

# Public Document Pack



Neuadd y Sir  
Y Rhadyr  
Brynbuga  
NP15 1GA

Dydd Mercher, 9 Tachwedd 2016

## Hysbysiad o gyfarfod

## Pwyllgor Archwilio

Dydd Iau, 17eg Tachwedd, 2016 at 2.00 pm  
Neuadd Y Sir, Y Rhadyr, Brynbuga, NP15 1GA

### AGENDA

**BYDD CYFARFOD CYN I AELODAU'R PWYLLGOR 30 COFNODION CYN I'R  
CYCHWYN Y CYFARFOD**

Eitem ddim	Eitem	Tudalennau
1.	Ymddiheuriadau am absenoldeb	
2.	Datganiadau o Fuddiant	
3.	Fforwm Agored i'r Cyhoedd	
4.	Cadarnhau cofnodion y cyfarfod blaenorol	1 - 6
5.	Cyflwyniad ar Safonau Archwilio Mewnol y Sector Cyhoeddus (PSIAS)	7 - 24
6.	Adolygiad Dilynol Asesiad Corfforaethol - Technoleg Gwybodaeth	25 - 42
7.	Adroddiad Cwynion, Sylwadau a Chanmoliaeth Awdurdod Cyfan	43 - 60
8.	Diweddariad Trysorlys Hanner Blwyddyn	61 - 78
9.	Adroddiad Cynnydd Archwiliad Mewnol 2016/17 - Chwarter 2	79 - 88
10.	Barnau Archwilad Anfoddhaol	89 - 98
11.	Adolygu MRP	99 - 124
12.	Monitro Chwarterol Cronfeydd wrth Gefn - Chwarter 2	125 - 128
13.	Adroddiad Blynyddol a Chynllun Gweithlu Gwasanaethau Pobl	129 - 164

<b>14.</b>	<b>Blaenraglen Gwaith</b>	<b>165 - 166</b>
<b>15.</b>	<b>Cadarnhau dyddiad ac amser y cyfarfod nesaf sef 2.00pm dydd lau 15 Rhagfyr 2016</b>	

**Paul Matthews**

**Prif Weithredwr**

## CYNGOR SIR FYNWY

### MAE CYFANSODDIAD Y PWYLLGOR FEL SY'N DILYN:

Cynghorwyr Sir:

P White  
J. Higginson  
D. Batrouni  
P. Clarke  
G. Down  
A. Easson  
D. Edwards  
P. Murphy  
P. Jordan  
B. Hayward  
J. Prosser  
B. Strong  
A. Williams (Trade Union)

## Gwybodaeth Gyhoeddus

### **Mynediad i gopiâu papur o agendâu ac adroddiadau**

Gellir darparu copi o'r agenda hwn ac adroddiadau perthnasol i aelodau'r cyhoedd sy'n mynychu cyfarfod drwy ofyn am gopi gan Gwasanaethau Democrataidd ar 01633 644219. Dylid nodi fod yn rhaid i ni dderbyn 24 awr o hysbysiad cyn y cyfarfod er mwyn darparu copi caled o'r agenda hwn i chi.

### **Edrych ar y cyfarfod ar-lein**

Gellir gweld y cyfarfod ar-lein yn fyw neu'n dilyn y cyfarfod drwy fynd i [www.monmouthshire.gov.uk](http://www.monmouthshire.gov.uk) neu drwy ymweld â'n tudalen Youtube drwy chwilio am MonmouthshireCC. Drwy fynd i mewn i'r ystafell gyfarfod, fel aelod o'r cyhoedd neu i gymryd rhan yn y cyfarfod, rydych yn caniatáu i gael eich ffilmio ac i ddefnydd posibl y delweddau a'r recordiadau sain hynny gan y Cyngor.

### **Y Gymraeg**

Mae'r Cyngor yn croesawu cyfraniadau gan aelodau'r cyhoedd drwy gyfrwng y Gymraeg neu'r Saesneg. Gofynnwn gyda dyledus barch i chi roi 5 diwrnod o hysbysiad cyn y cyfarfod os dymunwch siarad yn Gymraeg fel y gallwn ddarparu ar gyfer eich anghenion.

# Nodau a Gwerthoedd Cyngor Sir Fynwy

## Cymunedau Cynaliadwy a Chryf

### Canlyniadau y gweithiwn i'w cyflawni

#### Neb yn cael ei adael ar ôl

- Gall pobl hŷn fyw bywyd da
- Pobl â mynediad i dai addas a fforddiadwy
- Pobl â mynediad a symudedd da

#### Pobl yn hyderus, galluog ac yn cymryd rhan

- Camddefnyddio alcohol a chyffuriau ddim yn effeithio ar fywydau pobl
- Teuluoedd yn cael eu cefnogi
- Pobl yn teimlo'n ddiogel

#### Ein sir yn ffynnu

- Busnes a menter
- Pobl â mynediad i ddysgu ymarferol a hyblyg
- Pobl yn diogelu ac yn cyfoethogi'r amgylchedd

### Ein blaenoriaethau

- Ysgolion
- Diogelu pobl agored i niwed
- Cefnogi busnes a chreu swyddi
- Cynnal gwasanaethau sy'n hygyrch yn lleol

### Ein gwerthoedd

- **Bod yn agored:** anelwn fod yn agored ac onest i ddatblygu perthnasoedd ymddiriedus
- **Tegwch:** anelwn ddarparu dewis teg, cyfleoedd a phrofiadau a dod yn sefydliad a adeiladwyd ar barch un at y llall.
- **Hyblygrwydd:** anelwn fod yn hyblyg yn ein syniadau a'n gweithredoedd i ddod yn sefydliad effeithlon ac effeithiol.
- **Gwaith tîm:** anelwn gydweithio i rannu ein llwyddiannau a'n methiannau drwy adeiladu ar ein cryfderau a chefnogi ein gilydd i gyflawni ein nodau.

# Public Document Pack Agenda Item 4

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15  
1GA on Thursday, 15th September, 2016 at 2.00 pm

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

County Councillors: D. Batrouni, P. Clarke, G. Down, A. Easson,  
D. Edwards, P. Murphy, B. Hayward, J. Prosser and B. Strong

### **ALSO PRESENT:**

County Councillor V. Smith  
Terry Lewis – Wales Audit Office  
Non Jenkins – Wales Audit Office  
Alan Morris – Wales Audit Office

### **OFFICERS IN ATTENDANCE:**

Matthew Gatehouse - Policy and Performance Manager  
Mark Howcroft - Assistant Head of Finance  
Joy Robson – Head of Finance  
Nicola Perry – Senior Democracy Officer  
Wendy Barnard – Democratic Services Officer  
Andrew Wathan – Chief Internal Auditor  
Peter Davies – Chief Officer for Resources

### **APOLOGIES:**

Mr. P White and County Councillor P. Jordan

#### **1. People Services Annual Report & workforce plan**

The Chairman agreed to discuss this item at the beginning of the meeting. The Officer explained that an addendum to the report to provide information on redundancy costs was unavailable for consideration due to pressures within the Payroll Team. It was agreed that the item would be deferred until the next meeting. A Member queried if the proposed addendum would include a full breakdown of both voluntary and compulsory redundancies. The Officer explained that no distinction is drawn between voluntary and compulsory redundancy within the Council processes and offered to provide the Member with further information outside of the meeting.

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

There were no declarations of interest made by Members.

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

There were no members of the public present.

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 15th September, 2016 at 2.00 pm

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

The minutes of the meeting held on 30<sup>th</sup> June 2016 were confirmed and signed by the Chairman.

#### **5. To note the Action List from 30th June 2016**

We received the Action List from the meeting held on 26th May 2016. In doing so, the following points were noted:

- Further information is awaited to answer the issue raised by a member of the public regarding Chepstow School.
- It was confirmed that the summary of the Annual Governance Statement was distributed as requested.
- Internal Audit Section Contract Procedure Rules (Exemptions). It was noted that an update will be provided at the November meeting. Exemptions will be reported to next meeting and will be reported on a six monthly basis according to the Committee's schedule.
- It was queried if there was an action point that an investigation was to be arranged regarding the sale of Raglan Toilets. It was acknowledged that the query about the sale was raised outside of the Audit Committee and that there was no expectation to report that matter through Audit Committee.
- It was confirmed that a response was circulated to address a question raised relating to £10,000 expenditure to engage a Welsh-speaking chef to facilitate workshops at the National Eisteddfod. The response explained that the amount was co-ordinate the many workshops held and engage more than one chef.
- It was noted that the requested analysis of non-domestic rates figures included in the accounts had not been received. It was confirmed that the information was ready and would be furnished at the earliest opportunity.

#### **6. MCC Audited Accounts 2015/16 (formal approval)**

Monmouthshire County Council Audited Accounts for 2015/2016 were considered. The Officer explained that the document was the culmination of audit processes. The draft was presented to Committee in June, further study was undertaken and some amendments made before formal presentation at the meeting today. The report was noted and the Accounts for 2015/16 were approved.

#### **7. ISA 260 report - MCC Accounts**

The Wales Audit Office (WAO) ISA 260 Report on Monmouthshire County Council's Accounts 2015/16 report was considered. It was confirmed that the Auditor General will be issuing an unqualified audit report with no material issues arising.

The WAO Officer summarised the significant and other significant issues identified as:

- Significant issues: Classification of Creditors in Note 13.6; and misstatements corrected by management (detailed in Appendix 3 of the accompanying report)

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 15th September, 2016 at 2.00 pm

- Other significant issues: considering quantitative and qualitative matters, it was clarified that there were no qualitative issues other than some work to earlier meet new deadlines. It was noted that preliminary discussions had commenced to make appropriate arrangements.
- A final accounts memorandum will be issued for discussion with the Head of Finance and her team, which will include recommendations for improvement in the accounts production process.

Following presentation of the report, Members' questions and comments were invited.

- In response to a query, the Officer provided reassurance that the necessary actions will be taken as in previous years and that there had been no misstatement of the accounts but that some narratives are outstanding. It was concluded that there may be changes to the coding structure to reduce the opportunity for omission.
- A Member requested an explanation about Notes 13.5 and 13.6 regarding the reduction of £1.7m (from both Creditors and Debtors accounts) attributed to the Cattle Market? Clarification was also sought regarding CMC<sup>2</sup> noting that a potential £90K liability had been indicated but that profit and loss accounts, and dividends, indicate zero. It was queried if the outcomes forecasted had been achieved.

The Officer explained that the nature of adjustments for CMC<sup>2</sup> and referred to the 2014/15 accounts in which provisions for a shortfall for trading activities was included. It was explained that it had been recorded in error that it was still in existence and should have been written out which explained the required amendment. It was added that it is still appropriate to record as a potential liability as the Council wholly owns CMC<sup>2</sup>. The Council is not responsible for CMC<sup>2</sup>'s trading losses but is a guarantor for its overdraft facilities. It was added that its trading activities presume receipts for work done and that the sundry debtors system may credit income before cash is received so there is the debt management aspect to consider to receive the income and consequently, the Council may have to consider bankrolling CMC<sup>2</sup>'s overdraft in future. For this reason, it is being treated as a contingent liability rather than a provision. The difference was explained that a provision affects the Council's accounts whereas a contingent liability requires only a memorandum note in the accounts that it may occur in future.

The WAO Officer clarified that the timing of receipt of money was a presentational issue and had no effect on bottom line of accounts but still a significant point to note.

The recommendations were agreed.

The Officers were thanked for their contribution to the meeting.

#### **8. To confirm the date and time of the next meeting as 2.00pm on Thursday 13th October 2016**

The date and time of the next meeting were confirmed as 2.00pm on Thursday 13<sup>th</sup> October 2016.

#### **9. Internal Audit Charter**

The Committee received the revised and updated Internal Audit Charter for Monmouthshire County Council for approval in line with the expectations of Public Sector Internal Audit Standards (PSIAS).

The Officer introduced and summarised the Charter emphasising standards for compliance, responsibilities of officers and teams, expectations of managers and the role of the Audit

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 15th September, 2016 at 2.00 pm

Committee. It was advised that the Charter demonstrates an independent audit service and provides assurance to Members of compliance with the Council's Code of Ethics, Public Service Internal Audit Standards and the Seven Principles of Public Life.

The Charter also defines how and what internal audit work is conducted. Members were invited to approve the Charter with a suggestion that it is reviewed and returned to the Committee in two years to ensure it is fit for purpose.

The Chair clarified that section 3.3 the covering report should read "The new standards will be reported to the Audit Committee separately".

A Member suggested that the Charter should specify two years to formalise the review period.

#### **10. Internal Audit Progress report 2016/17 quarter 1**

A progress report was received to consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30th June 2016. The report also considered the performance of the Internal Audit Section over the first 3 months of the current financial year.

The Officer explained that this was a regular progress report that referred to Quarter 1 ending 30<sup>th</sup> June 2016. Assurances were provided that there was good progress within the Operational Audit Plan for 2016/17. It was advised that finalisation work from 2015/16 continues. Members' attention was drawn to the summary of fieldwork and reports in Appendix 1 and the Internal Audit Opinions contained in appendix 2. The Officer referred to the validation of performance indicators in Appendix 3.

The following recommendations were agreed:

- The Committee noted the audit opinions issued.
- The Committee noted the progress made by the Section towards meeting the 2016/17 Operational Audit Plan and the Section's performance indicators at the three months stage of the financial year.

#### **11. Wales Audit Office Reports**

The following three items from Wales Audit Office were received and considered.

#### **12. Annual Improvement Report 2015-16 - Wales Audit Office**

The Annual Improvement Report for 2015/16 was presented to the committee. It was explained that the report was a summary of work undertaken during the year and included report findings from the Care and Social Services Inspectorate Wales (CSSIW); Her Majesty's Inspectorate for Education and Training in Wales (Estyn); and the Welsh Language Commissioner.

Based on work undertaken during the year, it was concluded that the Council will comply with the requirements of the Local Government (Wales) Measure 2009 provided the current pace of improvement continues. The report recognises the progress in implementing proposals to improve in general and also the proposals for improvement made in the Corporate Assessment and Annual Improvement Report last year particularly the work undertaken to date and reported to the Committee referring to performance management, financial resilience, improvement planning and assessment work as part of WAO's duty and the progress made in terms of governance, but that the Council recognises the work still to do.



## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 15th September, 2016 at 2.00 pm

It was commented that Estyn considers that the LA is not still in special measures and no further follow up activity is required. This status is the same for CSSIW with recognition that good progress was made last year.

A Member referred to the comment in the report that the Council needs to strengthen the transparency of corporate decisions and queried which areas appeared to be failing. It was clarified that the Council was not necessarily failing but highlighting the key element of the need to make sure records kept are uploaded accurately and in a timely manner. It was added that the transparency of decisions suggesting that Cabinet keep minutes and list of actions and so that members are aware of the context surrounding decisions.

The WAO Officer was thanked for her contribution to the meeting.

#### **13. Performance Management Corporate Assessment Follow-On**

The Performance Management Corporate Assessment Report was presented to Members noting that this was part of follow up report on the 2015 Corporate Assessment progress made against the final conclusions in relation to performance management. Members were reminded that the 2015 Corporate Assessment report concluded that whilst Council systems, procedures and guidance were in place, it was not consistently managing performance, improvement and risks. Proposals for improvements were made including the areas of strategic planning, further developing and embedding performance arrangements, to assist the Council in holding its partners to account and in relation to work with the Public Service Board. The work to improve performance management arrangements including tangible improvements to target setting, outcomes achievement and data quality.

It was explained that the overall conclusions were that the Council continues to improve performance management and recognises there is more to do to consistently apply its corporate arrangements and to address the requirements of the Wellbeing and Future Generations Act 2015.

It was explained that the follow on report included seven further proposals for improvement.

#### **14. Monmouthshire CC Response to the Performance Management Report**

The Council response to the seven proposals contained in the Corporate Assessment Follow-on Review was presented.

The Wales Audit Office Team and the Head of Policy and Performance were thanked for their contribution.

Questions were invited from Members.

A Member sought clarification regarding the Council's response to Proposal 4 (Implement improvements to the budget setting and service planning processes to address weaknesses identified through Heads of Service challenge sessions), the comment that the proposal was not accepted by the Council, and that no further action was agreed by WAO. It was explained that challenge sessions are an opportunity for each Senior Manager to engage in depth with the Leader of the Council and Chief Executive. The purpose of the session is not financial scrutiny but to consider the elements of leadership, management and direction. Whilst the Head of Service challenge sessions were thought not to be the right place to address the

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 15th September, 2016 at 2.00 pm

recommendations, it was agreed that improvements were needed to the financial modelling of savings and to the way that data is fed into the Medium Term Financial Plan, and those changes have been made.

A Member recalled that previously the WAO had stated that the relationship between senior officers and the Cabinet was too informal and that there should be more formal processes for challenge and suggested that the challenge sessions should include budget and financial management of the service.

In response, it was clarified that the level of this recommendation was more detailed about financial arrangements and in the scope of a Head of Service challenge session, there would not be the opportunity to consider such detail and that if financial management and probity of a department was raised as a concern, it would be dealt with as part of other processes. It was emphasised that the purpose of the sessions was the effectiveness of the head of service and to focus on financial arrangements in detail would require the attendance of other department managers or accountants to provide the depth of information.

The WAO Officer provided further clarification that there is a need to implement improvements to budget setting and service planning drawing from the weaknesses already identified in the Head of Service challenge sessions.

In response to a further query from a Member, it was confirmed that there were no concerns because the changes have been made.

A Member added that the budget-setting process and engagement with the public are being completely re-examined this year with a view to making improvements.

#### **15. Forward Work Programme**

We resolved to receive and note the Audit Committee Work Plan 2016/17 noting that the decision to defer consideration of the People Services Annual Report and Workforce Plan to the next meeting.

It was clarified that consideration of the Audited Llanelly Hill Social Welfare Centre Trust Fund Accounts 2015/16 would be removed from the Forward Work Programme as they fall below the threshold.

It was confirmed that arising from the Internal Audit Charter, a report would be provided on audit public standards.

**The meeting ended at 2.55 pm**

# Public Sector Internal Audit Standards

## Audit Committee

### October 2016

Presenter: Andrew Wathan, Chief Internal Auditor

Page 7

Agenda Item 5

1

# Overview

- Common set of standards across the public sector
- Application of Institute of Internal Audit (IIA) International Standards across UK
- 1<sup>st</sup> April 2013 – **ALL** Internal Audit Teams
- Replaces CIPFA Code of Practice for Internal Audit in LG in UK
- Professional, independent, objective Internal Audit service – key element of good governance

# Purpose of PSIAS

- Define the nature of internal auditing
- Basic principles for carrying out Internal Audit
- Framework for providing Internal Audit services – add value – improved processes & operations
- Basis for the evaluation of Internal Audit performance

Page 9

# Key Aspects

- Mission
- Definition of Internal Audit
- Core Principles
- Code of Ethics
- Attribute Standards
  - Internal Self Assessment
  - External Assessment – every 5 years
- Performance Standards

Page 10



# Mission

To enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

## Definition of Internal Audit ...

What do you think ?

# Definition

Internal Audit is 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.



# Core Principles

## Internal Audit Effectiveness

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk based assurance
- Is insightful, proactive and future focused
- Promotes organisational improvement

Page 13

# Code of Ethics

- Integrity

- The Integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement

Page 14

## Objectivity

- Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information
- A balanced assessment of all relevant circumstances and are not unduly influenced by their own interests or by others informing judgements

## • Confidentiality

- Respect the value and ownership of information received and do not disclose without proper authority unless there is a legal professional obligation to do so

Page 15

## Competency

- Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services

# Attribute Standards (1)

1000	Purpose, authority & responsibility	
1010	Definition / Code of Ethics / Standards to be included in Charter	
1100	Independence & objectivity	
1110	Organisational independence	
1111	Direct interaction with Audit Committee	
1120	Individual objectivity	
1130	Impairment to independence or objectivity	

Page 16



# Attribute Standards (2)

1200	Proficiency & due professional care	
1210	Proficiency	
1220	Due professional care	
1230	Continuing professional development (CPD)	
1300	Quality assurance & improvement	
1310	Requirements of the quality assurance & improvement programme	
1311	Internal assessments	
1312	External assessments	
1320	Reporting on the QAIP	
1321	Use of "Conforms with the PSIAS"	
1322	Disclosure of non-conformance	

Page 18

# Performance Standards (1)

2000	Managing the Internal Audit activity
2010	Planning
2020	Communication & approval
2030	Resource management
2040	Policies & procedures
2050	Co-ordination
2060	Reporting to Senior Management
2070	External service provider & organisational responsibility for Internal Audit

Page 19

# Performance Standards (2)

2100	Nature of the work
2110	Governance
2120	Risk management
2130	Control
2200	Engagement planning
2201	Planning considerations
2210	Engagement objectives
2220	Engagement scope
2230	Engagement resource allocation
2240	Engagement work programme

Page 207



# Performance Standards (3)

2300	Performing the engagement
2310	Identifying information
2320	Analysis & evaluation
2330	Documenting information
2340	Engagement supervision
2400	Communicating the results
2410	Criteria for communicating
2420	Quality of communications
2430	Error & omissions
2431	Use of “conforms with PSIAS”
2440	Disseminating results
2450	Overall opinions

15

# Performance Standards (4)

2500	Monitoring progress
2600	Communicating the acceptance of risks

Page 22

# Public Sector Internal Audit Standards

A whistlestop Tour ...

Thanks for listening –

Page 23  
Any questions ?

Andrew Wathan  
Chief Internal Auditor  
Monmouthshire

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## Information Technology – Corporate Assessment Follow-on Review **Monmouthshire County Council**

**Audit year:** 2015-16

**Issued:** October 2016

**Document reference:** 419A2016

# Status of report

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties.

In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [info.officer@audit.wales](mailto:info.officer@audit.wales).

The team who delivered the work comprised Greg Goold and Emily Owen.

# Contents

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The Council has made progress in some areas, but the overall arrangements for managing IT services are disjointed and do not adequately allow the Council to demonstrate good governance, value for money or impact.

