans			ü		
<b>16TH JANUARY 2025</b>						
<b>Reports to be with Peter by –</b>						
<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting –</b>						
<b>Pre-meeting – 6th January 2024</b>						
<b>Finalised reports to committee section –</b>						
<b>Despatch by committee section –</b>						
		<b>Terms of reference category</b>				

Report Title	Report Author	Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
2023/4 WCF/Mon Farm Statement of Accounts Final	Jon Davies	ü				
ISA260 for trust funds	Rachel Freitag/Jon Davies					ü
<b>20TH FEBRUARY 2025</b>						
Reports to be with Peter by –						
Reports to be with Wendy Barnard/Chair prior to pre-meeting –						
Pre-meeting – 10th February 2024						
Finalised reports to committee section –						
Despatch by committee section –						
		<b>Terms of reference category</b>				
Report Title	Report Author	Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
2024/25 Q3 Treasury report	Jon Davies	ü				
Statement on the robustness of the budget process and the adequacy of reserves	Peter Davies	ü				
2025/26 Capital Strategy and Treasury Strategy	Jon Davies	ü				
Cyber Security	Sian Hayward		ü			
Self Assessment of Performance Management arrangements	Richard Jones		ü			

Internal Audit Quarterly Progress report (Q3)	Jan Furtek					ü
<b>13TH MARCH 2025</b>						
<b>Reports to be with Peter by –</b>						
<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting –</b>						
<b>Pre-meeting –</b>						
<b>Finalised reports to committee section –</b>						
<b>Despatch by committee section –</b>						
		<b>Terms of reference category</b>				
<b>Report Title</b>	<b>Report Author</b>	<b>Financial Affairs</b>	<b>Risk, Internal Control, Performance &amp; Corporate Governance</b>	<b>Complaints</b>	<b>Internal Audit</b>	<b>External Audit</b>
Draft Internal Audit Plan 2025/26	Jan Furtek				ü	
<b>TO BE PUT ON A FUTURE MEETING AGENDA BUT DATES NOT YET CONFIRMED</b>						
Presentation on Global Internal Audit Standards/Update of Public Sector Internal Audit Standards						
Review of MCC Internal Audit Charter						
MCC Fraud Risk Assessment and NFI Self Assessment						

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# Public Document Pack Agenda Item 17

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held  
at Council Chamber, County Hall, The Rhadyr USK on Monday, 29th April, 2024 at 2.00  
pm

**PRESENT:** County Councillor Andrew Blackmore, (Chairman)  
County Councillor Tony Easson, (Vice Chairman)

Lay Members: Colin Prosser, Martin Veale, Rhodri Guest,

County Councillor: Sara Burch, John Crook, Malcolm Lane,  
Phil Murphy, Peter Strong and Ann Webb

### **OFFICERS IN ATTENDANCE:**

Peter Davies	Deputy Chief Executive and Chief Officer, Resources
Jan Furtek	Audit Manager
Wendy Barnard	Democratic Services Officer
Richard Jones	Performance and Data Insight Manager
Jonathan Davies	Head of Finance
Emma Tapper	Governance & Assurance Officer
Hannah Carter	Performance Analyst
Gareth Lucey	Audit Wales Engagement Director
Jason Williams	Senior Auditor

### **APOLOGIES:**

County Councillor David Jones

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

No declarations of interest were made.

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

No members of the public were present.

#### **3. To note the Action List from the previous meeting.**

The action list from the last meeting was noted.

[View discussion of this item, questions and comments here](#)

1. Finance Team capacity: OPEN
2. People Strategy: OPEN
3. Freedom of Information, Data Protection and Data Subject Access Requests:  
Corporate risk control policies: CLOSED
4. MCC Statement of accounts/ISA260: OPEN

## MONMOUTHSHIRE COUNTY COUNCIL

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### **4. Audit Wales Work Programme: Council Progress Update**

The Performance Analyst and Performance and Data Insight Manager presented the Audit Wales Work Programme: Council Progress Update followed by responses from the Audit Wales Engagement Director (Monmouthshire) and Senior Auditor. Committee Members were then invited to comment and ask questions.

[View discussion of this item, questions and comments here](#)

As per the report recommendations:

1. Members scrutinised the council's response to the Audit Wales work programme, and sought assurance that adequate progress is being made.
2. Members did not refer any issues contained within Audit Wales national studies to other committees for consideration where they identify there are findings of particular relevance to the council that need further scrutiny.

### **5. Effectiveness of Strategic Risk Management Framework**

The Performance and Data Insight Manager and Performance Analyst presented a report on the Effectiveness of the Strategic Risk Management Framework. Following presentation of the report, Committee Members were invited to ask questions.

[View discussion of this item, questions and comments here](#)

As set out in the report recommendations:

1. Members reviewed the updates proposed to the strategic risk management policy and had the opportunity to recommend any changes to inform its further development.
2. Members used the assessment to seek assurance about the effectiveness of the authority's risk management arrangements; and
3. Members noted the further corporate risk control policies identified that the Committee could review in more detail as part of its forward work programme.

### **6. Internal Audit Plan 24/25**

The Chief Internal Auditor presented the Internal Audit Plan 2024/25. Following presentation of the report, Members were invited to ask questions:

[View discussion of this item, questions and comments here](#)

As per the report recommendations the Governance and Audit Committee reviewed, commented on and approved the Internal Audit Plan 2024/25.

### **7. External Quality Assessment (EQA) of Internal Audit 2024**

The Chief Internal Auditor presented a report on the External Quality Assessment (EQA) of Internal Audit 2024. Following presentation of the report, Members of the Committee were invited to ask questions:

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As contained in the report recommendations, the Committee noted the report and requested updates on progress in fulfilling the action plan.

### **8. Implementation of Internal Audit agreed recommendations**

The Chief Internal Auditor presented a report on the extent to which officers have implemented Internal Audit recommendations. Following presentation of the report, Committee Members were invited to ask questions.

[View the discussion of this item, questions and comments here](#)

As per the report recommendations the Governance & Audit Committee noted this report and the actions taken by operational managers.

### **9. Proposed Future Delivery Model for the Internal Audit Service**

The Deputy Chief Executive and Chief Officer for Resources presented a report on the Proposed Future Delivery Model for the Internal Audit Service. Members were then invited to ask questions.

[View discussion of this item, questions and comments here](#)

As detailed in the report recommendations:

1. The Committee considered and noted the options appraisal providing comment on the proposed delivery model for Internal Audit, and
2. The Committee supported the strengthening of Counter-Fraud arrangements within Monmouthshire County Council creating a new post within the Internal Audit team dedicated to fraud response and training.

### **10. Audit Wales Performance Data Review**

The Audit Wales Engagement Director (Monmouthshire) and Senior Auditor presented the Audit Wales Performance Data Review. The Performance and Data Insight Manager responded to questions:

[View discussion of this item, questions and comments, here](#)

### **11. Governance and Audit Committee Forward Work Plan**

The Governance and Audit Committee Forward Work Plan was noted.

[Watch here](#)

### **12. To approve the minutes of the previous meeting**

The minutes of the previous meeting were approved as an accurate record.

**MONMOUTHSHIRE COUNTY COUNCIL**

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pm**

[Watch here](#)

13. **Date of Next Meeting: 6th June 2024**

**Meeting ended at 3.49 pm**