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## Summary report

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Proposals for improvement	6
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## Detailed report

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The Council has not yet developed a clear enough plan to implement its iCounty Strategy, and oversight arrangements need updating	7
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The Council has made significant efforts to ensure that planned changes to IT service providers do not disrupt provision of its IT services, but the arrangement with the Shared Resource Service (SRS) is not underpinned by formal agreements	8
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Due to the lack of a Social Care and Health Directorate risk register, the Council cannot be assured that risks to the social care system are appropriately escalated.	11
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The Council has a number of initiatives to improve the effectiveness of its IT services, but it is unclear how these will help it measure and demonstrate impact	12
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# Summary report

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1. Information Technology (IT) plays a crucial role in the efficient and effective operation of all public services. It can transform the way services are delivered, store vast amounts of often confidential information that can be retrieved quickly and easily, and it can facilitate effective engagement with local residents and stakeholders across the county. Used well, it can drive improvement and provide innovative solutions. However, if organisations do not manage software and hardware well, the consequences can be costly, services can fail to deliver, and positive outcomes may not be achieved.
2. In 2015, the Wales Audit Office carried out a Corporate Assessment at Monmouthshire County Council (the Council). In respect of IT services, our review considered whether the Council's approach to using technology was positively supporting improvement.
3. Our Corporate Assessment concluded that the Council was developing its IT arrangements in order to support its strategic vision, but more work needed to be done. We came to this conclusion because:
  - the Council had a strategy for the use of technology, but this did not show the extent of planned improvement needed to demonstrate success;
  - the IT programme had appropriate member and officer oversight;
  - the Council had an appropriate structure to oversee IT delivery;
  - satisfaction across the Council with IT services was mixed;
  - the Council had IT risk management processes in place, but there were weaknesses in the reporting of IT risks to the Corporate Risk Register; and
  - the Council was evaluating its IT services, and regularly received feedback on performance from the Shared Resource Service (SRS<sup>1</sup>) to the Council in 'performance dashboards'.
4. In our Corporate Assessment we reported that:

'Whilst some very high level IT risks are included in the Corporate Risk Register, risks relating to the replacement Social Services IT system project are not. There is a project-specific risk register, but some key risks are not considered. The Social Services IT system project contains some significant risks such as confidentiality of information, its development by an external company (CMC<sup>2</sup>) with no track record of developing these complex systems and the requirement for significant changes to working practices. Furthermore, the future of CMC<sup>2</sup> as a software developer is uncertain, which highlights potential risks around ongoing support for this complex and critical system. Unless risks such as these are clearly documented, rated and mitigated against, the Council places itself at considerable risk as a consequence of its approach to IT developments.'
5. The Council has now implemented its new Social Care and Health IT system – 'Flo' – but CMC<sup>2</sup> has now ceased trading and the SRS has taken over the ongoing maintenance of Flo; the risks highlighted in the Corporate Assessment are therefore considerably heightened.

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<sup>1</sup> SRS is a collaborative IT provision in South Wales that provides ICT services to a number of public sector organisations.



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6. In 2015, the Wales Audit Office reviewed SRS and concluded that 'The strategic vision for the SRS was not formally established at the outset, which contributed to weaknesses in how the emerging service was managed and governed. Partners acknowledged these issues and were addressing them as part of an ongoing internal strategic review.' Whilst Monmouthshire was not a founder member of SRS, it had subsequently joined the partnership and the Council needed to assure itself that weaknesses identified in the Wales Audit Office review were resolved and would not affect the quality of services received by Monmouthshire. In 2016, more Gwent councils were set to join the partnership.
  7. In April 2016, we reviewed the Council's progress in addressing issues raised in the 2015 Corporate Assessment in relation to IT.
  8. We concluded that the Council has made progress in some areas, but the overall arrangements for managing IT services are disjointed and do not adequately allow the Council to demonstrate good governance, value for money or impact.
  9. We came to this conclusion because:
    - the Council has not yet developed a clear enough plan to implement its iCounty Strategy, and oversight arrangements need updating;
    - the Council has made significant efforts to ensure that planned changes to IT service providers do not disrupt provision of its IT services, but the arrangement with the SRS is not underpinned by formal agreements;
    - due to the lack of a Social Care and Health Directorate risk register, the Council cannot be assured that risks to the Flo system are appropriately escalated; and
    - the Council has a number of initiatives to improve the effectiveness of its IT services, but it is unclear how these will help it measure and demonstrate impact.

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## Proposals for improvement

10. We have made the following additional proposals for improvement that recognise the progress made by the Council and reflect emerging issues. The Council should:

P1	Review and revise the iCounty Business Plan for 2016-2019 by setting out clear and measurable actions to enable senior managers and members to effectively monitor and manage progress of its implementation.
P2	Review membership of the Digital Board following changes in software provider to ensure no conflicts of interest.
P3	Negotiate and agree commercial grade Service Level Agreements with SRS in advance of new organisations joining the partnership to support sound governance, and to enable the Council to measure service delivery, and assure itself that its IT needs continue to be met.
P4	Complete the database of systems used by the Council, identifying information such as contract details, costs, and the comments of the system owners, to support the Council in its strategic management of IT resources.
P5	Review the Council's risk management arrangements to assure itself it manages risks consistently across directorates and identifies, escalates, and addresses risks in a timely and appropriate way.

# Detailed report

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## The Council has not yet developed a clear enough plan to implement its iCounty Strategy, and oversight arrangements need updating

### The Council has an IT strategy (iCounty), but its business plan setting out how it will deliver the strategy is not fit for purpose

11. Our Corporate Assessment report 2015 concluded that ‘the Council was developing its Information Technology arrangements in order to support its strategic vision, but more work needed to be done’. Consequently, this follow-on review considered the progress made by the Council to develop a plan to deliver the vision and to facilitate the monitoring of progress.
12. The Council approved its Digital Strategy, iCounty, in June 2014, setting out its vision to improve Council services and build sustainable and resilient communities through the use of technology.
13. iCounty included a ‘Digital Roadmap’ (the Roadmap), which set out the direction of travel the Council deemed necessary to achieve its vision. This Roadmap identifies key priorities and themes to improve the Council’s internal systems, to digitally enable its communities, and to create commercial products and assets. However, the Roadmap is not a detailed plan for delivering iCounty; it does not include specific actions or targets for delivery.
14. The Council approved its iCounty Business Plan for 2016-2019 on 13 April 2016. The iCounty Business Plan describes the progress made over the previous 18 months, and priorities for the following three years. It does not, however, include a complete set of detailed actions setting out the steps necessary to deliver iCounty. It lacks timescales for many of the steps, and does not include specific and measurable delivery targets. Until the iCounty Business Plan is complete, setting out clear and relevant actions, the Council will find it difficult to demonstrate progress and impact as it will not be able to effectively monitor and hold officers to account for the delivery of iCounty.

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**The Council has arrangements in place to monitor implementation of iCounty, although, it has not formally reviewed membership of the IT Board to reflect changes in IT support**

15. Our Corporate Assessment 2015 report concluded that ‘the ICT programme has appropriate Member and officer oversight. The Digital Board meets regularly and oversees the implementation of the iCounty Strategy it advises, but has no decision-making powers. The Board consists of two Cabinet Members, representatives from CMC<sup>2</sup> (a Council owned Community Interest Company) and SRS, and Council officers. The Digital Board reports to Cabinet periodically.
16. The Council’s Digital Board continues to meet regularly and oversees the implementation of iCounty. However, although more councils have joined the SRS over the last year, and CMC<sup>2</sup> is no longer one of the software providers used by Monmouthshire Council, the Council has not formally reviewed membership of its Digital Board since our Corporate Assessment in 2015 to ensure no conflicts of interest.

**The Council has made significant efforts to ensure that planned changes to IT service providers do not disrupt provision of its IT services, but the arrangement with the Shared Resource Service (SRS) is not underpinned by formal service level agreements**

**Users are positive about the new Social Care and Health IT system, but its future is uncertain in light of the development of an all-Wales solution**

17. Councils and NHS Wales organisations are working in partnership towards an all-Wales social care record system. The Wales Community Care Information System is proposed to standardise the collection and maintenance of social care and health records across Wales. A rolling programme to implement this system has been proposed, and the first such implementation is being piloted.
18. As a necessary precursor to any move to such a system, the Council identified a need to ‘get its own house in order’, and to ensure that its data was accurate and reliable.
19. Our Corporate Assessment report 2015 identified that the Social Services IT system project contained some significant risks such as: confidentiality of information; the system’s development by an external company (CMC<sup>2</sup>) with no track record of developing these complex systems; and the requirement for significant changes to working practices. Furthermore, the future of CMC<sup>2</sup> as a software developer was uncertain, which highlighted potential risks around ongoing support for this complex and critical system.

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20. The system developed by CMC<sup>2</sup>, has two versions which are designed to meet the different operational needs of Adult and Children's Services. 'Flo' supports Adult Services, and 'Plant' supports Children's Services. In the remainder of this document, reference to Flo covers both versions of the system.
  21. CMC<sup>2</sup> designed Flo following consultation with practitioners in the Council's Social Care and Health Directorate. During the pilot of the Flo system, staff identified some early system problems; these have now mostly been resolved, and the system is very popular with those users. The system is described by users as simple, intuitive, accurate, and accessible. However, staff who are not within the integrated services, such as Health practitioners, are not able to fully realise the benefits of the system. For example, they have to create duplicate records that they leave with the service user at the time of the visit.
  22. Although the Council has implemented Flo across its Social Care and Health Directorate, and users are pleased with its performance, some problems remain. For example, users described the format of some reports, such as care plans, as being unsuitable and unprofessional in appearance. The Council has no clear plan to resolve these issues at present. Unless the Council ensures that users' needs are addressed, the full potential of the system may not be realised.
  23. In addition, with the potential move to the Wales Community Care Information System, the future of Flo is uncertain.

### The Council has changed the way that it provides some of its IT services, but not all of these changes were planned strategically

24. The Council had planned budget savings in software licence fees in 2015-16 through its partnership with CMC<sup>2</sup>. However, the CMC<sup>2</sup> Board took a decision, on 23 March 2015, to curtail activities in software development because it had failed to generate sufficient income. This decision was unexpected by the Council and had an unplanned impact on its strategic plans, including the Medium Term Financial Plan 2015-16 to 2018-19, and on its ongoing support for the Flo system.
25. SRS currently provides IT services to Gwent Police, Torfaen and Monmouthshire Councils. The Council has been involved in decisions to extend SRS's services to other councils. Blaenau Gwent Council joined the partnership in June 2016, increasing the staff resource from 128 staff, to 159. SRS is reported, by IT staff within Monmouthshire Council, to be an effective delivery agent for the Council, with clear plans to maintain hardware, databases and services.

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- 26.** As a result of the changes to CMC<sup>2</sup>, SRS has now taken over maintenance of the Council's Flo system and will provide technical support to its Social Care and Health Directorate. SRS will also monitor developments of the Wales Community Care Information System as an option for the Council to consider. SRS has increased its capacity to provide this additional support to the Council; it is utilising a former employee who was pivotal in the development and implementation of Flo. This individual is now contracted to SRS (funded by the Council), for a period of three months, to hand the system over to SRS. Two other posts migrated back from CMC<sup>2</sup> to SRS, and SRS is currently advertising for an additional software post.

### The governance of the Council's relationships with IT providers remains weak and is still not robustly supported by formalised agreements

- 27.** In March 2015, in a report to the Council's Economy and Development Select Committee, officers highlighted that 'there was still work to be done in order to ensure that SRS meets business needs, and how to identify whether it does meet business needs'. This statement remained true in June 2016 as little progress had been made by the Council to support good governance of the arrangement with SRS, and demonstrate whether the Council is receiving value for money from the SRS service.
- 28.** The SRS has developed Memoranda of Understanding with its customers. The Memoranda give a high-level description of the roles of the various partners, but do not constitute a detailed description of service levels for each partner. The supporting commercial grade Service Level Agreements (SLAs), which should specify the levels, standards and costs of the services to be delivered by SRS to the Council only exist in draft form, and have not been agreed between the Council and SRS. Council staff do not know the content of the draft SLAs, therefore, they will not know whether they are receiving the expected levels of service, or whether to raise any concerns with their managers.
- 29.** Each of SRS's customers have client side officers responsible for monitoring performance. In Monmouthshire, the Digital and Technology Manager and her team meet with SRS fortnightly to monitor outstanding work, and to influence the future allocation of resources to, and priorities for, the Council. Although working relationships are positive between SRS and the Council, the service cannot be properly managed without the agreed specifications that should be included in the SLAs. This constitutes a very real risk to the Council, especially if individual relationships change, for example by a turnover of staff.
- 30.** The completion of the SLAs to ensure that they meet Monmouthshire's needs would enable the Council to have a clear specification of the services SRS should deliver. This is essential to hold SRS to account, and to underpin any future disputes or negotiations relating to changes of circumstances (for example, as SRS expands or councils are reorganised). Furthermore, without an SLA, members are likely to find it more difficult to gain assurance that the Council receives value for money for IT services.

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## Due to the lack of a Social Care and Health Directorate risk register, the Council cannot be assured that risks to the social care system are appropriately escalated

**31.** Our Corporate Assessment in 2015 reported that:

‘The Council has IT risk management processes in place, but there are weaknesses in the reporting of IT risks to the Corporate Risk Register. Whilst some very high level IT risks are included in the Corporate Risk Register, risks relating to the replacement Social Services IT system project are not. There is a project-specific risk register, but some key risks are not considered. The Social Services IT system project contains some significant risks, such as confidentiality of information, its development by an external company (CMC<sup>2</sup>) with no track record of developing these complex systems, and the requirement for significant changes to working practices. Furthermore, the future of CMC<sup>2</sup> as a software developer is uncertain, which highlights potential risks around ongoing support for this complex and critical system. Unless risks such as these are clearly documented, rated, and mitigated against, the Council places itself at considerable risk as a consequence of its approach to IT developments.’

**32.** The Council maintains a Corporate Risk Register that includes a number of risks linked to its IT infrastructure, such as schools not having the necessary IT infrastructure, and that insufficient ICT infrastructure and skills in the county have the potential to lead to social and economic disadvantages. The risk register clearly includes the expected elements of a risk register, such as mitigating factors, future actions, and risk owners at officer and member level.

**33.** The Council also maintains project specific risk registers. For example, there is a project level risk register for its Flo system, which also includes the expected elements, and specifically covers the need to involve SRS in the ongoing support of Flo following the withdrawal of CMC<sup>2</sup> from the market. Other risks such as the system not fully meeting the needs of Health colleagues, referred to above, are not included in the project-specific risk register, although this issue is clearly a risk to gaining staff commitment and engagement to the Flo system.

**34.** Although corporate and project-specific risk registers exist, the Social Care and Health directorate risk register is still at an early stage of development. This constitutes a significant exposure as risks cannot not be consistently identified, monitored, managed and addressed at the directorate level, and may not be properly escalating changing risks. This undermines the effectiveness of the Council’s overall risk management arrangements to regularly monitor and update risk registers throughout the organisation.

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## The Council has a number of initiatives to improve the effectiveness of its IT services, but it is unclear how these will help it measure and demonstrate impact

- 35.** The Council has a network of 44 digital champions spread across the organisation. The digital champions attend system specific user groups, and liaise with staff in their directorates, then provide feedback on user requirements relating to software and hardware to the Council's Digital and Technology Manager. It is unclear how the digital champions systematically collect feedback from across the organisation, and prioritise this when reporting to the Digital and Technology Manager.
- 36.** The Council is building a database of over 80 systems used by the Council, identifying information such as contract details, costs, and the comments of the system owners. Previously, this information existed across a number of locations, but the task of collating the information is not yet complete. The Council does not, therefore, have a comprehensive record of systems to inform its strategic management of IT services.
- 37.** The Council's select committees monitor the performance of the Council's IT services, and the iCounty Strategy and IT Provision are subject to review by select committees periodically. However, without a clear action plan to support delivery of the iCounty Strategy, the impact of select committees is hampered, as it will be difficult for members to effectively and robustly challenge progress.
- 38.** The Council takes part in the Society of IT Managers IT Benchmarking Survey, but it is unclear how the Council uses this information effectively to drive improvement in IT services.





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## Management response

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**Report title:** Information Technology – Corporate Assessment Follow-on Review

**Authority:** Monmouthshire County Council

**Issued:** October 2016

**Document reference:** 577A2016

## Proposals for improvement

Ref	Proposal for improvement	Intended outcome/ benefit	High priority	Accepted	Management response	Completion date	Responsible officer
P1	Review and revise the iCounty Business Plan for 2016-2019 by setting out clear and measurable actions to enable senior managers and members to effectively monitor and manage progress of its implementation.	Clarity around what the Council seeks to achieve through information technology against which performance can be measured, managed and monitored.	✓	Accepted	<p>A revised business plan for 2016/19 was established in April 2016 and provides a baseline of indicators to measure progress.</p> <p>We recognise the need to further develop the data and indicators used to further support the monitoring of progress in the plan. Although, establishing arrangements to collate this information in some cases will require ongoing development.</p> <p>The iCounty strategy has been established for two years, a review of the strategy will commence shortly to ensure it remains relevant and up to date based on latest evidence and information.</p>	<p>Ongoing</p> <p>September 2017</p>	<p>Head of Digital</p> <p>Chief Officer Resources</p>
P2	Review membership of the Digital Board following changes in software provider to ensure no conflicts of interest.	Assurance that membership of the Digital Board represents the Council's best interests and is well placed to drive improvement in information technology.	✓		<p>The Council does not have a software provider of choice it has a number of delivery agents, which was made clear as part of the review. The Council is assured that current membership of the Digital Board is appropriate.</p> <p>Separate from this proposal but related to the Digital Board, a more holistic review of the programme board structure in place within the Authority will be undertaken to ensure that governance arrangements are aligned to work around Future Monmouthshire. There will be a need to ensure as part of the review that the programme boards have purpose and have appropriate representation.</p>	<p>March 2017</p>	<p>Chief Officer Resources</p>

Ref	Proposal for improvement	Intended outcome/benefit	High priority	Accepted	Management response	Completion date	Responsible officer
P3	Negotiate and agree commercial grade Service Level Agreements with SRS in advance of new organisations joining the partnership to support sound governance, and to enable the Council to measure service delivery, and assure itself that its IT needs continue to be met.	Clarity around the services to be provided by SRS, against which performance can be measured, managed and monitored.	✓	Accepted	A commercial grade Service Level Agreement with SRS is being developed and will need to be agreed with all partners.	March 2017	Chief Operating Officer SRS
P4	Complete the database of systems used by the Council, identifying information such as contract details, costs, and the comments of the system owners, to support the Council in its strategic management of IT resources.	A clear record of information technology systems used by the Council to support management and effective decision making.	✓		A database of systems used by the Council is already in place. Work is already in progress and has been identified in the business plan to continually review and update the database. The database informs decision making, identifying opportunity for collaboration, replacement and development.	Ongoing	Head of Digital
P5	Review the Council's risk management arrangements to assure itself it manages risks consistently across directorates and identifies, escalates, and addresses risks in a timely and appropriate way.	Better recognition and management of information technology risks as part of the wider corporate risk management arrangements.	✓	Accepted	<p>The Council's risk management policy was last reviewed in March 2015. The strategic risk assessment covers high and medium level risks. Lower level strategic and operational risks are managed through service improvement plans or projects specific risk registers.</p> <p>Risk management arrangements will be reviewed to ensure they are in line with requirements in the well-being of future generations act.</p>	March 2017	Policy and Performance Manager

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<b>SUBJECT:</b>	<b>WHOLE AUTHORITY CUSTOMER FEEDBACK AND FREEDOM OF INFORMATION ACT</b>
<b>MEETING:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>17 November 2016</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All Wards</b>

## 1. PURPOSE:

To provide Audit committee with information on the number and types of complaints, comments and compliments received and dealt with from 1 April 2015 until 31 March 2016.

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

## 2. RECOMMENDATIONS:

To note the contents of the report.

## 3. KEY ISSUES:

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

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

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

**4. REASONS:**

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

**5. RESOURCE IMPLICATIONS:**

Officer time in carrying out formal investigations.

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

No implications have been identified in respect of this proposal.

**7. CONSULTEES:**

Senior Leadership team

**8. AUTHOR:**

Annette Evans, Customer Relations Manager

Tel: 01633 644647

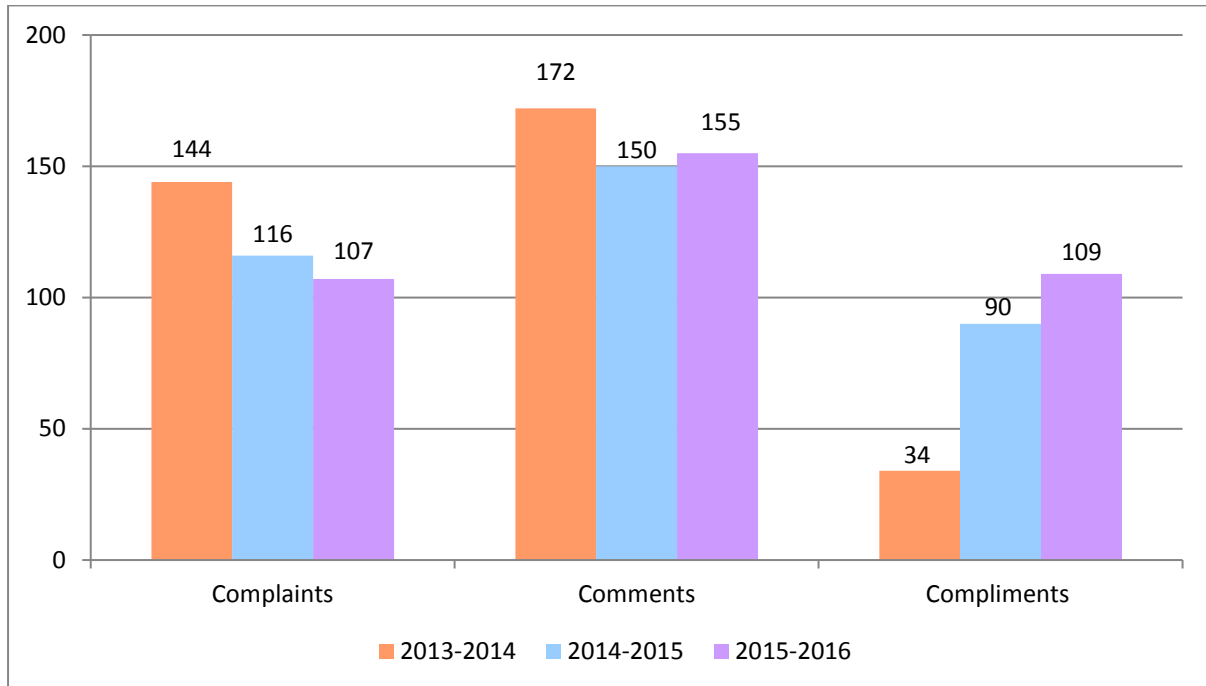
Email: [annetteevans@monmouthshire.gov.uk](mailto:annetteevans@monmouthshire.gov.uk)





## Whole Authority Customer Feedback and FOIA Statistics

April 2015 – March 2016



### Complaints

- 107 Complaints received

#### Stage 1 - Informal Resolution

- 103 Complaints started

#### Stage 2 – Formal Investigation

- 7 Complaints received
- 6 Complaints started
  - 1 complaint proceeded straight to stage 2 (from 2014-2015)
  - 2 escalated to stage 2
  - 3 proceeded straight to Stage 2

### Public Services Ombudsman for Wales

Of the above 6 formal complaints started, 1 complainant went directly to the PSOW. He referred them to us for subsequent investigation

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

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

- **Waste & Recycling**

Rubbish left on driveway; missed bin collections; bins only being partially emptied; non collection of yellow bags; only received one grey bag collection in 3 months; assisted waste - not collected again. Promises to look into matters but nothing done; no return calls; not given adequate notice/not informed of changes to the waste collection service; waste not collected although purchased a permit; brown bags not received; fourth time complaining that refuse has not been collected; food waste left on pavement; staff behaviour.

## **Highways**

Traffic calming proposal at Shirenewton; lack of response to emails/communication issues; loss of earnings due to wrong signage; traffic safety issues at Wonastow Road Industrial Estate; alleged danger to the public at Wye Bridge, Monmouth; issues about a new Welsh name being assigned to Llanelly Hill; issues about a solar cable route; state of lanes.

- **Development Control**

Alleged handling of serious breach of planning conditions; lack of response to consultation letters; issues about interpretation of permitted development rights to erect a lean-to side extension.

- **Revenue & Benefits / Council Tax**

Lack of response to correspondence; time taken for refund of pre application numerous requests to amend details for council tax demands; lack of response to queries; issues related to alleged outstanding council tax

- **Passenger Transport**

Issues about providing inaccurate information; taxi not arrived at school to collect child; communication regarding transport for child; conduct of taxi driver; difficulties with transport; issues about concerns not being taken seriously; issues about service received from department; issues regarding Grass Routes service; bus driving issues

## **Facilities Management**

Noise of work being undertaken in the grounds of Thornwell Primary school, no adherence to assurance given that no work on Saturdays and starting time at 8am Monday to Friday - JCB started at 6.50am on a Saturday morning. Staff behaviour and incident which occurred at public toilet; appalling school Christmas dinners; standard of school meals / issues with school meals and service.

- **Estates**

That consideration wasn't given to neighbours during the development at Ty Mawr Gilwern. Lack of communication regarding the development. Damage

caused to fence due to horses. Allocation of stalls for the flea market. Market trader feels she is being singled out at Market. Staff conduct; issues about the way the allotments are running.

- **Leisure**

Misrepresentation of advertisement that swimming was free for under 16's with a Reach card. Opening times of the bar café. Issues with vending machine. No response to comments left in comments box. Left voicemail messages over three weeks with no returned calls; Given wrong email address, tried another but no response received.

- **Others**

Communication and road closure for the Velothon; feels Trading Standards have not dealt with matter appropriately; complainant feels they are being victimised by the licensing committee; Privacy issues when dealing with matters at the front of The Hub/Library. Malfunctioning of the planning portal.

## **Stage 2 Formal Investigations**

1. Inadequate road signage for concealed entrance and blind bend. Visibility of oncoming traffic on blind bend is further impaired by signage and tree overgrowth

Issues about planning permission to create a rear vehicle access from an unadopted lane.

Alleged failure to give adequate explanation or communication of amendments to proposed development which resulted in properties overlooking complainant's rear garden and to the side of their house.

One element of the complaint was upheld and two were not upheld.

2. Issues about appropriate support and flexibility provided to ensure the successful completion of an external training placement.

The complaint was not upheld.

3. Issues about security measures regarding the gates at Mill Lane Depot. An explanation of the planning approval granted to the depot and why it appears to differ from those applied to residential properties.

The complaints were not upheld.

4. Issues about a lean-to side extension recently built at a neighbour's property was done so without planning permission since the structure is not categorised as permitted development.

The complaint was not upheld.

5. Allegation that the market trader was singled out unfairly.

The complaint was not upheld.

6. That the Council had displayed a lax attitude towards the complainant and his business; that repeated phone calls and messages were ignored ; that the signage was wrong

One element was upheld, one partially upheld and one not upheld.

**Note:** Social Services complaints are dealt with separately under the Social Services complaints procedure. **43** complaints were received, **82** comments and **139** compliments were made about the service.

## Distribution YTD

	Total	Access to Service	Communication Issue	Data Protection	Decision Delay	Discrimination	Member Conduct	Quality of Service	Quality of Works	Reduction in Service	Result of Process	Service Delayed	Service not provided	Service Removed	Staff Conduct	Timescales
<b>Overall Total</b>	<b>107</b>															
Revenue and benefits, systems, council tax	5		2					3								
<b>Total Finance</b>	<b>5</b>															
Local Democracy	2							1							1	
Partnerships, Policy and Performance and Communication & Engagement	1		1													
Public protection	4					1		2							1	
<b>Total Chief Executive</b>	<b>7</b>															
Environment and Contact	37		4					29	1		1				2	
Highways	12							12								
Property Services	9		2					5							2	
Passenger Transport	10							8							2	
<b>Total Operations</b>	<b>68</b>															
Development Management	5							3			2					
Digital Projects	1							1								
People Services	1		1													
Estates / sustainability	6					1		2		1					2	
Housing	3							1							2	
Hubs	2							2								

Leisure	4	1				2					1			
<b>Total Enterprise</b>	<b>22</b>													
<b>Total CYP</b>	<b>0</b>													
External	1					1								
Not allocated to a SIP	4	4												

## Comments

- 155 Comments

<b>Total</b>	<b>155</b>
<b>Chief Executive</b>	<b>101</b>
Environment & Contact	37
Health & Safety	1
Highways	28
Legal Services	1
Local Democracy	2
Operations not allocated	1
Partnerships, Policy and Performance and Communication & Engagement	6
Passenger Transport	5
Property Services	6
Public Protection	6
Registrars	2
Revenue and benefits, systems, council tax	5
Transport	1
<b>Enterprise</b>	<b>41</b>
Countryside	1
Development Management	1
Enterprise	3
Estates & Sustainability	4
Hub	26
Leisure	2
Museums	1
Tourism/Events	3
<b>External</b>	<b>10</b>
<b>Not allocated to any SIP</b>	<b>1</b>
<b>General – covers all of MCC</b>	<b>2</b>

### A selection of comments received concerned:

- Organisation and closure of road for Velothon
- Website:
  - ❖ Links not working on the website
  - ❖ Couldn't find way to app/uploads on the MCC website.
  - ❖ Cannot access alerts and the local planning application, plus maps is not working.
  - ❖ The "report it" form on the website is very difficult to complete and send successfully.
  - ❖ Difficulties making payments on line
- Issues around postal votes for the Election
- Sunrise Celebration Festival due to be held at Chepstow Racecourse was cancelled - concerns over noise levels
- Dog fouling and further bins needed

- Concerns over safety at the funfair operating in the Fairfield car park Abergavenny
- Increase in Council tax
- Awful state of public toilets around Monmouthshire
- Disappointment with choice of menus at primary schools
- Waste & Recycling:
  - ❖ Bags/food bins not collected; concerns with nappy collection; poor quality of waste bags; rubbish bags abandoned outside businesses in Chepstow
- No street lighting from midnight to 5am; broken street lights
- Traffic disruption and congestion at Tutshill.
- Speed limit/speeding/parking on double yellow lines/limited on road parking - Grosvenor Road, Abergavenny. Believes traffic calming/accident prevention measures should be provided.
- Wye Bridge repairs starting when all the schoolchildren have returned to school
- Overgrown hedges
- Transport:
  - ❖ Reckless driving; school bus failed to turn up; bus shelters – dirty/broken windows, missing timetables. Alleged dangerous driving of taxi
- Issues concerning cemeteries – burials and plots
- Community Hubs:
  - ❖ Issues with untagged books; lack of privacy at front desk; dislike of music playing;
- Leisure Centres:
  - ❖ Issues with payments; swimming lessons – different instructors;
- Poor CCTV
- Noise caused by works carried out on site

### Compliments

- 109 Compliments

<b>Total</b>	<b>109</b>
<b>Chief Executive</b>	<b>58</b>
Building Control	13
Customer Relations	2
Emergency Planning	2
Environment and Contact	7
Highways	9
Internal Audit	1
Passenger Transport	1
Property Services	1
Public Protection	6
Registrars	11
Revenue and benefits, systems, council tax	1



Transport	3
Operations not allocated	1
<b>Enterprise</b>	<b>21</b>
Development Management	2
Enterprise	1
Estates & Sustainability	1
Housing	5
Hub	9
Museums	1
Whole Place	2
<b>Children &amp; Young People</b>	<b>3</b>
Access Unit	1
Additional Learning Needs and Special Learning Needs service	2
<b>Not allocated to any SIP</b>	<b>27</b>

### **A selection of compliments received:**

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

Some examples:

- Thank you for forwarding my concerns of both A472 at Usk a pot hole and the signs at Aberbaiden roundabout, as usual within a very short period these matters were resolved.
- Big thank you to the Highways department for repairing our road on the approach to Llandegveth Village. It has made a huge difference.
- Thank you so much for organising the repair of the pot holes today. Your speedy response to this problem is greatly appreciated. Thanks for emergency repairs to potholes
- Large number of compliments where people wanted to record their thanks to all those who organised, managed and supported the Velothon Wales event. It was a credit to the communities, South Wales and Wales as a whole.
- Registrars: many compliments about staff being helpful and courteous at ceremonies. Everything was professional.
- Council tax staff were very helpful when dealing with gentleman's arrears. They saved him a lot of stress and anguish and put his mind at ease at a difficult time.
- Building Control received numerous compliments on completion certificates for prompt, professional responses.
- Finance staff complimented for Governance and Financial training for Community Councils
- Compliments about Waste/Refuse service – prompt response in helping to get it sorted.
- Community Hubs: - compliments about helpful, welcoming and accommodating staff
- A number of thanks to grounds maintenance staff who cut hedgerows

- Thanks to staff who gave up their time to give a presentation on MCC's economic policy.

## Response Timescales

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

Whole Authority Timescales	2014/2015		2015/16	
	Stage 1	Stage 2	Stage 1	Stage 2
Up to 10 working days	68	1	78	0
11 – 25 working days	23	7	18	1
25+ working days	9	17	7	5
<b>Total</b>	<b>100</b>	<b>25</b>	<b>103</b>	<b>6</b>

## Requests for service

These are recorded and acted upon.

<b>Total</b>	<b>18</b>
<b>Chief Executive</b>	<b>10</b>
Environment and Contact	5
Highways	1
Public protection	3
Transport	1
<b>Enterprise</b>	<b>5</b>
Development Management	3
Housing	1
Leisure	1
<b>External</b>	<b>2</b>
<b>Not allocated to any SIP</b>	<b>1</b>

## Analysis of Complaints / Comments

Year	Stage 1 complaints	Stage 2 complaints	Comments	Compliments
<b>2015-16</b>	<b>103</b>	<b>6</b>	<b>155</b>	<b>109</b>
<b>2014-15</b>	100	25	150	90
<b>2013-14</b>	134	16	172	34
<b>2012-13</b>	106	18	83	50
<b>2011-12</b>	82	25	45	37

## Service improvements

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

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

### **Communications Issues**

- Apologies given where appropriate

### **Highways / Projects**

- The developer is requested to fit adequate road signage that would meet best practice guidelines, including road markings to indicate SLOW DOWN, signage to show blind bend and concealed entrance.
- The speed limit sign at the entrance to Crawshay Bailey Close is resited to the junction adjoining Ty Mawr Lane.
- The landowner asked to co-operate in maintaining overgrown trees to aid visibility
- The sign next to Oak Tree Lane is re-sited to aid visibility
- The standard procedure of providing frontagers to works with letters giving details of the works including traffic management arrangements and contact numbers should frontagers have any queries should in all cases be adhered to.

### **Grounds Maintenance**

**Mill Lane Depot** - When the gates are open they should be secured in the anchor points. The area around the anchor points should be clear of obstructions.

Staff accessing the depot should be instructed to ensure the anchor points are used for the gate bolts when the gates are in the open or closed positions.

### **Markets**

A mechanism for dispute resolution be developed and incorporated within the market regulations to deal with future complaints.

### **Training placement**

Due to the placement proving a challenge in terms of work/life balance, it is recommended that all parties involved continue to offer appropriate support and flexibility as required to ensure the successful completion of the placement.

### **Commentary**

We strive to have customer services at the heart of everything we do. There are times however when we will not always get things right and we fall short of the standard of service we want to deliver.

When customers are unhappy with an aspect of service we have provided, they want to be heard, they want the issue dealt with quickly and for the solution to be effective. In handling complaints from customers we aim to be customer and outcome focused,

to make it easier for people to let us know they are unhappy and for us to inform them what we are doing to resolve their issues

The number of complaints dealt with under the Whole Authority complaints procedure have gone down slightly this year. However, stage 2 complaints have decreased significantly; we dealt with 6 formal complaints whereas the previous year we dealt with 25 formal complaints. Out of the 6 complaints received, 4 of them wanted to proceed directly to stage 2 and a formal investigation undertaken without trying to find an informal resolution to their problems.

On a positive note, compliments rose, generally because people were grateful that we dealt with matters quickly.

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

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

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

Annette Evans, Customer Relations Manager

July 2016

# Freedom of Information and Environmental Information Regulations

## Activity Report 1st April 2015 to 31st March 2016

	<b>2015-16</b>	<b>2014-15</b>	
Requests received:	1061	1002	Increase over 2014-15 = 6%
Requests closed:	1057	1023	
Requests closed on time:	98%	95%	

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

<b>Main focus of request</b>	<b>Received</b>	<b>% Closed in 20 Working Days</b>
Chief Executive	678	99%
Enterprise	204	97%
Social Care & Health	100	97%
Children & Young People	79	92%
<b>Total MCC</b>	<b>1061</b>	<b>98%</b>

Note: Distribution by Department is not precise due to the cross-functional nature of many requests. Department headings were those in use for most of the year.

### **Most common sources (stated or interpreted)**

Commercial	39%
Press – Other than local paper	17%
Campaigner	15%
Local Resident	11%
Political researchers	10%
Press - Local	2%
All others	6%

### **Most common subjects (broad categorisation)**

Social Care	112
CT/NNDR	102
Procurement/Contracts	98
HR & Staffing	85
Educational matters	75
Highways	72
Public Health	52
Processes & Services	52
Intestate deaths & PH funerals	48
Housing	47
Assets & equipment	46
IT & Software	37
Planning	36
Financial information	32
Trading Standards/Animal Health	27
Licensing	22
Structures/Contacts	20
Waste & Recycling	18
Parking	17
Members & Electoral matters	16
Compensation	11

### **Target for percentage closed in 20 Working Days**

A target of 90% has been retained.

### **Trends over time**

The number of requests received has grown every year since FoI came into force on 1st January 2005, and the trend continues. This is common to the public sector in general and is not Monmouthshire specific. Up to the end of 2015-16, the Council has received 6206 requests.

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

2004-05 (3 months only)	31	
2005-06	135	
2006-07	118	(believed that some records are missing)
2007-08	172	
2008-09	305	
2009-10	421	
2010-11	609	
2011-12	662	
2012-13	780	
2013-14	918	
2014-15	1002	
2015-16	1061	

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## REPORT

**SUBJECT: MID-YEAR TREASURY REPORT 2016/17**

**MEETING: Audit Committee**

**DATE: 17<sup>th</sup> November 2016**

**DIVISION/WARDS AFFECTED: Whole Authority**

### **1. PURPOSE:**

- 1.1 To provide an interim mid-year update on treasury management activity for 2016/17 in accordance with the Authority's treasury management strategy statement and investment strategy 2016/17.

### **2. RECOMMENDATIONS:**

- 2.1 That Members note the results of treasury management activities during the first half of 2016/17.

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

- 3.1 Treasury Management is defined as "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks".
- 3.2 The Treasury Management Code requires public sector authorities to determine an annual Treasury Management Strategy and now, as a minimum, formally report on their treasury activities and arrangements at the mid-year point and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate they have properly fulfilled their responsibilities, and enable those with ultimate responsibility/governance of the treasury management function to scrutinise and assess its effectiveness and compliance with policies and objectives.
- 3.3 In November 2011 CIPFA released the revised Code of Practice for Treasury Management in the Public Services and accompanying Guidance Notes and the revised Prudential Code for Capital Finance in Local Authorities. The WG has issued Guidance on Local Authority Investments for Welsh authorities. These Codes/Guidance emphasise an appropriate approach to risk management, particularly in relation to the security and liquidity of invested funds. Authorities are required to demonstrate value for money when borrowing in advance of need and ensure the security of such funds.

- 3.4 Audit Committee is identified as being the committee responsible for reviewing update reports on the treasury function, given its overarching role in assessing the risk management arrangements for the Authority.
- 3.5 The mid-year Treasury report for 2016/17 is attached as appendix 1.

### **Borrowing Activity**

- 3.6 At 30<sup>th</sup> September 2016 the Authority held £85.9m of loans, a decrease of £7.0m from 31<sup>st</sup> March 2016. This is due to a large capital receipt received in September 2016 and grant funding relating to the 21C schools program coming in in advance of need during the first half year.
- 3.7 The Authority's chief objective when borrowing continues to be striking 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.
- 3.8 Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain for a significant period, lower than long-term rates, the Authority determined it was more cost effective in the short-term to use internal resources and borrow short-term loans instead.

### **Investment Activity**

- 3.9 The Authority held £11.4m of invested funds at 31st March 2016 & £22.5m at 30th September 2016, representing income received in advance of expenditure plus balances and reserves held. Cashflow forecasts indicated that during 2016/17 the Authority's investment balances would remain at this low level. The level of investments has increased in September and October temporarily, due to a large capital receipt with uncertain timing, coming in late September. Levels will fall again towards the end of the year.
- 3.10 The security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2016/17.
- 3.11 The transposition of European Union directives into UK legislation places the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors through potential bail-in of unsecured bank deposits including certificates of deposit.
- 3.12 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority will continue to assess its level of diversification across investment counterparties and if necessary explore more secure asset classes. Currently, the majority of the Authority's surplus cash is invested in short-term unsecured bank & building society deposits

including certificates of deposit & money market funds and also in WG backed deposits and in other local authorities. This level of exposure is considered satisfactory as the levels of investments are expected to reduce to lower levels reducing risk further.

#### **Prudential Indicators**

- 3.13 The Authority can confirm that it has complied with its Prudential Indicators for the first half of the 2016/17 financial year.

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

- 4.1 The Treasury Management Strategy for the Authority has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

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

- 5.1 The Authority's treasury portfolio as at 30<sup>th</sup> September 2016 is illustrated in the tables in sections 4 & 5 of Appendix 1. This shows that the Authority held £89m of external debt and £22.5m of investments, with a net borrowing position of £66.5m.

#### **2016/17 Mid-year performance**

- 5.2 Interest payable and similar charges are forecasting at month 6 to under spend by £540,000, principally as a result of:
- A forecast saving of £293,000 due to an average of £12m of long term debt not being taken out due to the lower short term rates available.
  - A forecast saving of £147,000 due to the interest rates on short term borrowing being considerably lower than budgeted prior to the financial year.
  - A forecast saving of £89,000 due to the overall level of borrowing required reducing compared to that budgeted due to slippage in the capital programme.
- 5.3 At month 6 the Authority is forecasting an investment interest outturn of £61,000, against a budget of £55,000, a surplus of £6,000.

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

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

**7. BACKGROUND PAPERS:**

Appendix 1 – Mid-Year Treasury Report 2016/17

**8. AUTHOR:**

Mark Howcroft – Assistant Head of Finance

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## Semi Annual Treasury Outturn Report 2016/17

### **1. Introduction**

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report is the mid year report.

The Authority's Treasury Management Strategy for 2016/17 was considered by Audit Committee on the 3<sup>rd</sup> March 2016 and subsequently approved by full Council on 10<sup>th</sup> March 2016 which can be accessed [here](#).

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

### **2. External Context - Economic Commentary and Outlook**

The preliminary estimate of Q2 2016 GDP showed reasonably strong growth as the economy grew 0.7% quarter-on-quarter, as compared to 0.4% in Q1 and year/year growth running at a healthy pace of 2.2%. However the UK economic outlook changed significantly on 23<sup>rd</sup> June 2016. The surprise result of the referendum on EU membership prompted forecasters to rip up previous projections and dust off worst-case scenarios. Growth forecasts had already been downgraded as 2016 progressed, as the very existence of the referendum dampened business investment, but the crystallisation of the risks and the subsequent political turmoil prompted a sharp decline in household, business and investor sentiment.

The repercussions of this plunge in sentiment on economic growth were judged by the Bank of England to be severe, prompting the Monetary Policy Committee to initiate substantial monetary policy easing at its August meeting to mitigate the worst of the downside risks. This included a cut in Bank Rate to 0.25%, further gilt and corporate bond purchases (QE) and cheap funding for banks (Term Funding Scheme) to maintain the supply of credit to the economy. The minutes of the August meeting also suggested that many members of the Committee supported a further cut in Bank Rate to near-zero levels (the Bank, however, does not appear keen to follow peers into negative rate territory) and more QE should the economic outlook worsen.

In response to the Bank of England's policy announcement, money market rates and bond yields declined to new record lows. Since the onset of the financial crisis over eight years ago, Arlingclose's rate outlook has progressed from 'lower for longer' to 'even lower for even longer' to, now, 'even lower for the indeterminable future'.

The new members of the UK government, particularly the Prime Minister and Chancellor, are likely to follow the example set by the Bank of England. After six years of fiscal consolidation, the Autumn Statement on 23<sup>rd</sup> November is likely to witness fiscal initiatives to support economic activity and confidence, most likely infrastructure investment. Tax cuts or something similar cannot be ruled out.

Whilst the economic growth consequences of BREXIT remain speculative, there is uniformity in expectations that uncertainty over the UK's future trade relations with the EU and the rest of the world will weigh on economic activity and business investment, dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment. These effects will dampen economic growth through the second half of 2016 and in 2017.

## Semi Annual Treasury Outturn Report 2016/17

Meanwhile, inflation is expected to pick up due to a rise in import prices, dampening real wage growth and real investment returns. The August Quarterly *Inflation Report* from the Bank of England forecasts a rise in CPI to 0.9% by the end of calendar 2016 and thereafter a rise closer to the Bank's 2% target over the coming year, as previous rises in commodity prices and the sharp depreciation in sterling begin to drive up imported material costs for companies.

The rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes, concentrating instead on the negative effects of Brexit on economic activity and, ultimately, inflation.

**Market reaction:** Following the referendum result gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. The yield on the 10-year gilt fell from 1.37% on 23<sup>rd</sup> June to a low of 0.52% in August, a quarter of what it was at the start of 2016. The 10-year gilt yield has since risen to 0.69% at the end of September. The yield on 2- and 3-year gilts briefly dipped into negative territory intra-day on 10th August to -0.1% as prices were driven higher by the Bank of England's bond repurchase programme. However both yields have since recovered to 0.07% and 0.08% respectively. The fall in gilt yields was reflected in the fall in PWLB borrowing rates, as evidenced in Tables 2 and 3 in Appendix 2.

On the other hand, after an initial sharp drop, equity markets appeared to have shrugged off the result of the referendum and bounced back despite warnings from the IMF on the impact on growth from 'Brexit' as investors counted on QE-generated liquidity to drive risk assets.

The most noticeable fall in money market rates was for very short-dated periods (overnight to 1 month) where rates fell to between 0.1% and 0.2%

### **3. Local Context**

At 31/3/2016 the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £114.1m, while usable reserves and working capital which are the underlying resources available for investment were £23.4m. The Authority had £92.9m of borrowing, including £23.0m of short term borrowing and also had £11.4m of investments.

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of £0m to £5m.

The Authority has an increasing CFR over the next 5 years due to the capital programme, but minimal investments and will therefore require to borrow over the forecast period. It is currently anticipated that this will take the form of short term borrowing up to a total of £47.0m.

### **4. Borrowing Strategy during the half year**

At 30/9/2016 the Authority held £85.9m of loans, a decrease of £7.0m on 31/3/2016. This is due to a large capital receipt received in September 2016 and grant funding relating to the 21C schools program coming in in advance of need during the first half year.

The Authority expects to borrow an additional £8m short term borrowing before 31<sup>st</sup> March 2017. This figure may vary if capital receipts or capital expenditure vary from the forecast at month 6. No long term borrowing is anticipated.

## Semi Annual Treasury Outturn Report 2016/17

The Authority's chief objective when borrowing continues to be striking 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.

Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain for a significant period, lower than long-term rates, the Authority determined it was more cost effective in the short-term to use internal resources and borrow short-term loans instead.

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Authority with this 'cost of carry' and breakeven analysis. Despite the fall in gilt yields and PWLB loan rates in the period around the EU referendum vote, the Authority felt that this policy was still valid. See Tables 2 & 3 in Appendix 2 for gilt yields and PWLB rates.

The Authority is forecasting to fund £12.5m of its capital expenditure from borrowing. Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, has remained affordable and attractive. The Authority had £22.0m of such loans at the 30<sup>th</sup> Sep 2016, held at an average rate of 0.53% and have an average outstanding life of 3.5 months. An additional £3.0m of Local Authority loans of maturity up to 2 years was also held at that time.

### Borrowing Activity in 2016/17

	Balance on 01/04/2016 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 30/09/2016 £m	Avg Rate % ; Avg Life (yrs)
CFR	114.1					
Short Term Borrowing <sup>1</sup>	23.0	(1.0)	0.0	0.0	22.0	0.53% ; 0.3
Long Term Borrowing						
- PWLB	52.7	(5.9)	0.0	0.0	46.8	4.46% ; 16.9
- Local Authorities	3.0	0.0	0.0	0.0	3.0	0.98% ; 1.1
- Market Loans	13.6	0.0	0.0	0.0	13.6	4.80% ; 25.2
- WG Specific Loans	2.5	(0.1)	0.0	0.0	2.4	0.0% ; 10
<b>TOTAL BORROWING</b>	<b>94.8</b>	<b>(7.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>87.8</b>	
Other Long Term Liabilities	1.2	0.0	0.0	0.0	1.2	NA
<b>TOTAL EXTERNAL DEBT</b>	<b>96.0</b>	<b>(7.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>89.0</b>	
Increase/ (Decrease) in Borrowing £m					(7.0)	

<sup>1</sup> Loans with maturities less than 1 year.

## Semi Annual Treasury Outturn Report 2016/17

**LOBOs:** The Authority holds £13.6m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. These LOBOs have options at 6 monthly intervals, none of which were exercised by the lender. The Authority acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

### **Debt Rescheduling:**

The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

### **5. Investment Activity**

The Authority held £11.4m of invested funds at 31<sup>st</sup> March 2016 & £22.5m at 30<sup>th</sup> Sep 2016, representing income received in advance of expenditure plus balances and reserves held. Cashflow forecasts indicated that during 2016/17 the Authority's investment balances would remain at this low level.

The Guidance on Local Government Investments gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

The transposition of European Union directives into UK legislation places the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors through potential bail-in of unsecured bank deposits including certificates of deposit. Please note: the outcome of the EU referendum does not alter the UK's legislated bail-in resolution regime.

Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority will continue to assess its level of diversification across investment counterparties and if necessary explore more secure asset classes. Currently, the majority of the Authority's surplus cash is invested in short-term unsecured bank & building society deposits including certificates of deposit & money market funds and also in WG backed deposits and in other local authorities. This level of exposure is considered satisfactory as the levels of investments are expected to reduce to lower levels reducing risk further.

This reduction in investment balances is anticipated as the Authority will have to borrow to continue to fund the 21C schools program so the intention is to keep investments at a low level to reduce investment risk and the cost of carry. The level of investments has increased since the 30<sup>th</sup> Sep 2016 temporarily, due to a large capital receipt with uncertain timing, coming in. Levels will fall again towards the end of the year.



## Semi Annual Treasury Outturn Report 2016/17

### Investment Activity in 2016/17

Investments	Balance on 01/04/2016 £m	Balance on 30/09/2016 £m	Avg Rate (%) ; Avg Life
UK Government: - DMADF - Treasury Bills	3.0	0.0	0.15% ; NA
Unsecured Investments (call accounts, deposits and CDs) with financial institutions - rated [A-] or higher	3.2	7.7	0.42% ; 1 to 183 days
Investments with other Local Authorities	0.0	4.5	0.27% ; 2 mths
Money Market Funds	5.2	10.3	0.40% ; NA
<b>TOTAL INVESTMENTS</b>	11.4	22.5	0.41%
Increase/ (Decrease) in Investments £m			

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2016/17.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating for institutions defined as having "high credit quality" is [A-] across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

#### **Credit Risk**

The table below shows counterparty credit quality as measured by credit ratings and the percentage of Monmouthshire's investment portfolio exposed to bail-in risk.

Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating	Investments exposed to bail-in risk %
31/03/2016	3.88	AA-	2.91	AA	75.6
30/06/2016	4.15	AA-	4.7	A+	70.6
30/09/2016	4.34	AA-	3.26	AA	80

#### Scoring:

- Value weighted average reflects the credit quality of investments according to the size of the deposit
- Time weighted average reflects the credit quality of investments according to the maturity of the deposit
- AAA = highest credit quality = 1
- D = lowest credit quality = 26

## Semi Annual Treasury Outturn Report 2016/17

*-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security*

### **Counterparty Update**

Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune although the fall in their share prices was less pronounced.

Fitch downgraded the UK's sovereign rating by one notch to AA from AA+, and Standard & Poor's downgraded its corresponding rating by two notches to AA from AAA. Fitch, S&P and Moody's have a negative outlook on the UK. S&P took similar actions on rail company bonds guaranteed by the UK Government. S&P also downgraded the long-term ratings of the local authorities to which it assigns ratings as well as the long-term rating of the EU from AA+ to AA, the latter on the agency's view that it lowers the union's fiscal flexibility and weakens its political cohesion.

Moody's affirmed the ratings of nine UK banks and building societies but revised the outlook to negative for those that it perceived to be exposed to a more challenging operating environment arising from the 'leave' outcome.

There was no immediate change to Arlingclose's credit advice on UK banks and building societies as a result of the referendum result. Our advisor believes there is a risk that the uncertainty over the UK's future trading prospects will bring forward the timing of the next UK recession.

The European Banking Authority released the results of its 2016 round of stress tests on the single market's 51 largest banks after markets closed on Friday 29th July. The stress tests gave a rather limited insight into how large banks might fare under a particular economic scenario. When the tests were designed earlier this year, a 1.7% fall in GDP over three years must have seemed like an outside risk. Their base case of 5.4% growth now looks exceptionally optimistic and the stressed case could be closer to reality. No bank was said to have failed the tests. The Royal Bank of Scotland made headline news as one of the worst performers as its ratios fell by some of the largest amounts, but from a relatively high base. Barclays Bank ended the test with Common Equity Tier 1 (CET1) ratios below the 8% threshold, and would be required to raise more capital should the stressed scenario be realised. The tests support our cautious approach on these banks.

In July Arlingclose completed a review of unrated building societies' annual financial statements. Cumberland, Harpenden and Vernon Building Society were removed from Arlingclose's advised list, following a deterioration in credit indicators. The maximum advised maturity was also lowered for eleven societies from 6 months to 100 days due to the uncertainty facing the UK property market following the EU referendum.

In June Moody's downgraded Finland from Aaa to Aa1 on its view that Finnish economic growth will remain weak over the coming years, reducing the country's ability to absorb economic shocks.

Fitch upgraded the long-term rating of ING Bank from A to A+ based on Fitch's view of the bank's solid and stable financial metrics and its expectation that that the improvement in earnings will be maintained.

## Semi Annual Treasury Outturn Report 2016/17

Fitch also upgraded Svenska Handelsbanken's long-term rating from AA- to AA reflecting the agency's view that the bank's earnings and profitability will remain strong, driven by robust income generation, good cost efficiency and low loan impairments.

### **Budgeted Income and Outturn**

The average cash balances were £21.5m during the half year. The UK Bank Rate had been maintained at 0.5% since March 2009 until August 2016, when it was cut to 0.25%. It is now forecast to fall further towards zero but not go negative. Short-term money market rates have remained at relatively low levels (see Table 1 in Appendix 2). Following the reduction in Bank Rate, rates for very short-dated periods (overnight - 1 month) fell to between 0.1% and 0.2%. Debt Management Account Deposit Facility (DMADF) rates fell to 0.15% for periods up to 3 months and to 0.10% for 4 - 6 month deposits.

The investment income forecast for the year at month 6 was £59.0m. This compares to the budgeted income for the year of £52.9m.

The Bank Rate is expected to be cut further towards zero in the coming months, which will in turn lower the rates short-dated money market investments with banks and building societies. This has been built into the month 6 forecast.

### **6. Compliance with Prudential Indicators**

The Authority confirms compliance with its Prudential Indicators for 2016/17, which were set on 10<sup>th</sup> March 2016 as part of the Authority's Treasury Management Strategy Statement.

#### **Treasury Management Indicators**

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

**Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and net variable rate interest rate exposure will be:

	2016/17	2017/18	2018/19
Upper limit on fixed interest rate exposure	£100m	£100m	£100m
Actual	£50.4		
Upper limit on net variable interest rate exposure (Debt less Investments)	£50m	£50m	£50m
Actual	£31.1		

Fixed rate investments and borrowings are those where the rate of interest is fixed for more than one year. Instruments that mature within one year are classed as variable rate.

## Semi Annual Treasury Outturn Report 2016/17

**Maturity Structure of Fixed Rate Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk of borrowing taken out for more than one year. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper %	Lower %	Actual Sep 16 £m ; %
Under 12 months - Other	50	0	0 ; 0%
Under 12 months - LOBO's			13.6 ; 27%
12 months and within 24 months	40	0	3.5 ; 7%
24 months and within 5 years	45	0	4.9 ; 10%
5 years and within 10 years	30	0	6.2 ; 12%
10 years and above	100	0	22.1 ; 44%

**Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2016/17	2017/18	2018/19
Limit on principal invested beyond year end	£5m	£5m	£5m
Actual	£0	£0	£0

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

	Target	Actual 30/9/2016
Portfolio average credit rating / score	A- / 5.0	AA- / 4.34

### 7. Investment Training

The needs of the Authority's treasury management staff for training in investment management are assessed on an ongoing basis and formerly as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

## Semi Annual Treasury Outturn Report 2016/17

### 8. Outlook for the remainder of 2016/17

The economic outlook for the UK has immeasurably altered following the popular vote to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU, particularly with regard to Single Market access.

The short to medium-term outlook has been more downbeat due to the uncertainty generated by the result and the forthcoming negotiations. Economic and political uncertainty will likely dampen or delay investment intentions, prompting lower activity levels and potentially a rise in unemployment. The downward trend in growth apparent on the run up to the referendum may continue through the second half of 2016, although some economic data has held up better than was initially expected, perhaps suggesting a less severe slowdown than feared.

Arlingclose has changed its central case for the path of Bank Rate over the next three years. Arlingclose believes any currency-driven inflationary pressure will be looked through by Bank of England policymakers. Arlingclose's central case is for Bank Rate to remain at 0.25%, but there is a 40% possibility of a drop to close to zero, with a small chance of a reduction below zero.

Gilt yields are forecast to be broadly flat from current levels, albeit experiencing short-term volatility.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

Global interest rate expectations have been pared back considerably. There remains a possibility that the Federal Reserve will wait until after November's presidential election, and probably hike interest rates in December 2016 but only if economic conditions warrant.

In addition, Arlingclose believes that the Government and the Bank of England have both the tools and the willingness to use them to prevent market-wide problems leading to bank insolvencies. The cautious approach to credit advice means that the banks currently on the Authority's counterparty list have sufficient equity buffers to deal with any localised problems in the short term.

## Semi Annual Treasury Outturn Report 2016/17

### Appendix 1

#### Prudential Indicators 2016/17

The Local Government Act 2003 requires the Authority to have regard to CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

**Estimates of Capital Expenditure:** The Authority's planned capital expenditure and financing may be summarised as follows. These are based on the draft Capital 1718 MTFP.

Capital Expenditure and Financing	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
<b>Total Expenditure</b>	<b>18.8</b>	<b>48.0</b>	42.3	15.4
Capital Receipts	7.8	7.7	17.9	6.1
Government Grants	7.2	20.3	11.3	4.0
Reserves & revenue	0.9	1.1	0.0	0.0
Borrowing	2.9	17.4	11.6	3.8
Vehicle financing	0.0	1.5	1.5	1.5
<b>Total Financing</b>	<b>18.8</b>	<b>48.0</b>	<b>42.3</b>	<b>15.4</b>

**Estimates of Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.16 Actual £m	31.03.17 Estimate £m	31.03.18 Estimate £m	31.03.19 Estimate £m
<b>Total CFR</b>	<b>114.1</b>	<b>121.9</b>	128.2	126.5

The CFR is forecast to rise by £14.1m over the next two years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

## Semi Annual Treasury Outturn Report 2016/17

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.16 Actual £m	30.03.17 Estimate £m	31.03.18 Estimate £m	31.03.19 Estimate £m
Borrowing	94.8	106.2	117.8	121.5
Finance leases & PFI liabilities	1.2	1.2	1.2	1.2
<b>Total Debt</b>	<b>96.0</b>	<b>107.4</b>	<b>119.0</b>	<b>122.7</b>

Total debt is expected to remain below the CFR during the forecast period.

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

**Operational Boundary for External Debt:** The Operational Boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Operational Boundary Limits set in 1617 Treasury Strategy	2016/17 £m	2017/18 £m	2018/19 £m
Borrowing	113.0	124.3	126.0
Other long-term liabilities	1.1	1.1	1.0
<b>Total Debt</b>	<b>114.1</b>	<b>125.4</b>	<b>127.0</b>

The Authority confirms that during the first half of 2016/17, the overall Operational Boundary was not breached. Borrowing reached a maximum of £94.8m and Total debt reached a maximum of £96.0m during the first half of the year.

**Authorised Limit for External Debt:** The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit set in 1617 Treasury Strategy	2016/17 £m	2017/18 £m	2018/19 £m
Borrowing	134.0	145.3	147.0

## Semi Annual Treasury Outturn Report 2016/17

Other long-term liabilities	2.6	2.6	2.5
<b>Total Debt</b>	<b>136.6</b>	<b>147.9</b>	<b>149.5</b>

The Authority confirms that during 2016/17 the Authorised Limit was not breached at any time.

**Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
Estimate in 1617 Strategy	4.78	6.31	6.54
Current forecast	4.40		

There is a slight decrease against Estimate due to a surplus of council tax income and a reduction in interest payable for the year.

**Incremental Impact of Capital Investment Decisions:** This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the total revenue budget requirement of the current year's forecast capital programme.

Incremental Impact of Capital Investment Decisions	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
Estimate in 1617 Strategy	35.84	1.67	(0.30)
Current forecast	27.85		

There has been a reduction against Estimate mainly due to slippage forecast slippage in the capital program.

**Adoption of the CIPFA Treasury Management Code:** The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice (Revised in 2011)* in March 2005.



## Semi Annual Treasury Outturn Report 2016/17

### Appendix 2

#### Money Market Data and PWLB Rates

*The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.*

*Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction. Borrowing eligible for the project rate can be undertaken at a 0.40% reduction.*

**Table 1: Bank Rate, Money Market Rates**

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/4/2016	0.50	0.36	0.36	0.39	0.46	0.61	0.88	0.78	0.83	0.98
30/4/2016	0.50	0.36	0.36	0.38	0.47	0.62	0.90	0.86	0.95	1.13
31/5/2016	0.50	0.35	0.37	0.39	0.46	0.61	0.89	0.82	0.92	1.09
30/6/2016	0.50	0.35	0.36	0.39	0.43	0.55	0.80	0.49	0.49	0.60
31/7/2016	0.50	0.15	0.45	0.42	0.52	0.64	0.77	0.47	0.47	0.54
31/8/2016	0.25	0.11	0.18	0.18	0.38	0.54	0.69	0.42	0.42	0.48
30/9/2016	0.25	0.10	0.25	0.45	0.51	0.61	0.74	0.43	0.42	0.47
<b>Minimum</b>	0.25	0.02	0.15	0.18	0.30	0.50	0.66	0.38	0.37	0.42
<b>Average</b>	0.43	0.26	0.37	0.42	0.52	0.66	0.83	0.61	0.64	0.75
<b>Maximum</b>	0.50	0.43	0.55	0.61	0.72	0.83	1.04	0.88	0.99	1.20
<b>Spread</b>	0.25	0.41	0.40	0.43	0.42	0.33	0.38	0.51	0.62	0.78

**Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans (Standard Rate)**

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/4/2016	125/16	1.33	1.82	2.51	3.24	3.33	3.19	3.15
30/4/2016	165/16	1.37	1.95	2.65	3.34	3.40	3.25	3.21
31/5/2016	205/16	1.36	1.93	2.56	3.22	3.27	3.11	3.07
30/6/2016	249/16	1.17	1.48	2.09	2.79	2.82	2.61	2.57
31/7/2016	292/16	1.07	1.31	1.84	2.57	2.65	2.48	2.44
31/8/2016	336/16	1.09	1.23	1.65	2.22	2.29	2.12	2.08
30/9/2016	380/16	1.02	1.20	1.70	2.34	2.43	2.29	2.27
	Low	1.01	1.15	1.62	2.20	2.27	2.10	2.07
	Average	1.20	1.54	2.12	2.81	2.87	2.70	2.67
	High	1.40	2.00	2.71	3.40	3.46	3.31	3.28

**Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans (Standard Rate)**

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/4/2016	125/16	1.50	1.86	2.54	2.99	3.25	3.34
30/4/2016	165/16	1.59	1.99	2.68	3.11	3.34	3.42

## Semi Annual Treasury Outturn Report 2016/17

31/5/2016	205/16	1.58	1.97	2.58	2.99	3.23	3.30
30/6/2016	249/16	1.24	1.51	2.11	2.55	2.79	2.86
31/7/2016	292/16	1.13	1.34	1.87	2.31	2.58	2.67
31/8/2016	336/16	1.12	1.25	1.67	2.02	2.23	2.31
30/9/2016	380/16	1.05	1.22	1.72	2.13	2.36	2.44
	<b>Low</b>	1.03	1.17	1.64	2.00	2.20	2.28
	<b>Average</b>	1.30	1.57	2.15	2.58	2.82	2.89
	<b>High</b>	1.63	2.04	2.73	3.17	3.41	3.48

**Table 4: PWLB Variable Rates (standard rate)**

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
1/4/2016	0.61	0.65	0.67	1.51	1.55	1.57
30/4/2016	0.61	0.65	0.67	1.51	1.55	1.57
31/5/2016	0.65	0.66	0.70	1.55	1.56	1.60
30/6/2016	0.64	0.62	0.62	1.54	1.52	1.52
31/7/2016	0.55	0.48	0.45	1.45	1.38	1.35
31/8/2016	0.38	0.41	0.48	2.18	1.31	1.38
30/9/2016	0.38	0.40	0.48	1.28	1.30	1.38

*Please note PWLB rates are standard rates*



**SUBJECT: INTERNAL AUDIT SECTION  
PROGRESS REPORT 6 Months into 2016/17**

**DIRECTORATE: Chief Executive's  
MEETING: Audit Committee  
DATE: 17<sup>th</sup> November 2016  
DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30<sup>th</sup> September 2016.

To consider the performance of the Internal Audit Section over the first 6 months of the current financial year.

## 2. RECOMMENDATION(S)

That the Committee note the audit opinions issued.

That the Committee note the progress made by the Section towards meeting the 2016/17 Operational Audit Plan and the Section's performance indicators at the six months stage of the financial year.

## 3. KEY ISSUES

3.1 The Section is progressing through its programme of audits in accordance with the 2016/17 Operational Audit Plan.

3.2 This report gives brief details of the work undertaken in the year to date. The report also gives details of the Section's performance indicators for the 6 months to 30<sup>th</sup> September 2016.

3.3 The Public Sector Internal Audit Standards came into force in April 2013 which the Internal Audit team needs to demonstrate it is compliant with; these replaced the former Code of Practice for Internal Audit within Local Government. The new standards have been reported to the Audit Committee separately.

3.4 A requirement of the PSIAS is for the Internal Audit team to be externally assessed once every five years to ensure compliance with these Standards. The Welsh Chief Auditors' Group proposed an option

of a peer review in order to meet the requirements of this external assessment, which has been agreed by respective S 151 Officers of local authorities in Wales. Monmouthshire's peer review will take place during 2017.

- 3.5 The 2016/17 Audit Plan was agreed by the Audit Committee on 26<sup>th</sup> May 2016.

#### 4. REASONS

- 4.1 Since the start of the financial year, the Internal Audit Section has completed 26 audit jobs from its 2016/17 Operational Audit Plan, with several opinions issued; **Substantial x1, Considerable x3, Reasonable x3, Limited x1 with x3 Unqualified** Grant claims - these are listed in the table shown in Appendix 1.
- 4.2 The definitions of the four internal audit opinions and the risk ratings used by the Section are provided at Appendix 2 for Members' information.
- 4.3 Finalisation work from 2015/16 continues; of the 17 reviews at draft report stage at 31 March 2016, 16 have subsequently been finalised.
- 4.4 Audit management have also been involved with 4 special investigations to date this year, some of which have continued from 2015/16; these are often very sensitive and time consuming. Work has been undertaken on 3 unplanned area, providing additional advice and support for service managers.
- 4.5 Appendix 3 of the report gives details of the Section's performance indicators as at 30<sup>th</sup> September 2016.
- 4.6 The acceptance of audit recommendations was good at 98%. 31% of evaluation questionnaires have been returned from operational managers with 100% satisfaction rate; this measures how satisfied they were with the audit service they had received.
- 4.7 Draft reports have taken 30 days to issue following receipt of management comments. It has taken 38 days to issue final reports. The main reason for this is the involvement of key staff in the audit team with special investigations during the year.
- 4.8 Getting audit reports out to service managers are key indicators. The audit management will endeavour to continue to turnaround the work within the target time set for draft and final reports.
- 4.9 The percentage coverage of the audit plan at 33% (23% 2015/16) is much better than the same period of the previous year but just below below the profiled target of 35% at this stage of the financial year. Management will keep this indicator under careful review for the rest of

the year to ensure that the audit coverage by the year end is as comprehensive as possible in order to provide as much assurance as possible. The operational plan will be re-prioritised to ensure the higher risk areas are covered by the year end if resources become an issue again.

- 4.10 The team started the year with a full complement of staff in the team and this has continued.
- 4.11 The new reporting format, aimed at improving the efficiency and effectiveness of audit work, is working well and has been positively received from operational management. Audit opinions have also been revised and updated in order to give a better understanding of the level of assurance gained from undertaking the audit work. These have previously been presented to Audit Committee and are shown at Appendix 2.
- 4.12 In Quarter 1 the team get involved with the verification and validation of the Council's annual performance indicators before they are submitted to Welsh Government. This is often a time consuming exercise with tight timescales. The team are also involved with the administration of the National Fraud Initiative (NFI) data sets on behalf of the Council.

## **5. SERVICE MANAGEMENT RESPONSIBILITIES**

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

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

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

**7. RESOURCE IMPLICATIONS**

None.

**8. CONSULTEES**

Head of Finance

**Results of Consultation:**

N/A

**9. BACKGROUND PAPERS**

Operational Audit Plan 2016/17

**10. AUTHORS AND CONTACT DETAILS**

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**AUDIT COMMITTEE NOVEMBER 2016**

**INTERNAL AUDIT SECTION PROGRESS REPORT  
2016/17 – 6 MONTHS**

**APPENDIX 1**

Internal Audit reviews from the 2016/17 Operational Audit Plan where fieldwork has been completed and/or final reports issued since 1/4/16 are listed in the table below.

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

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

**Internal Audit Services - Management Information for 2016/17 – Quarter 2**

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Status	Opinion given
P16/17/38	Children & Young People	Schools	Llantilio Pertholey	Low	Draft	Substantial
P16/17/40	Children & Young People	Schools	Pupil Referral Service	Low	Draft	Considerable
P16/17/45	Enterprise	Community-led Delivery	County Farms	Medium	Draft	Considerable
P16/17/64	Social Care & Health	Older People's Direct Care Services	Mardy Park	Low	Draft	Considerable
P16/17/14	Chief Executive's	Operations	Transport Unit - Leased Vehicles	Medium	Draft	Reasonable
P16/17/18	Chief Executive's	Operations	Garden Waste	Low	Draft	Reasonable
P16/17/78	Corporate		Annual Governance Statement	Not Applicable	Draft	Reasonable
P16/17/16	Chief Executive's	Operations	School Meals	Medium	Draft	Limited
P16/17/26	Children & Young People	Standards	Education Improvement Grant	Medium	Final	Unqualified
P16/17/27	Children & Young People	Standards	Pupil Deprivation Grant	Low	Final	Unqualified
P16/17/28	Children & Young People	Standards	Outside of School Childcare Grant	Low	Final	Unqualified



Job Number	Directorate	Service	Job Name	Risk Rating / Priority	Opinion given
P16/17/04	Chief Executive's	Democracy & Regulatory Services	Audit Advice		Not applicable
P16/17/12	Chief Executive's	Finance	Audit Advice		Not applicable
P16/17/20	Chief Executive's	Operations	Audit Advice		Not applicable
P16/17/25	Children & Young People	Resources	Audit Advice		Not applicable
P16/17/31	Children & Young People	21st Century Schools	Audit Advice		Not applicable
P16/17/41	Children & Young People	Schools	Audit Advice		Not applicable
P16/17/49	Enterprise	Community-led Delivery	Audit Advice		Not applicable
P16/17/53	Enterprise	Commercial & People Development	Audit Advice		Not applicable
P16/17/54	Enterprise	Development Planning	Audit Advice		Not applicable
P16/17/57	Enterprise	Tourism, Leisure & Culture	Audit Advice		Not applicable
P16/17/61	Social Care & Health	Adult Services	Audit Advice		Not applicable
P16/17/63	Social Care & Health	Children's Services	Audit Advice		Not applicable
P16/17/65	Social Care & Health	Older People's Direct Care Services	Audit Advice		Not applicable
P16/17/66	Social Care & Health	Social Care & Health Finance Unit	Audit Advice		Not applicable
P16/17/70	Corporate		BACS - Compliance with SHA-2 protocols	High	Not applicable

**Internal Audit Opinions**

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

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

**Recommendation Ratings**

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

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

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

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

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

**AUDIT COMMITTEE NOVEMBER 2016**

**INTERNAL AUDIT SECTION PROGRESS REPORT  
2016/17 – 6 MONTHS**

**APPENDIX 3**

**Performance Indicators**

	<b>2015/16</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Target</b>
1	Percentage of planned audits completed	14%	23%	40%	74%	(80% pa)
2	Percentage of audits completed within planned time	0%	50%	33%	27%	60%
3	Average no. of days from audit closing meeting to issue of a draft report	3 days	17 days	52 days	75 days	12 days
4	Average no. of days from receipt of response to draft report to issue of the final report	12 days	34 days	46 days	22 days	5 days
5	Percentage of recommendations made that were accepted by the clients	100%	99%	99%	97%	90%
6	Percentage of clients at least 'satisfied' by audit process	N/A	N/A	N/A	100%	90%
7	Percentage of directly chargeable time (actual v planned)	94%	81%	120%	91%	100%
8	Number of special investigations	6	7	9	10	

	<b>2016/17</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Target</b>
1	Percentage of planned audits completed	13%	33%			35% (80% pa)
2	Percentage of audits completed within planned time	0%	56%			60%
3	Average no. of days from audit closing meeting to issue of a draft report	3 days	30 days			12 days
4	Average no. of days from receipt of response to draft report to issue of the final report	12 days	30 days			5 days
5	Percentage of recommendations made that were accepted by the clients	100%	98%			90%
6	Percentage of clients at least 'satisfied' by audit process	N/A	100%			90%
7	Percentage of directly chargeable time (actual v planned)	102%	103%			100%
8	Number of special investigations	2	4			

N /A – not available

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**SUBJECT: INTERNAL AUDIT SECTION  
PROGRESS REPORT ON  
UNSATISFACTORY / UNSOUND AUDIT  
OPINONS**

**DIRECTORATE: Chief Executive's  
MEETING: Audit Committee  
DATE: 17<sup>th</sup> November 2016  
DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To update Members on the progress of Unsatisfactory / Unsound audit opinions issued since 2012/13 by the Internal Audit team.

## 2. RECOMMENDATION(S)

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

Or

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

## 3. KEY ISSUES

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

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

recognises that issues identified originally were subsequently addressed by management.

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

#### 4. REASONS

- 4.1 The audit opinions currently used within the team were introduced into the audit reports at the beginning of 2008/09 and are as set out in Appendix 1. The opinion gives an indication of the adequacy of the internal control environment of the system or establishment under review and ranges from *Very Good* to *Unsound*. The reviews are now risk assessed as High, Medium or Low. The audit opinions are currently under review.
- 4.2 Previous report was presented to Audit Committee April 2016; this information is updated and presented to Audit Committee on a six monthly basis..
- 4.3 The following unfavourable audit opinions have been issued since 2011/12 (Details at Appendix 2):

	Unsatisfactory	Unsound
2011/12	4	1
2012/13	2	0
2013/14	0	0
2014/15	6	0
2015/16	7 (see 4.7)	0

	Limited (Assurance)
2016/17	1

- 4.4 In 2012/13 the reports were as follows:

	Assignment	Risk H/M/L	Rating	Revised Opinion	Date Issued
<b>2012-13</b>	Community Recreation Centres – Usk (Follow Up)	N/A	Unsatisfactory	Reasonable	March 2014
	Monmouthshire Enterprises (Social Care)	Medium	Unsatisfactory	*	

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\* This review turned into a special investigation; the issues identified will be picked up within future audits within this area; see para 4.6 below.

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

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

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

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

	Assignment	Risk H/M/L	Rating	Revised Opinion	Date Issued
<b>2015/16</b>	Procurement Cards	Medium	Unsatisfactory		
	Magor Primary	Low	Unsatisfactory		
	Markets	Medium	Unsatisfactory		
	Passenger Transport Unit (14/15)	Medium	Unsatisfactory		
	Procurement - Off Contract Purchasing (14/15)	Medium	Unsatisfactory		
	Chepstow School (13/14)	Medium	Unsatisfactory		
	Monmouthshire Enterprises (Social Care) (14/15)	Medium	Unsatisfactory		

4.8 Chepstow School concerns have been reported to Audit Committee previously (March 2015) and members of the School management team have attended to respond to concerns raised in the audit report.

4.9 Officers from Passenger Transport Unit, Chepstow School and Monmouthshire Enterprises have previously been invited to and subsequently attended Audit Committee in order to respond to Members questions and to provide assurances that appropriate actions would be taken to improve the financial control environment.

4.10 The main issues were:

**a. Procurement Cards**

- The initial set up of one card was based on the request from the Department that the card was in the name of one individual but would be shared between staff.
- A business case was submitted but the relevant cost centre manager's sign off was not completed in all cases.
- There was no evidence of approval by the VAT Accountant / Head of Finance of the business cases reviewed.
- Staff using lodged cards on a day to day basis were not authorised or subject to regular review. In particular, budget holder approval of "buyers" was not clear in respect of ESPO or Holdsworth.
- A purchasing card had not been surrendered when an employee left MCC, and it was still in use 3 months after the employee left the Authority.
- Expenditure was not supported by VAT receipts in all cases.
- Sanctions have not yet been applied despite the failure of some areas to submit supporting receipts consistently.

**b. Magor Primary School**

- There was no clear audit trail between receipts and bankings.
- Purchase orders were not being used to purchase goods in many cases.
- No current cash book for the Private fund could be located at the School. In addition there was no evidence of any recent Private



Fund transactions – either receipts or payments.

- No recent bank statements for the Private Fund account could be located at the School and so no recent bank reconciliations had been performed. The School had lost control of its Private Fund bank account.
- The School no longer has a valid data protection registration with the Office of the Information Commissioner. Such a registration is a legal requirement for an organisation processing personal data.

**c. Markets**

- Previously reported to Audit Committee

**d. Passenger Transport Unit**

- Previously reported to Audit Committee

**e. Procurement - Off Contract Purchasing**

- Previously reported to Audit Committee

**e. Chepstow School**

- Previously reported to Audit Committee

**f. Monmouthshire Enterprises**

- Previously reported to Audit Committee

4.11 These audit reviews will be followed up by the audit team within 6 to 12 months of the final report being issued to ensure that action has been taken to address the weakness identified. These reviews will be followed up in 2016/17.

4.12 To date in 2016/17, one report has been issued in draft with a **Limited** opinion. This is the equivalent of the previous Unsatisfactory opinion. This review related to **School Meals**. The main issues were:

- There was no official documentation in place outlining the roles, responsibilities and expectations of both the schools and Property Services.

- School Meals income data is not monitored to ensure that it is maintained accurately and up to date.
- Differences were noted between information held at the schools and data reported by the system to Property Services
- Property Services were not actively resolving cases of high debt being referred to them.
- There is no reconciliation of the cooks' in charge records to the income or meals ordered records.

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

## **5. SERVICE MANAGEMENT RESPONSIBILITIES**

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

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

## **6. RESOURCE IMPLICATIONS**

None.

## **7. CONSULTEES**

Head of Finance

## **8. BACKGROUND PAPERS**

Audit management Information 2012/13, 2013/14, 2014/15, 2015/16, 2016/17

**9. AUTHOR AND CONTACT DETAILS**

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### Internal Audit Opinions

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

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

### Recommendation Ratings

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

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

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

Revised Internal Audit Opinions from 2015/16

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

The tables below summarise the ratings used during the review and the number of occurrences of each rating identified during this review.

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





**SUBJECT: Proposal to revise the Policy on Minimum Revenue Provision (MRP) in respect of Supported Borrowing for 2016/17 onwards**

**MEETING: Audit Committee**

**DATE: 17<sup>th</sup> November 2016**

**DIVISION/WARDS AFFECTED: ALL**

## 1 PURPOSE:

The purpose of this report is:

- 1.1 To reflect the outcome of the review into the Council's annual Minimum Revenue Provision (MRP) charge related to supported borrowing financing element of capital expenditure
- 1.2 To provide Full Council with a proposal to revise the Minimum Revenue Provision Policy Statement for 2016/17 in respect of Supported Borrowing.
- 1.3 To outline both short to medium term revenue consequences of the proposal as well as introducing a fairer and simpler approach to be adopted for current and future council tax payers

## 2 POTENTIAL RECOMMENDATIONS TO BE MADE TO COUNCIL AFTER AUDIT COMMITTEE FEEDBACK:

- 2.1 It is recommended that Council approves:

A change to the approach concerning the Minimum Revenue Provision calculation on Supported Borrowing (Option 2 approach) moving it from a 4% reducing balance basis to a 2% straight line basis, in common with many welsh authorities.

## 3 BACKGROUND

### Legislative framework and guidance

- 3.1 The concept on the Minimum Revenue Provision (MRP) was introduced when the Local Government Capital Finance System was changed on 1 April 1990. This required local authorities to assess their outstanding debt and to make an annual charge to the General Fund of 4% of the General Fund Debt (capital financing requirement CFR).
- 3.2 The arrangements were further endorsed in Wales, under regulation 22 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 , which required local authorities to charge to their revenue account for each financial year MRP to account for the cost of their unfinanced capital expenditure i.e. their borrowings.
- 3.3 The 2008 Regulations revised the former regulation 22, in favour of replacing detailed rules with a simple duty for an authority each year to make an amount of MRP which it considers

to be “**prudent**”. The regulation does not itself define “prudent provision”. However, the MRP guidance makes recommendations to authorities on the interpretation of that term. These revisions introduced a wide, but not exhaustive, variety of methods which Councils can adopt when calculating MRP.

- 3.4 The broad aim of a prudent provision was to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits or in case of borrowing supported by government, reasonably commensurate with the period implicit in the determination of the grant, although Councils retain a discretion to pay more than the minimum calculated sum.
- 3.5 The issue of statutory MRP guidance has been made possible by section 238(2) of the Local Government and Public Involvement in Health Act 2007, which amends section 21 of the Local Government Act 2003. Section 21 already allowed regulations to be made on accounting practices and is the power under which the existing MRP regulations were made. The amendment inserts a new section 21(1A) into the 2003 Act, enabling Welsh Ministers also to issue guidance on accounting practices and thus on MRP. Authorities are obliged by new section 21(1B) to “have regard” to such guidance – which is exactly the same duty as applies to other pieces of statutory guidance including, for example, the CIPFA Prudential Code, the CIPFA Treasury Management Code.
- 3.6 Welsh government has issued statutory guidance that councils are required to “take account of” in deciding what is “prudent”. Authorities are also asked to prepare an annual statement of their policy on making MRP for submission to their full council. In Monmouthshire this is included with the Treasury Strategy report to full Council before the start of each financial year.
- 3.7 The guidance makes some assumptions; firstly that we can easily distinguish between schemes funded by “supported” borrowing and other borrowing (sometimes referred to as “prudential borrowing”).
- 3.8 Pragmatically the proportion of an individual asset that has been funded by Supported or Unsupported borrowing is often unexplicit, as funding decisions are commonly made on the basis of Treasury and cashflow consequences rather than specific project or asset funding
- 3.9 In addition it appears to assume that where there is borrowing on a scheme/asset it is either “supported” or not. Neither of these assumptions are necessarily true, although the guidance does recognize that it is conventional where depreciation approaches have been used not to start depreciation until the asset comes into use. We have used this convention (which has also been included within MRP regulations) to delay the commencement of MRP on the borrowing funded costs of any capital development.
- 3.10 Given MRP reviews are an increasing consideration for all Welsh Authorities, WAO has helpfully issued some general guidance to all Welsh authorities to reflect upon in their consideration. A copy of this guidance is included in Appendix 1. They remind Councils that 4% reducing balance should not be regarded as simplistically equating to an average asset useful life of 25 year. They also conclude, ultimately, it is a matter for individual Councils to determine what is prudent with consideration given to the statutory guidance provided.
- 3.11 So it is important to recognise that whilst Authorities must always have regard to the guidance, having done so, they may in some cases consider that a more individually



designed MRP approach is justified. That could involve taking account of detailed local circumstances, including specific project timetables and revenue-earning profiles.

### 3.12 **Options for Prudent Provision in the statutory guidance**

The guidance envisages that authorities can distinguish between borrowing that is “supported” (through the RSG system) and other borrowing. The guidance also sets out four options for making MRP;

**Option 1 - the regulatory method** – this is basically the “old” system for determining MRP as though the 2003 regulations had not been revoked in 2008. So it involves making a 4% of outstanding debt provision, amended by a calculation on the credit ceiling and capital finance requirement on 1 April 2004, and the “commutation adjustment” which arises because authorities incurred losses when the Government commuted annual grant related an adjustment to home improvement grants in 1992.

**Option 2 - the CFR method** - this is a simplification of the above and involves simply setting MRP equal to 4% of the non-housing CFR at the end of the preceding financial year.

Note: Capital Financing Requirement (CFR) is a measure of the underlying need to borrow for capital purposes. When capital expenditure is not paid for immediately, by resources such as capital receipts, capital grants or other contributions, then the CFR increases.

**Option 3 - the asset life method** – this method requires MRP to be charged over the asset life using either an equal instalment method or annuity method, and permits an additional voluntary provision in any year which may be matched by an appropriate reduction in a subsequent year’s MRP. Equal instalment involves paying the same amount each year. Annuity method involves smaller payments in the early years and larger payments in the latter years, effectively recognising the time value of money. Commencement of MRP can be made in the financial year following the one in which the asset becomes operational.

**Option 4 - the depreciation method** – this requires depreciation accounting to be followed, including impairment should assets last for a shorter period than originally envisaged, until the element of the asset funded by borrowing has been paid in full.

#### **Current Policy**

3.13 This report pertains to the Council’s Supported borrowing (option 2) consideration. Members may recall a similar report on 15<sup>th</sup> December 2015 to consider changes to the minimum revenue calculation affecting Unsupported Borrowing (option 3).

3.14 Currently the Authority uses Option 2 the CFR method in respect of supported capital expenditure funded from borrowing. Under this option, MRP is calculated at 4% on a reducing balance basis. MRP amounts repaid are recalculated each year on the revised balance. The effect of this is that past borrowing liabilities are never completely extinguished, and for instance after 50 years £10million of the original £80million capital financing requirement remains outstanding.

#### **Proposed Revised Approach for Supported Borrowing**

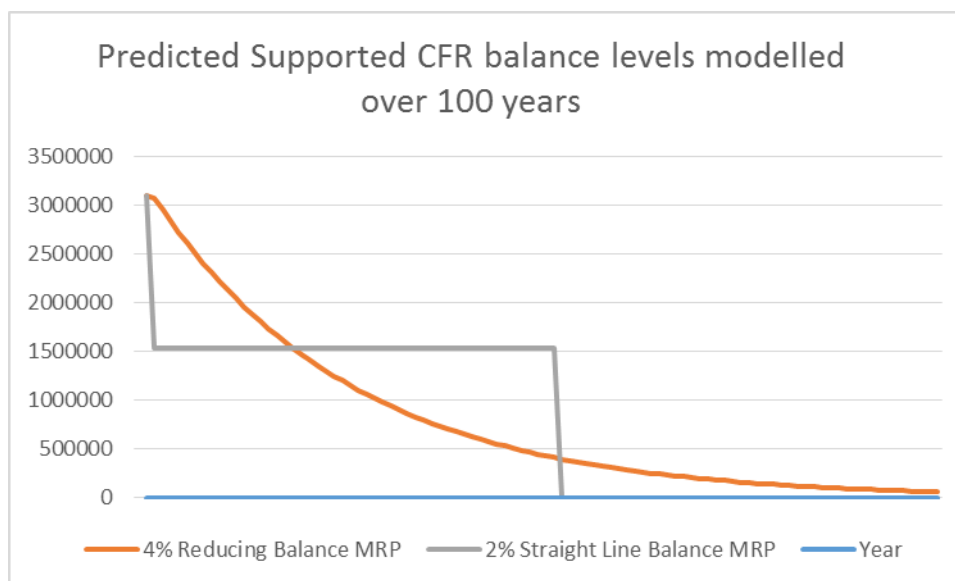
3.15 Increasingly Local authorities are relooking at their MRP calculation to reduce the pressure on the revenue budget whilst still ensuring that a prudent level of provision is set aside. It

should be stressed the change to MRP calculation should not be regarded as a saving, it is more accurately just a beneficial change in cash flows.

- 3.16 An analysis MCC's asset portfolio, afforded by capital, indicates an average weighted life of circa 53 years outstanding. To enable such a calculation, it has been necessary to attribute an arbitrary economic useful life of 99 years to assets that are not traditionally depreciated, and which from a depreciation point of view would be effectively presumed as having an infinite life.
- 3.17 The 4% reducing balance repayment method leaves £10m unpaid CFR at the end of 50 years, which wouldn't necessarily be conducive with the broad aim of a prudent provision to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
- 3.18 As Wales Audit Office highlight it is difficult to equate a reducing balance approach with an appropriate asset life. Consequently it is advocated that the 4% reducing balance approach is replaced with a straight line approach. This ensures prudently that the liability is actually repaid over the indicative life of Council's asset portfolio, that 2% equates more closely with the indicative asset life and importantly avoids Future Generations needing to afford liability repayments for historic capital expenditure on a portfolio of assets that would have an expired useful life.

#### 4 RESOURCE IMPLICATIONS:

- 4.1 The table in appendix 2 indicates the cashflow payments under the existing approach (i.e. 4% reducing balance) against those of a 2% straight line basis, and the effect on the Council's Supported borrowing CFR is shown graphically below.



- 4.2 The Council's accounting policy on MRP is simply to set aside a prudent level of resources, and the method for achieving this is through the use of an accounting estimate. Changing the basis of the MRP calculation represents a change to the estimation technique employed within the options provided in the Guidance. As with any provision, calculations can be reviewed on a cumulative basis and any over-provisions made in previous years can be corrected in the year that they were identified. This revision would not lead to a prior period adjustment in the Statement of Accounts, but provides a benefit in the year the change takes effect.

- 4.3 As an illustration, if applied from 2017-8 financial year the advocated approach will necessitate £1.5 million less needing to set aside as MRP introducing a favourable cashflow effect available to assist with 2017-18 budget setting. This beneficial cashflow continues for 18 years albeit to a lesser effect per annum, until year 2034 when payment under a straight line method become more than reducing balance approach.
- 4.4 The cashflow consequences have been modelled out to 100 years. At year 50 when the full liability has been repaid, this method derives a further cash flow saving against existing approach that continues to necessitate repayment ad infinitum as the current reducing balance approach never fully repays liability. So the liability remains at £10m by year 50, and over a further 50 years only repays £8.5million, leaving a balance still outstanding at the end of 100 years of £1.5million.
- 4.5 The proposals above demonstrate that the policy is consistent, affordable over the longer term and ensures a more equitable spread of debt repayment costs across all generations of taxpayer.
- 4.6 It has the added advantage of being more prudent than the existing reducing balance method, in that it does ultimately pay off the liability in accordance with the likely economic usage of assets.
- 4.7 The Council will continue to periodically review its MRP policy to ensure that it consistently follows the above principles in the future.

## **5 FUTURE GENERATIONS IMPLICATIONS**

- 5.1 Whilst the adoption of the revision to the MRP Policy could have a favourable effect on the Council's 2017/18 Medium Term Financial Plan, it needs to be stressed that these cash flow adjustments should not be considered as savings, the change merely pushes expenses towards the latter half of repayment schedule, and ultimately the Council is seeking to repay an extra £10m over 50 years over the existing approach. However it can be argued that a revised approach better reflects the usage of assets, where currently Future Generations could be expected to contribute to the repayment of historic Supported Borrowing liabilities long after the economic use of average assets has expired.
- 5.2 In addition reducing payments now means the Council can better continue to keep services open now for the benefit of future generations rather than have to cut services now that may never get reinstated. The Future Generations Evaluation is contained in Appendix 3.

## **6 SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS**

None

## **7 CONSULTEES:**

Head of Finance  
Treasury Advisors  
Wales Audit office  
Chief Executive  
Executive Member for Resources  
Audit committee

**8 BACKGROUND PAPERS:**

Appendix 1 WAO guidance

Appendix 2 Annual Forecast of Existing and Modelled MRP changes

Appendix 3 Future Generations Evaluation form

**9 AUTHOR:**

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Reference	AJB/mh
Date	7 January 2016
Pages	1 of 7

Dear Ms Robson

**Minimum Revenue Provision for the redemption of debt**

A number of local authorities in Wales have approached their audit teams recently regarding their approach to setting a prudent provision for the redemption of debt as required by the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended). As this is an area that is under consideration by a number of bodies, you may find it useful to see our views on this area in our role as the external auditor and on the factors that authorities should take into account when determining their policy.

**Statutory basis for the provision for the redemption of debt**

Under regulation 21 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 as amended ("the Regulations") local authorities (including police, fire and national park bodies) must charge to a revenue account a minimum revenue provision (MRP) in respect of capital expenditure incurred in a prior year.

Until 2008, MRP was calculated in accordance with a formula set out in the Regulations. In 2008, this requirement was replaced by Regulation 22 (Calculation of minimum revenue provision) which states "A local authority must calculate for the current financial year an amount of minimum revenue provision which it considers to be prudent."

**Welsh Government statutory guidance**

In March 2008, the Welsh Government published statutory guidance entitled "Guidance on Minimum Revenue Provision." Local authorities in Wales are required to have regard to this guidance. The guidance notes that the prudent amount of provision should normally be determined in accordance with the principle that:

“The broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by the Welsh Assembly Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.”

It goes on to note that Welsh Ministers consider that the methods of making prudent provision include four options set out in the guidance but notes that approaches differing from those exemplified are not ruled out.

### **Our role as the external auditor**

As stated in the Regulations, the responsibility for determining what is a prudent MRP lies with the Authority. It is not the role of the external auditor to determine for the authority what is prudent.

In relation to the financial statements, auditors will routinely check that an MRP has been calculated and charged to a revenue account. We also have a responsibility to consider whether there are any matters which come to our attention during the course of the audit that should be brought to the attention of the public. This responsibility includes consideration of whether or not the Authority has complied with its statutory duties. Therefore audit teams will consider the approach taken by authorities in setting MRP.

### ***Welsh Government statutory guidance***

Authorities are required to have regard to the Welsh Government guidance when determining a prudent MRP. The Guidance states that MRP should be set at a level reasonably commensurate with the expected life of the asset or reasonably commensurate with the period implicit in the determination of Revenue Support Grant (RSG).

The Guidance contains four examples of how a prudent MRP may be determined. These are not exhaustive. In our view, these form a base line against which an authority's policies can be measured.

Under options 1 and 2 (as set out in the Guidance) a prudent MRP could be calculated at 4% reducing balance based on the Capital Financing Requirement. Authorities will be aware that RSG calculations include an element of funding for supported borrowing on a 4% reducing balance basis. Therefore, under this method MRP would be consistent with the funding stream from the Welsh Government.

Where an authority wishes to change its MRP for supported borrowing to an amount lower than 4% reducing balance, we would expect the authority to be able to demonstrate that:

- The lower charge more accurately reflects the lives of assets employed by the authority; or
- The lower charge is reasonably commensurate with the period implicit in the determination of RSG (i.e. a 4% reducing balance basis).

### ***The Well-being of Future Generations (Wales) Act 2015***

Reducing MRP now will inevitably increase the charges that must be made in future years. For example, reducing MRP from a 4% to a lower rate will mean that an authority will have a lower MRP charge in the early years but in future years, MRP will exceed the amount that would be charged at 4% reducing balance thus increasing costs in future years.

The Well-being of Future Generations (Wales) Act 2015, when fully commenced, will put in place a “sustainable development duty” and a requirement to perform that duty in accordance with a “sustainable development principle”. As part of the sustainable development duty, authorities must set and pursue well-being objectives to contribute to the well-being goals set out the Act. Doing something “in accordance with the sustainable development principle” means that the body must “act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs”. It also requires that authorities must take account of, among other things, “the importance of balancing short term needs with the need to safeguard the ability to meet long term needs”.

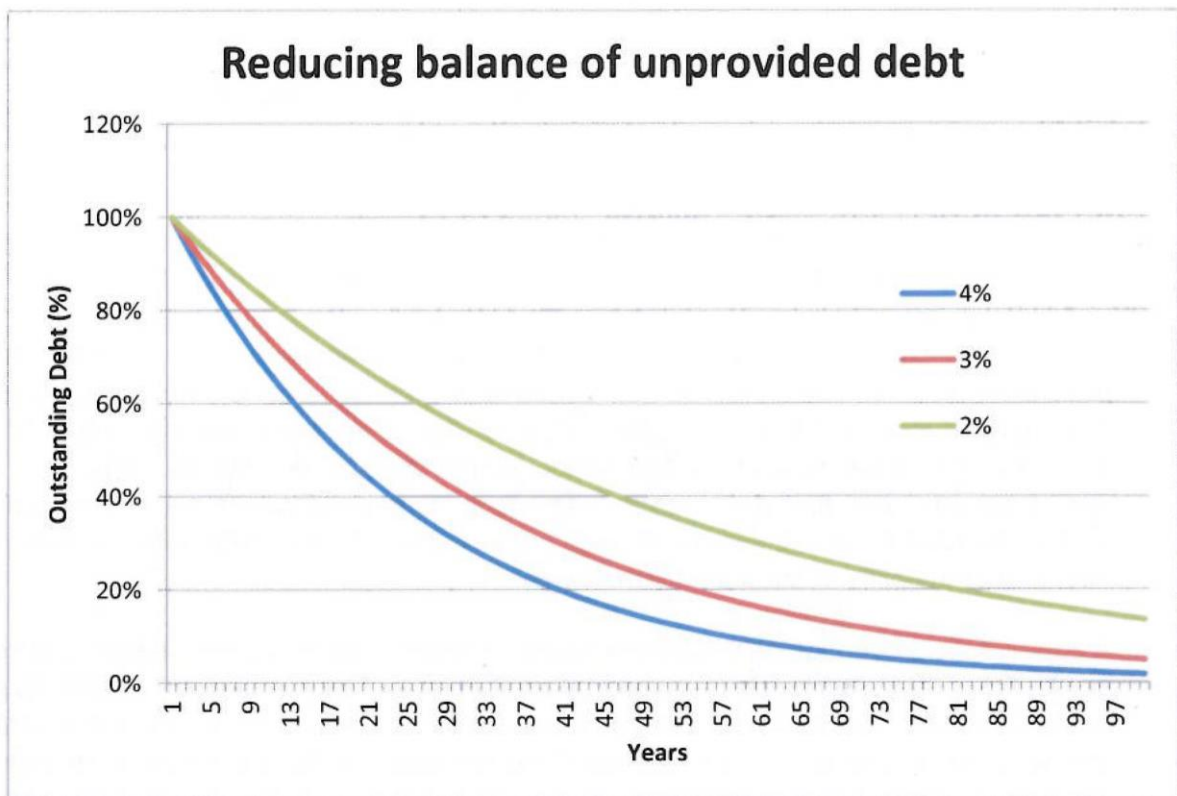
It appears therefore that local authorities need to make sure that when making decisions in respect of MRP that relate to actions taken in pursuit of their well-being objectives (or other sustainable development action) they act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations. Similarly, in respect of such decisions, it appears that they should take into account the importance of balancing short term needs with the need to safeguard the ability to meet long term needs. An authority wishing to modify its MRP policy should therefore consider how the amended policy would affect its compliance with its legal duties under the Well-being of Future Generations Act.

### ***Asset lives***

Some authorities have considered the assets lives for those assets financed by supported borrowing and whether or not there is scope for modifying the MRP charge to more accurately reflect asset lives albeit retaining the reducing balance basis.

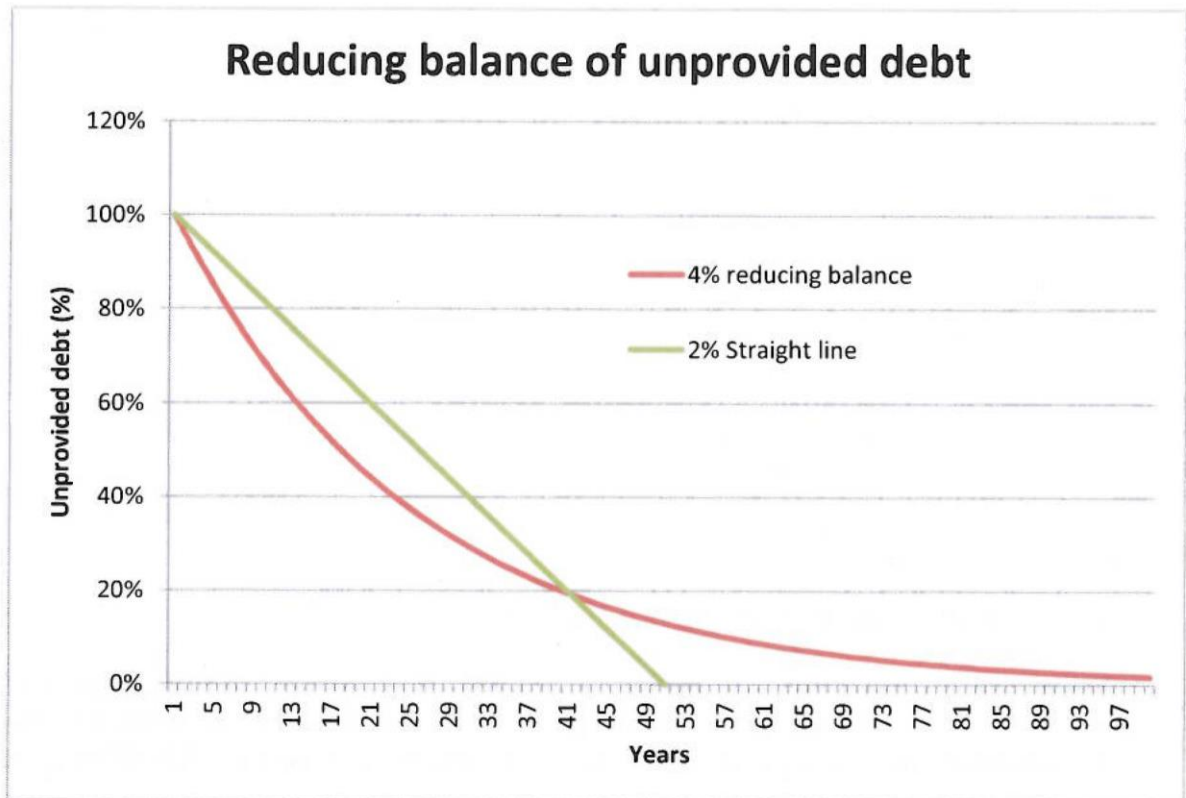
Authorities should note that the percentage applied under a reducing balance method does not readily translate into the equivalent of an asset life. For example, a 3% reducing balance does not equate to a 33 year asset life. After 33 years, 38% of the original debt will not have been provided for. In comparison, a 4% reducing balance leaves 27% not

provided for after 33 years. After 50 years, the unprovided balances are 22% (at 3% reducing balance) and 13% (4% reducing balance). Applying a reducing balance basis will mean that the debt is never fully extinguished and therefore may significantly outlast the related assets. At 3% reducing balance, debt is only 95% provided for after 100 years (4% - 75 years). The following chart illustrates how much of debt remains unprovided for over time on a 4%, 3% and 2% reducing balance basis.



Where authorities wish to make a prudent provision based on asset lives, they may wish to consider an alternative to the reducing balance model (e.g. straight line or weighted to reflect consumption of service potential). For example, if an authority's average asset life was 50 years and it determined to provide MRP on a 2% straight line basis, the amount of the loans unprovided for each year would be as shown below. In this case, the debt is fully provided for after 50 years.





### **Setting MRP on a cumulative basis**

In some cases, authorities have charged MRP since 2008 at a higher level than that suggested by the Welsh Government guidance. For example:

- MRP provided at 4% straight line rather than 4% reducing balance; or
- MRP provided at 5% reducing balance rather than 4% reducing balance.

In some cases, authorities now wish to change their MRP charge to a 4% reducing balance, in line with the guidance. In these circumstances, MRP provided from 2008 to 2015 will have been greater than if a 4% reducing balance calculation had been applied since 2008. It has been suggested that authorities are able to take advantage of such an 'over-provision' and set MRP in the first year of the new policy such that the cumulative MRP charged since 2008 is as would have been calculated under the amended policy. The impact of this is to set a reduced, a zero or even a negative MRP in the first year of the amended policy.

At present we would not be minded to challenge the overall approach of setting the current year MRP taking into account the cumulative differences between the amended and original policies subject to the following.

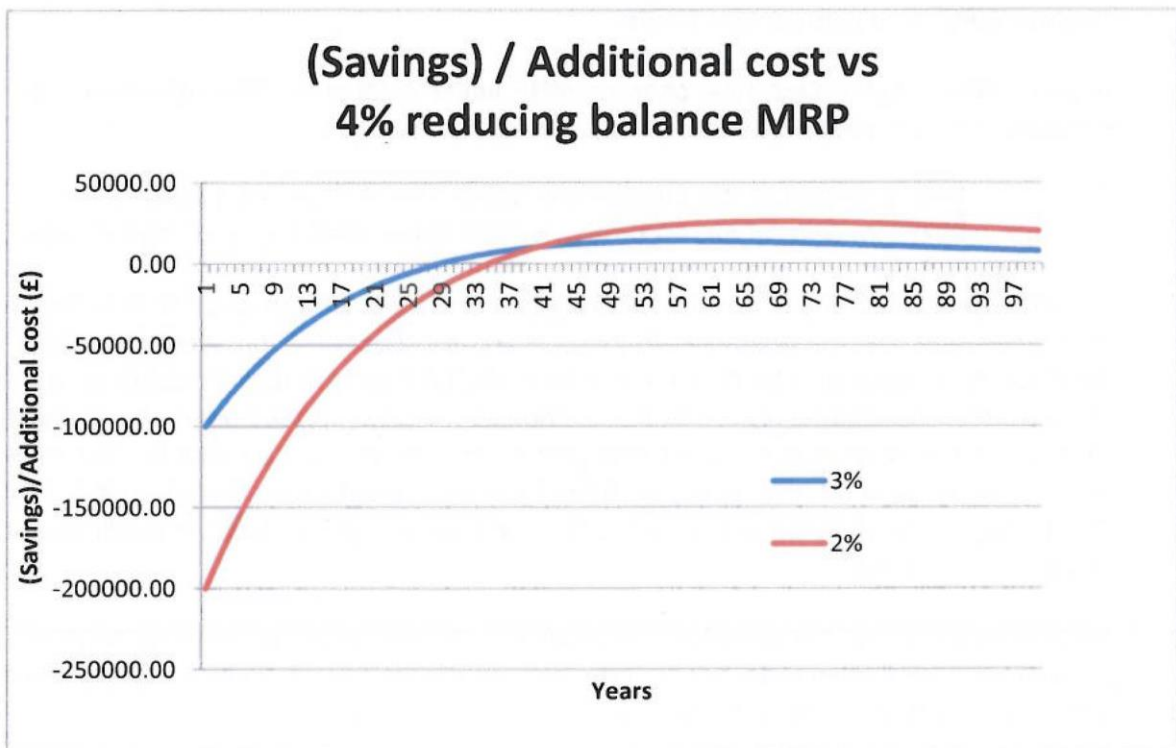
The Regulations require an authority to make a prudent provision for the financing of capital expenditure. The statutory guidance refers to redemption i.e. the clearing, of debt. Adjusting the current year MRP to take account of the differences between the amended and original policies may result in a negative or a zero MRP in one year:

- A negative MRP would have the effect of increasing the amount of unprovided debt. In our view, setting a negative MRP would therefore be contrary to law.
- In our view, where there is a positive Capital Financing Requirement and an authority wishes to set MRP at £0, it needs to be very clear how such a provision meets the requirement to make a prudent provision.

If in future, the MRP policy were to be changed again and a higher MRP charged, the authority should then consider also calculating MRP in the first year on a cumulative basis, noting that this would result in a significantly higher MRP in the first year of a revised arrangement.

**Impact on changes on MRP provided in year**

The following chart exemplifies the impact of MRP calculated on a reducing balance basis at 3% and 2% compared with 4% based on £10m CFR. In both cases, in the early years an authority makes savings. However, after a period of 25-35 years, MRP will be greater than that charged at 4%.



## Conclusion

As explained above, it is for each authority to determine what is a 'prudent' MRP.

In our view, where an authority has used unsupported borrowing to finance its capital programme, a prudent MRP should reflect the asset lives. For supported borrowing, authorities may consider whether it is more appropriate to use asset lives or to consider Welsh Government funding via RSG.

Where an authority wishes to change its policy, we would encourage them to discuss the proposals with their external audit team at an early stage. We would also encourage authorities to ensure that any proposals are properly supported by adequate evidence and professional advice to justify the provision made.

Please note that these comments do not constitute guidance and should not be relied upon as such. The comments also reflect our current thinking in relation to MRP and this letter does not preclude us from coming to a different conclusion at a later date, based on particular circumstances.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'AJB' followed by a flourish and a small 'H'.

Anthony Barrett  
Assistant Auditor General

<b>Supported Borrowing CFR and MRP</b>							<b>Appendix 2</b>	
Year	Year ending 31st March	CFR	4% Reducing Balance MRP	Revised CFR	2% Straight Line Balance MRP	Revised CFR	Cashflow effect	
0	2015	77,479,641		77,479,641		77,479,641		
1	2016	79,899,641	- 3,099,186	76,800,455	- 3,099,186	76,800,455		
2	2017	76,800,455	- 3,072,018	73,728,436.80	- 1,536,009	75,264,446	1,536,009	
3	2018	73,728,437	- 2,949,137	70,779,299.33	- 1,536,009	73,728,437	1,413,128	
4	2019	70,779,299	- 2,831,172	67,948,127.35	- 1,536,009	72,192,428	1,295,163	
5	2020	67,948,127	- 2,717,925	65,230,202.26	- 1,536,009	70,656,419	1,181,916	
6	2021	65,230,202	- 2,609,208	62,620,994.17	- 1,536,009	69,120,410	1,073,199	
7	2022	62,620,994	- 2,504,840	60,116,154.40	- 1,536,009	67,584,400	968,831	
8	2023	60,116,154	- 2,404,646	57,711,508.23	- 1,536,009	66,048,391	868,637	
9	2024	57,711,508	- 2,308,460	55,403,047.90	- 1,536,009	64,512,382	772,451	
10	2025	55,403,048	- 2,216,122	53,186,925.98	- 1,536,009	62,976,373	680,113	
11	2026	53,186,926	- 2,127,477	51,059,448.94	- 1,536,009	61,440,364	591,468	
12	2027	51,059,449	- 2,042,378	49,017,070.99	- 1,536,009	59,904,355	506,369	
13	2028	49,017,071	- 1,960,683	47,056,388.15	- 1,536,009	58,368,346	424,674	
14	2029	47,056,388	- 1,882,256	45,174,132.62	- 1,536,009	56,832,337	346,246	
15	2030	45,174,133	- 1,806,965	43,367,167.32	- 1,536,009	55,296,328	270,956	
16	2031	43,367,167	- 1,734,687	41,632,480.62	- 1,536,009	53,760,319	198,678	
17	2032	41,632,481	- 1,665,299	39,967,181.40	- 1,536,009	52,224,309	129,290	
18	2033	39,967,181	- 1,598,687	38,368,494.14	- 1,536,009	50,688,300	62,678	
19	2034	38,368,494	- 1,534,740	36,833,754.38	- 1,536,009	49,152,291	- 1,269	
20	2035	36,833,754	- 1,473,350	35,360,404.20	- 1,536,009	47,616,282	- 62,659	
21	2036	35,360,404	- 1,414,416	33,945,988.03	- 1,536,009	46,080,273	- 121,593	
22	2037	33,945,988	- 1,357,840	32,588,148.51	- 1,536,009	44,544,264	- 178,170	
23	2038	32,588,149	- 1,303,526	31,284,622.57	- 1,536,009	43,008,255	- 232,483	
24	2039	31,284,623	- 1,251,385	30,033,237.67	- 1,536,009	41,472,246	- 284,624	
25	2040	30,033,238	- 1,201,330	28,831,908.16	- 1,536,009	39,936,237	- 334,680	
26	2041	28,831,908	- 1,153,276	27,678,631.84	- 1,536,009	38,400,228	- 382,733	
27	2042	27,678,632	- 1,107,145	26,571,486.56	- 1,536,009	36,864,218	- 428,864	
28	2043	26,571,487	- 1,062,859	25,508,627.10	- 1,536,009	35,328,209	- 473,150	
29	2044	25,508,627	- 1,020,345	24,488,282.02	- 1,536,009	33,792,200	- 515,664	
30	2045	24,488,282	- 979,531	23,508,750.73	- 1,536,009	32,256,191	- 556,478	
31	2046	23,508,751	- 940,350	22,568,400.71	- 1,536,009	30,720,182	- 595,659	
32	2047	22,568,401	- 902,736	21,665,664.68	- 1,536,009	29,184,173	- 633,273	
33	2048	21,665,665	- 866,627	20,799,038.09	- 1,536,009	27,648,164	- 669,383	
34	2049	20,799,038	- 831,962	19,967,076.57	- 1,536,009	26,112,155	- 704,048	
35	2050	19,967,077	- 798,683	19,168,393.50	- 1,536,009	24,576,146	- 737,326	
36	2051	19,168,394	- 766,736	18,401,657.76	- 1,536,009	23,040,137	- 769,273	
37	2052	18,401,658	- 736,066	17,665,591.45	- 1,536,009	21,504,127	- 799,943	
38	2053	17,665,591	- 706,624	16,958,967.79	- 1,536,009	19,968,118	- 829,385	
39	2054	16,958,968	- 678,359	16,280,609.08	- 1,536,009	18,432,109	- 857,650	
40	2055	16,280,609	- 651,224	15,629,384.72	- 1,536,009	16,896,100	- 884,785	
41	2056	15,629,385	- 625,175	15,004,209.33	- 1,536,009	15,360,091	- 910,834	
42	2057	15,004,209	- 600,168	14,404,040.96	- 1,536,009	13,824,082	- 935,841	
43	2058	14,404,041	- 576,162	13,827,879.32	- 1,536,009	12,288,073	- 959,847	
44	2059	13,827,879	- 553,115	13,274,764.15	- 1,536,009	10,752,064	- 982,894	
45	2060	13,274,764	- 530,991	12,743,773.58	- 1,536,009	9,216,055	- 1,005,019	
46	2061	12,743,774	- 509,751	12,234,022.64	- 1,536,009	7,680,045	- 1,026,258	
47	2062	12,234,023	- 489,361	11,744,661.73	- 1,536,009	6,144,036	- 1,046,648	
48	2063	11,744,662	- 469,786	11,274,875.26	- 1,536,009	4,608,027	- 1,066,223	
49	2064	11,274,875	- 450,995	10,823,880.25	- 1,536,009	3,072,018	- 1,085,014	
50	2065	10,823,880	- 432,955	10,390,925.04	- 1,536,009	1,536,009	- 1,103,054	
51	2066	10,390,925	- 415,637	9,975,288.04	- 1,536,009	0	- 1,120,372	

Year	Year ending 31st March	CFR	4% Reducing Balance MRP	Revised CFR	2% Straight Line Balance MRP	Revised CFR	Cashflow effect
52	2067	9,975,288	- 399,012	9,576,276.52		- 0	399,012
53	2068	9,576,277	- 383,051	9,193,225.46		- 0	383,051
54	2069	9,193,225	- 367,729	8,825,496.44		- 0	367,729
55	2070	8,825,496	- 353,020	8,472,476.58		- 0	353,020
56	2071	8,472,477	- 338,899	8,133,577.52		- 0	338,899
57	2072	8,133,578	- 325,343	7,808,234.42		- 0	325,343
58	2073	7,808,234	- 312,329	7,495,905.04		- 0	312,329
59	2074	7,495,905	- 299,836	7,196,068.84		- 0	299,836
60	2075	7,196,069	- 287,843	6,908,226.09		- 0	287,843
61	2076	6,908,226	- 276,329	6,631,897.04		- 0	276,329
62	2077	6,631,897	- 265,276	6,366,621.16		- 0	265,276
63	2078	6,366,621	- 254,665	6,111,956.31		- 0	254,665
64	2079	6,111,956	- 244,478	5,867,478.06		- 0	244,478
65	2080	5,867,478	- 234,699	5,632,778.94		- 0	234,699
66	2081	5,632,779	- 225,311	5,407,467.78		- 0	225,311
67	2082	5,407,468	- 216,299	5,191,169.07		- 0	216,299
68	2083	5,191,169	- 207,647	4,983,522.31		- 0	207,647
69	2084	4,983,522	- 199,341	4,784,181.42		- 0	199,341
70	2085	4,784,181	- 191,367	4,592,814.16		- 0	191,367
71	2086	4,592,814	- 183,713	4,409,101.59		- 0	183,713
72	2087	4,409,102	- 176,364	4,232,737.53		- 0	176,364
73	2088	4,232,738	- 169,310	4,063,428.03		- 0	169,310
74	2089	4,063,428	- 162,537	3,900,890.91		- 0	162,537
75	2090	3,900,891	- 156,036	3,744,855.27		- 0	156,036
76	2091	3,744,855	- 149,794	3,595,061.06		- 0	149,794
77	2092	3,595,061	- 143,802	3,451,258.62		- 0	143,802
78	2093	3,451,259	- 138,050	3,313,208.27		- 0	138,050
79	2094	3,313,208	- 132,528	3,180,679.94		- 0	132,528
80	2095	3,180,680	- 127,227	3,053,452.74		- 0	127,227
81	2096	3,053,453	- 122,138	2,931,314.63		- 0	122,138
82	2097	2,931,315	- 117,253	2,814,062.05		- 0	117,253
83	2098	2,814,062	- 112,562	2,701,499.57		- 0	112,562
84	2099	2,701,500	- 108,060	2,593,439.58		- 0	108,060
85	2100	2,593,440	- 103,738	2,489,702.00		- 0	103,738
86	2101	2,489,702	- 99,588	2,390,113.92		- 0	99,588
87	2102	2,390,114	- 95,605	2,294,509.36		- 0	95,605
88	2103	2,294,509	- 91,780	2,202,728.99		- 0	91,780
89	2104	2,202,729	- 88,109	2,114,619.83		- 0	88,109
90	2105	2,114,620	- 84,585	2,030,035.04		- 0	84,585
91	2106	2,030,035	- 81,201	1,948,833.64		- 0	81,201
92	2107	1,948,834	- 77,953	1,870,880.29		- 0	77,953
94	2108	1,870,880	- 74,835	1,796,045.08		- 0	74,835
96	2109	1,796,045	- 71,842	1,724,203.28		- 0	71,842
97	2110	1,724,203	- 68,968	1,655,235.14		- 0	68,968
98	2111	1,655,235	- 66,209	1,589,025.74		- 0	66,209
99	2112	1,589,026	- 63,561	1,525,464.71		- 0	63,561
100	2113	1,525,465	- 61,019	1,464,446.12		- 0	61,019
			- 78,435,195		- 79,899,641		- 1,464,446



monmouthshire  
sir fynwy

## Future Generations Evaluation ( includes Equalities and Sustainability Impact Assessments)

Page 114

<p><b>Name of the Officer</b> completing the evaluation Mark Howcroft</p> <p><b>Phone no:</b>01633 644740 <b>E-mail:</b>markhowcroft@monmouthshire.gov.uk</p>	<p><b>Please give a brief description of the aims of the proposal</b></p> <p>To review the treasury strategy with regard to minimum revenue provision calculation in respect of supported borrowing (option 2)</p>
<p><b>Name of Service Chief Executives Business Support</b></p>	<p><b>Date Future Generations Evaluation</b> form completed</p>



**1. Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
<p><b>A prosperous Wales</b> Efficient use of resources, skilled, educated people, generates wealth, provides jobs</p>	<p>The existing method of calculation (4% reducing balance) takes significantly longer time to pay off liability than the anticipated life of the Council's borrowing funded asset portfolio, which could easily be construed</p>	<p>The proposal alters the cashflow of minimum revenue provision payments involved in the supported costs of borrowing to a 2% straight line basis. Whilst this does provide a cashflow benefit in early years, importantly it better align MRP repayment with the weighted</p>




Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
	that Future taxpayers receipts will be used to finance assets that will have expired.	average outstanding life of assets so that future generations will no longer continue to pay for assets that have expired.
<b>A resilient Wales</b> Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)	N/A	
<b>A healthier Wales</b> People's physical and mental wellbeing is maximized and health impacts are understood	N/A	
<b>A Wales of cohesive communities</b> Communities are attractive, viable, safe and well connected	The viable aspect is considered in the efficient use of resources above	
<b>A globally responsible Wales</b> Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	N/A	
<b>A Wales of vibrant culture and thriving Welsh language</b> Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	N/A	
<b>A more equal Wales</b>		

Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
People can fulfil their potential no matter what their background or circumstances		

**2. How has your proposal embedded and prioritised the sustainable governance principles in its development?**

Sustainable Development Principle	How does your proposal demonstrate you have met this principle?	What has been done to better to meet this principle?
 <p>Balancing short term need with long term and planning for the future</p>	<p>The proposal provides a positive cashflow effect until 2032-33 after which the cashflows effect becomes negative against the present reducing balance approach. The amounts repaid are the same every year, so neutral in application between current and future taxpayers. (However future taxpayers will also have the effect of time value of money so that their proportionate costs in real terms are less).</p>	
 <p>Working together with other partners to deliver objectives</p>	<p>N/A</p>	



Sustainable Development Principle	How does your proposal demonstrate you have met this principle?	What has been done to better to meet this principle?
 <p><b>Involvement</b> Involving those with an interest and seeking their views</p>	N/A	
 <p><b>Prevention</b> Putting resources into preventing problems occurring or getting worse</p>	N/A	
 <p><b>Integration</b> Positively impacting on people, economy and environment and trying to benefit all three</p>	<p><i>There is space to describe impacts on people, economy and environment under the Wellbeing Goals above, so instead focus here on how you will better integrate them and balance any competing impacts</i></p>	

**3. Are your proposals going to affect any people or groups of people with protected characteristics?** Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	The proposal does not seek to treat any individual with a protected characteristic any differently. The consequence of the proposal in providing a cash flow benefit to the organization up to 2033 will allow services to be maintained where the alternative in providing a balanced annual budget would be a general declining service offering.		
Disability	As above		
Gender reassignment	As above		
Marriage or civil partnership	As above		
Race	As above		
Religion or Belief	As above		
Sex	As above		
Sexual Orientation	As above		

<b>Protected Characteristics</b>	<b>Describe any positive impacts your proposal has on the protected characteristic</b>	<b>Describe any negative impacts your proposal has on the protected characteristic</b>	<b>What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?</b>
Welsh Language	As above.		

4. Council has agreed the need to consider the impact its decisions has on important responsibilities of Corporate Parenting and safeguarding. Are your proposals going to affect either of these responsibilities? For more information please see the guidance <http://hub/corporatedocs/Democratic%20Services/Safeguarding%20Guidance.docx> and for more on Monmouthshire's Corporate Parenting Strategy see <http://hub/corporatedocs/SitePages/Corporate%20Parenting%20Strategy.aspx>

	<b>Describe any positive impacts your proposal has on safeguarding and corporate parenting</b>	<b>Describe any negative impacts your proposal has on safeguarding and corporate parenting</b>	<b>What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?</b>
Safeguarding	The proposal does not seek to treat any individual with a safeguarding aspect differently. The consequence of the proposal in providing a cash flow benefit to the organization up to 2033 will allow services to be maintained where the alternative in providing a balanced annual budget would be a general declining service offering.		
Corporate Parenting	The proposal does not seek to treat any individual with a corporate parenting consideration any differently. The consequence of the proposal in providing a cash flow benefit to the organization up to 2033 will allow services to be maintained where the alternative in providing a balanced annual budget would be a general declining service offering.		

5. What evidence and data has informed the development of your proposal?

- Baseline examination of Supported Borrowing MRP arrangements
- Consideration of similar developments in other local authorities.
- Analysis of weighted average unexpired asset life of Councils asset portfolio afforded by borrowing
- Regard for capital financing regulations
- Services of Treasury advisers
- Feedback for WAO

**6. SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?**

The change in approach to a straight line basis provides a more prudent approach than existing in repaying the MRP liability over the anticipated life of assets, recognizing that the existing reducing balance approach disproportionately requires future taxpayers to contribute to repaying that liability long after useful life of afforded assets have expired.

The change in approach better reflects the time value of money and the pattern of asset usage and avoids future tax payers contributing disproportionately to the repayment of debt.

**7. Actions. As a result of completing this form are there any further actions you will be undertaking? Please detail them below, if applicable.**

What are you going to do	When are you going to do it?	Who is responsible	Progress
None			

**8. Monitoring: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.**

<b>The impacts of this proposal will be evaluated on:</b>	Half yearly Treasury Strategy to Audit Committee (March 2017)
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<b>SUBJECT</b>	<b>RESERVE USAGE OUTTURN FORECAST 2016/17</b>
<b>DIRECTORATE</b>	<b>Chief Executive's Unit</b>
<b>MEETING</b>	<b>Audit Committee</b>
<b>DATE</b>	<b>17<sup>th</sup> November 2016</b>
<b>DIVISIONS/WARD AFFECTED</b>	<b>All Authority</b>

## **1 PURPOSE**

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

## **2 REVISED RESERVES PROTOCOL**

- 2.1 The detailed report received by Cabinet in July is included in Appendix 1.
- 2.2 In essence the review was prompted by
- Faster than expected use of earmarked reserves over the last 4 year period
  - Limited opportunities to replenish reserves from in year underspends as budgets get tighter
  - Limited opportunities to redistribute reserves as various reserves are used up
  - Risks around the on-going austerity measures, the projected gap in the MTFP and the lack of clarity on the Authority's future business model or longer term financial plan to respond to this, notwithstanding the work recently commenced around 'Future Monmouthshire'.
  - Huge commitment of capital resources to Future Schools
  - The need for reserves to work harder
  - The need to consider some issues as requiring base budgets rather than continued funding from reserves e.g. redundancy costs are unfortunately going to be an ongoing feature of expense for the Authority every year.

### 3 RESERVE ACTIVITY

- 3.1 The Council has unallocated reserves in the form of Council fund balance and school reserves. At the end of 2015-16 the unallocated reserve amounted to,

	2015/16 c/fwd	Activity Month 6 monitoring	Forecast 2016/17 outturn
	£'000	£'000	£'000
Council Fund	(7,111)	839	(6,272)
School reserves	(1,156)	1,056	(100)
Total	(8,267)	1,895	(6,372)

- 3.2 Revenue and Capital monitoring reflects an approved use of earmarked reserves. These are reserves created for specific purposes. Whilst commonly at this stage in the year, services assume full reserve usage of amounts previously approved, there are some likely deferrals in use identified together with an increased call upon reserves which account for the net difference in budgeted use of reserves against actuals in Appropriations section of financial monitoring. These variances are,

#### Reduced call upon reserves

- Innovations & marketing officer contribution £19k (deferral)
- Eisteddfod Community fundraising backstop £80k (no longer required)
- LDP expenditure contribution £100k (deferral)
- RDP expenditure contribution £63k (deferral)
- Elections expenditure contribution £100k (deferral)

#### Increased call upon reserves

- Pension strain costs (£98k)

- 3.3 Other than the pension strain costs above (which is not an unusual volatility) and will be commonly addressed longer term in a revision to future annual budgets, there have been no additional reports since period 1 that have been approved by Members that recommend a use of reserves

- 3.4 The following predicted position reflects capital and revenue presumptions evident in period 2 (month 6) monitoring.

<b>Summary Earmarked Reserves Forecast 2016-17</b>					
<b>Earmarked Reserves</b>	<b>2015-16</b>	<b>Revenue Approved Usage</b>		<b>Capital Usage</b>	<b>2016-17</b>
		<b>Replenishment of Reserves</b>	<b>Draw on Reserves</b>		
Invest to Redesign	-1,298,155	-74,739	519,344	223,363	-630,187
IT Transformation	-826,835			238,862	-587,973
Insurance & Risk Management	-1,236,396				-1,236,396
Capital Receipt Regeneration	-322,361		95,376		-226,985
Treasury Equalisation	-990,024				-990,024
Redundancy & Pensions	-1,274,256		690,521		-583,735
Capital Investments	-1,264,599			628,236	-636,363
Priority Investments	-1,120,069		836,197		-283,872
Museum Acquisitions	-56,760				-56,760
Elections	-108,183	-25,000			-133,183
Grass Routes Buses	-139,702	-5,000			-144,702
<b>Sub Total</b>	<b>-8,637,340</b>	<b>-104,739</b>	<b>2,141,438</b>	<b>1,090,461</b>	<b>-5,510,180</b>
<b>Restricted Use Reserves</b>					<b>0</b>
Youth Offending Team	-325,000				-325,000
Building Control Trading	-12,008				-12,008
Outdoor Education Centres	-190,280				-190,280
CYP Maternity	-104,000				-104,000
<b>Total Earmarked Reserves</b>	<b>-9,268,629</b>	<b>-104,739</b>	<b>2,141,438</b>	<b>1,090,461</b>	<b>-6,141,468</b>

#### **4 REASONS**

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

#### **5 RESOURCE IMPLICATIONS**

- 5.1 There is an immaterial level of reserve replenishment built into the annual budget, and by necessity Head of Finance considers the replenishment of specific reserves where year end surpluses result. As a result Invest to Redesign, Redundancy and to a lesser extent IT reserve received a contribution at end of 2015/16.
- 5.2 Currently the month 6 outturn forecast exhibits an outturn forecast of £839,000 deficit, which whilst not unusual at month 6, if that situation continues, will result in no net replenishment of earmarked reserves at end of 2016/17.

- 5.3 As a financial planning assumption, the level of general reserves should be between 4% - 6% of net expenditure. Based on a net expenditure before financing of £148.7 million, the anticipated outturn forecast reserve level equates to 4.3%, which is very much to the bottom end of acceptable levels.
- 5.3 Earmarked reserves remain at limited levels unlikely to provide any material capacity/headroom to meet unanticipated volatility or significantly facilitate future service re-engineering and design.

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

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

## **7 CONSULTEES**

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

## **8 BACKGROUND PAPERS**

None

## **9 AUTHOR**

Mark Howcroft – Assistant Head of Finance

## **10 CONTACT DETAILS**

Tel. 01633 644740  
e-mail. [markhowcroft@monmouthshire.gov.uk](mailto:markhowcroft@monmouthshire.gov.uk)

### **Appendices**

Appendix 1 Cabinet Report 6th July – Review of Earmarked Reserves

<https://democracy.monmouthshire.gov.uk/documents/s5378/11.%20Review%20of%20Reserves.pdf>

<b>SUBJECT:</b>	<b>People Services Annual Report June 2016</b>
<b>MEETING:</b>	<b>Cabinet</b>
<b>DATE:</b>	<b>27 July 2016</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>None</b>

**1. PURPOSE:**

To present Cabinet with the first People Services Annual report for information and comment.

**2. RECOMMENDATION:**

Cabinet consider the contents of the first People Services Annual Report and identify any issues that they would like the People Services Team to consider going forward.

**3. KEY ISSUES:**

- 3.1 Our People are at the heart of everything we do. The collective purpose, passion and talents of our colleagues, on and off the payroll are the foundations to our success as a council and a county.
- 3.2 We believe that people join public service to make a difference and we have developed our people services in order to ensure that we are best placed to engage, support and develop our workforce , to ensure they are able to do just that, make a difference.
- 3.3 To provide clarity of purpose and direction we developed a People and Organisational Strategy, underpinned by an ambitious delivery work programme. We have reported progress against the strategy in 2015/16 and the attached People Services annual Report, June 2016, provides a summary of activity against our areas for improvement during the year.
- 3.4 We can be proud of what the service has achieved during the year and this will now form the base line for monitoring future activity. Bringing the different elements of People services together has delivered a more coherent, effective and efficient service organised around a common purpose.

**4. REASON:**

To provide cabinet with information regarding the activity of People Services against key areas identified in the Council's People and Organisational Strategy.

**5. RESOURCES:**

None

**6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS**

The People and Organisational Development strategy well – being of future generations assessment is attached, as appendix 2, which forms the basis of the activity which is reflected in the People Service’s Annual Report.

**7. AUTHOR:** Tracey Harry, Head of People Services and Information Governance

**8. CONTACT DETAILS:** Tel: Tel 07796610435  
Email: [traceyharry@monmouthshire.gov.uk](mailto:traceyharry@monmouthshire.gov.uk)



# People Services Annual Report JUNE 2016

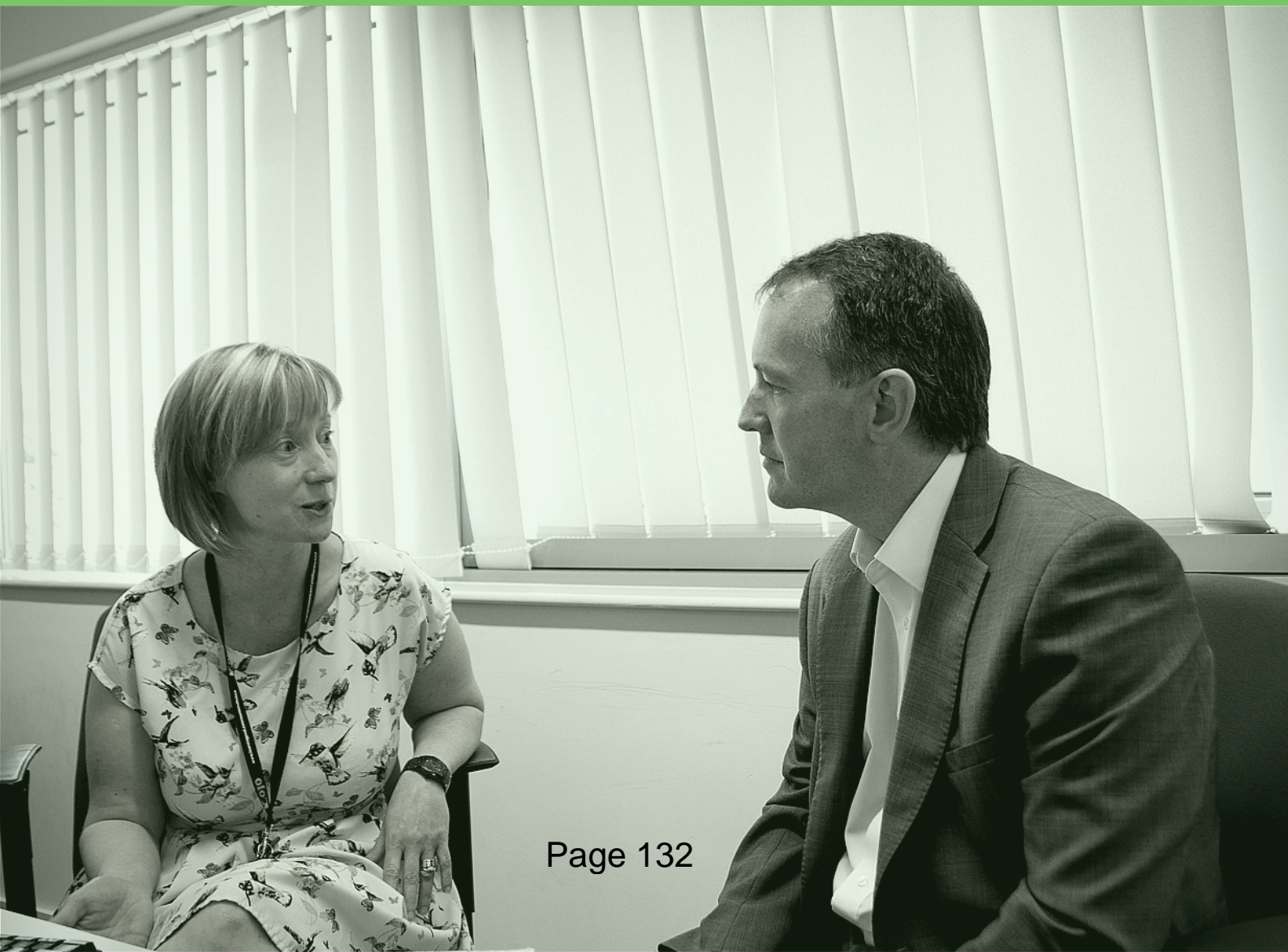


monmouthshire  
sir fynwy

It's even more than the place, it's the people.



MONMOUTHSHIRE'S  
**PEOPLE SERVICES**





# Introduction

**I am delighted to introduce this first People Services Annual Report.**

**Our People are at the heart of everything we do. They are our greatest resource.**

**The collective purpose, passion and talents of our colleagues, on and off the payroll are the foundations to our success both as a council and a county.**



**Peter Davies**

We believe that people join public service to make a difference and we have developed our people services offer and approach in order to ensure that we are best placed to engage, support and develop our workforce, to ensure they are able to do just that, make a difference. To provide clarity of purpose and direction we developed a People and Organisational Strategy, underpinned by an ambitious workforce delivery programme. We have reported progress against the strategy in 2015/16.

We can be proud of what the service has achieved during the year.

Bringing the different elements of People services together has delivered a more coherent, effective and efficient service organised around a common purpose.

Whilst the People Services annual Report provides a summary of activity against our areas for improvement during the year it more importantly provides an initial baseline of key workforce data. This data will assist the Authority in developing robust workforce planning arrangements which are being developed during 2016/17.

This dataset will continue to be developed in response to the current and emerging needs of the workforce. Our work programmes will similarly evolve and our resources and activity will be targeted towards the areas of greatest need.

The development of the work around 'Future Monmouthshire' and specifically the insight on what is required of the modern day public servant will further inform our need for relevant and accurate data as well as providing the necessary challenge such as to ensure that our programmes of work remains relevant and targeted.

Peter

**Peter Davies**

**Head of Resources**

Add a little bit of body text

# Workforce Planning

Monmouthshire People, our People & Organisational Development Strategy is built upon a number of themes and priorities. Two of these key themes and priorities are as follows:



Great people, on and off the payroll are at the heart of a sustainable and successful organisation.



**394** Vacancies advertised internally & externally

**191** Children & Young People

**97** Enterprise

**61** Operations

**66** Social Care & Health

**19** Chief Executive Unit

As at 31/03/2016

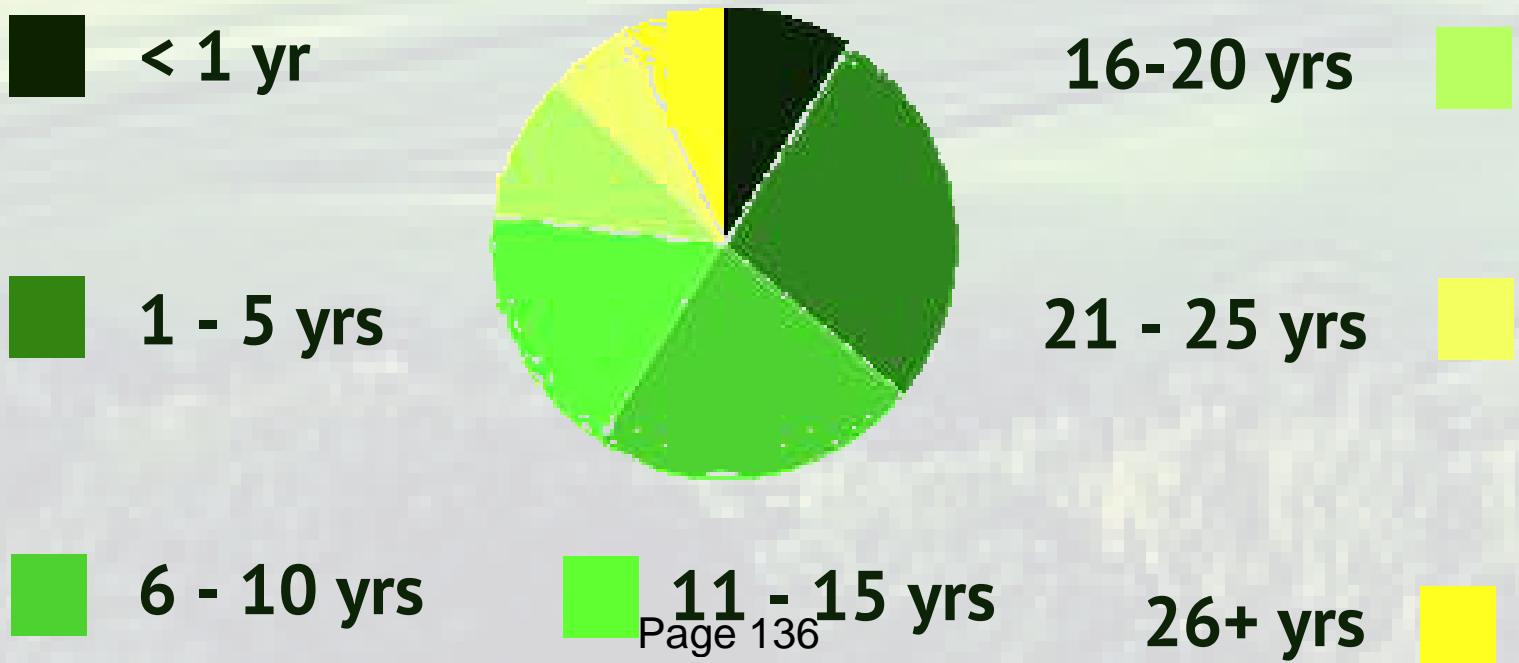


**3,714**  
**Employees**

**1,821 Volunteers**



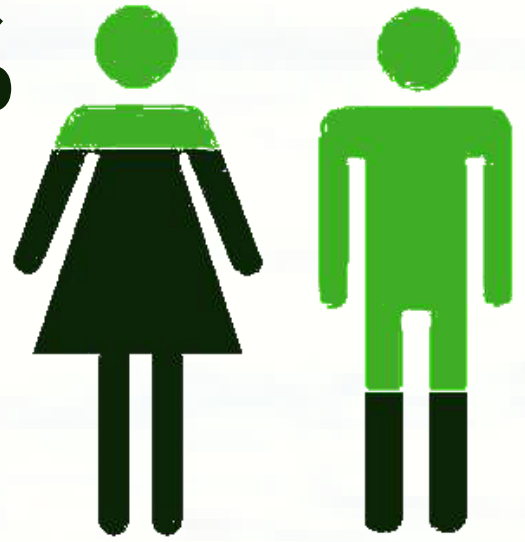
## Employee's Length of Service



73%

2,132 Part time employees

1,582 Full time employees



27%

32%

23%

16%

17%

8%

4%

16-  
24

25-  
34

35-  
44

45-  
54

55-  
64

65+

## Employee Age Profile

# RIGHT PERSON, RIGHT ROLE



Attracting the right person to the right role has been a priority for People Services. We want our colleagues to both love and excel in their roles and a big part of this is aligning the right skills and the right behaviours with the right role.

**According to Bradford Smart, author of internationally renowned 'Topgrading', the cost of 'mis-hiring' can be anywhere from 4 - 27 times the annual salary of the role.**

**Cost of  
'mis-hiring'=  
> 4 X  
Annual Salary**

## SELECT THE BEST

When it comes to recruiting the best, a "one size fit all" approach is not always the best one. Our "Select the Best" model of recruitment and selection focuses on getting to know the whole person through the interview process, finding out what motivates people and how they react in different situations. The in-depth bespoke model helps to match those much needed skills with the right values and motivations so that we get the best fit, both for the organisation and for individuals.

# RECRUIT, RETAIN & DEVELOP

367  
New  
Starters



10.5%

Council  
Leavers  
Turnover = 396



The priority of retaining and developing our existing workforce has been of equal importance as recruiting new colleagues. Not only because we want people to thrive in their roles, the financial implications of recruitment also play a part.

**According to CIPD (Chartered Institute of Personnel & Development) research, the average recruitment cost of filling a vacancy is £4,000 per employee.**

A key part of retaining great people is to create the conditions in which individuals can grow and develop. Our focus on training and supporting wellbeing aims to help create those conditions

# Training - Investing Time in Talent



Investing in people and helping them realise and reach their full potential is important to our organisation. People are central to our success. Underpinning all parts of culture, talent and purpose.

To enable us to provide training that is based on the behaviours we promote and firmly connected to our values, the Talent Lab was created.



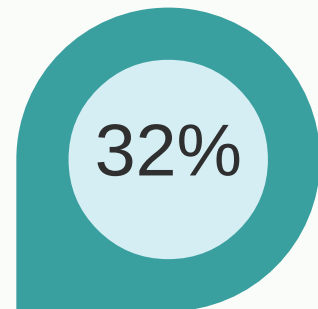
Operating as the Talent Lab has enabled our Corporate Training team to work collaboratively with external partnerships to deliver learning. This has allowed us to expand both the variety and frequency of learning opportunities that we provide.



**Courses in  
2015/16**



**860+  
Attendees**

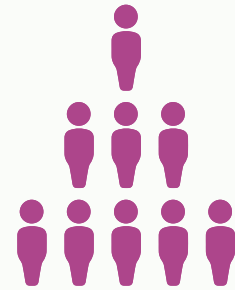


**Increase in  
skill level**



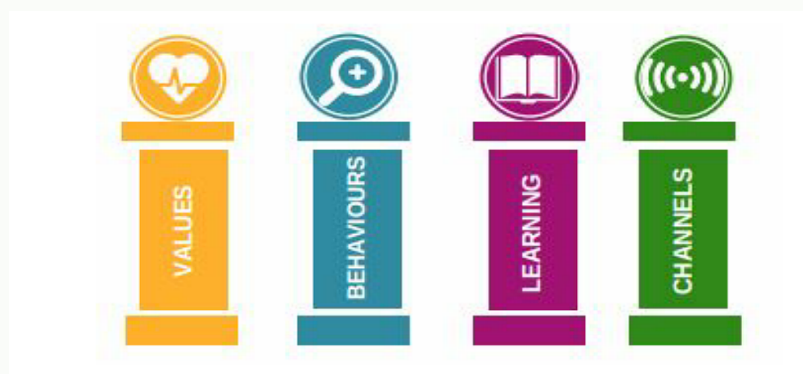
New ways of advertising our events has made it even easier for colleagues on and off our payroll to access training. Part of our ethos has been to reinvest in those who give their time voluntarily to their communities by offering free places on our courses to volunteers. Using alternative methods for advertising our courses has also allowed us to open up the training to external clients to generate income and expand our networks.

**72 delegates  
from  
voluntary/third  
sector**



**4,412+**  
**investment back into communities  
based on cost of course places**

The variety and frequency of learning opportunities that we offer has expanded in response to the needs of individuals and the Authority as a whole. This has led to the development of comprehensive learning pathways which focus on equipping our colleagues and communities with the skills needed to meet future opportunities and the long term goals of Monmouthshire.



# Wellbeing

With continued financial pressures, decreasing work forces and increasing workloads, there is no doubt that we ask a great deal from our colleagues, which is why fostering a supportive and caring culture is vital and one of our key priorities.



29,752 days  
lost to sickness  
in 2015/16



Average  
per employee

**21% of  
sickness due  
to  
psychological  
reasons**

**92** Referrals to  
Counselling

Research has shown that the proportion of sickness that is due to mental ill health is estimated to be closer to **40%**. The physical and emotional impact of stress and mental ill health within our organisation cannot be underestimated

## Promoting emotional resilience, mental toughness and positive mental health

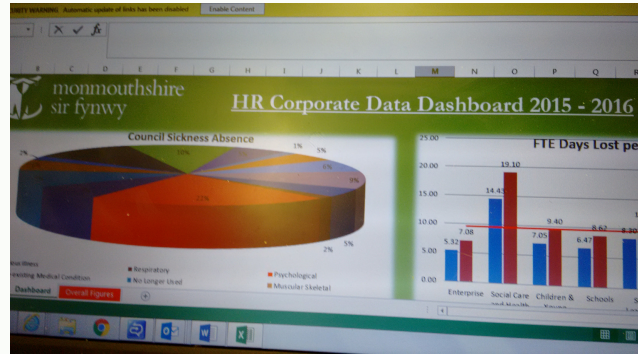


Since April 2015, more than 245 people have accessed the training they needed to improve their own wellbeing. This figure does not include the 1:1 coaching that continues to be provided across the authority to help support our colleagues.

A big part of our Organisational Development will be focusing on determining and establishing a strategic approach to the organisation's Wellbeing offer, which will include early intervention and support for those who need it and further roll out of mental health training so that we can get better at recognising when our colleagues need help.

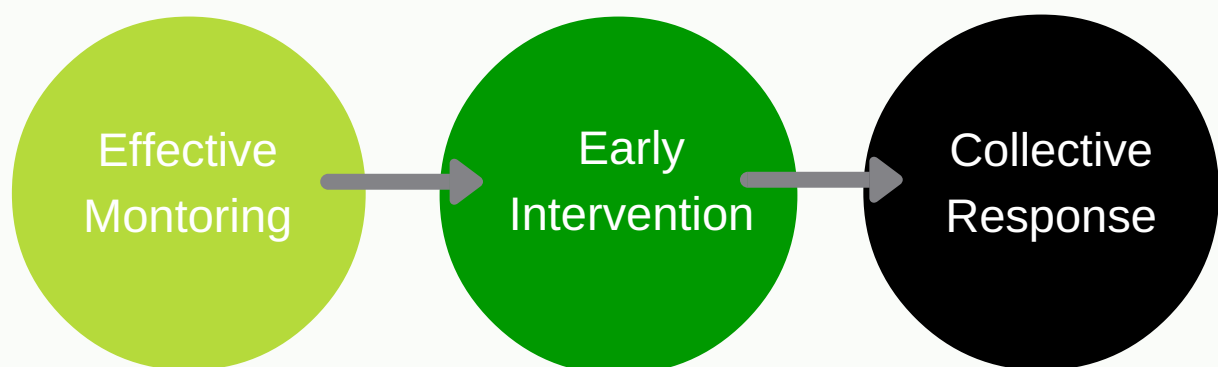
The cost of mental ill health can be huge for both individuals, teams and the organisation. The estimated ratio of presenteeism is 1.5 times absenteeism. Taking this into account, the combined financial implications of absenteeism and presenteeism equates to an estimated annual cost that is close to £3million. But we can take steps to reduce this. Investing in promoting positive mental health through training, greater awareness and support can achieve better outcomes for our colleagues and potentially reduce the cost of mental ill health by 30% as well as

# DATA DRIVEN DECISIONS



Effective monitoring of sickness data is a vital part of leading a team. To support this, a great deal of work was undertaken in 2015/16 to develop the People Services Data Dashboard. This has entailed improving the accuracy of sickness data and also making that data available in a format that is both readable and, most importantly, usable.

Presented in a clear and understandable way, the data can be utilised to identify areas where action is needed to assist colleagues. We will then be better positioned to respond collectively in the most practical and appropriate way. The aim of this is to reduce sickness levels through early intervention and support.



# Payroll & Human Resources Support

Meet  
the  
Team



Team of 12.7 FTE (8 Full  
Time & 7 Part Time)  
providing support  
services to nearly 4,000  
MCC colleagues

43,396 payments  
processed  
to MCC employees



37 payroll  
runs  
completed




370

Emergency payments  
0.85% of overall payments  
41 payroll error

Overpayments

0.27% of overall payments  
28 payroll error



115



3,500  
P60's produced

3 payroll  
runs paying  
463 employees  
for the elections

6 pay runs  
paying  
9,969 South  
Wales  
Fire & Rescue  
Service  
employees

12 payroll  
runs  
processing  
156  
payments for  
a small local  
creche

1,225 DBS  
processed



30% of which were for  
volunteers, supporting  
our increasing focus on A  
County That Serves

732 Internal DBS

97 External DBS

384 Volunteer DBS

12 DBS cancelled due to errors,  
i.e. Blue pen/ Tippex

## Resource Link

Two major system changes have been made to Resource Link in 2015/16 which has been significant in terms of team resource and effort. Whilst part of these changes have been mandatory, it is also hoped that it will increase the usability of Resource Link for colleagues and those in leadership roles.

The biggest change was the system upgrade to Release 16. Following the release, a large number of issues were identified within the ResourceLink pages which presented some major challenges for the team. A vast amount of work has been undertaken to resolve these issues for year end.



# Human Resources Advisory Team

Team of  
8.2 FTE

(5 full time and  
5 part time)  
providing expert  
advice and  
guidance to  
nearly 4,000  
MCC colleagues



## Meet the Team

### People Services Hub

The People Services Hub provides a toolkit of guidance and policies. This includes straight forward workflows, video guidance and revised policies.

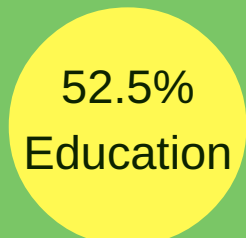
- Straightforward Workflows – Outline the key roles and responsibilities of those in leadership roles. Examples include the Attendance and Wellbeing Workflow and the Safe Recruitment Workflow.
- Revised and updated policies – Policies are being revised and updated to ensure they remain relevant, straightforward and aligned to our organisational needs. Examples include the Shared Parental Leave Policy, the Capability Policy and the Fairness at Work Policy.



# Effective Resolution:

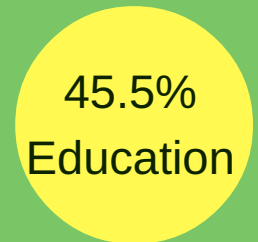


40 Disciplinary Cases resolved  
in the year



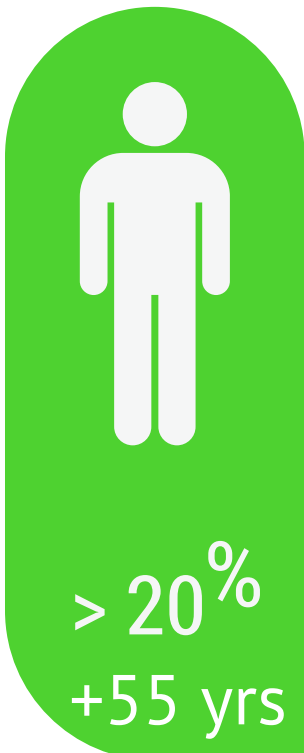
3 Capability Cases resolved  
in the year

11 Grievance Cases resolved  
in the year



1 Dignity at Work  
Case resolved in the  
year

## Workforce Planning



Workforce planning is a vital part of maintaining services. More than 20% of the workforce are within early retirement/retirement age, which potentially means that there is a wealth of skills and knowledge that we will lose as an organisation over the next ten years. That is why it is vital to have effective processes in place to enable succession planning so that we continue to maintain, and grow, the vital skills that are needed now and in the future.

To support this a workflow has been developed and uploaded to the Hub to enable service leaders to effectively focus on succession and workforce planning. The combination of the workflow and the coded pathways will help leaders foster the behaviours and skills needed to take a proactive and forward thinking approach to maintaining their teams and services and also provide colleagues with clear channels of training and progress in their careers.

# Safe Recruitment

Working with the young and/or vulnerable people in our society can bring great rewards, both to the service user and to those people providing the service. It also places a great responsibility on employers to ensure that the people providing these vital services are suited to the task.



The safe recruitment practices for both volunteers and employees has been improved. A safeguarding policy has been produced to support good practice within educational settings and other child and family services in Monmouthshire. Pre-employment check information has improved for recruiting managers so that they are able to access a Sharepoint system at any point during the pre-employment process to see what elements of data may or may not be missing regarding a new recruit.



## Supporting training videos on the HUB

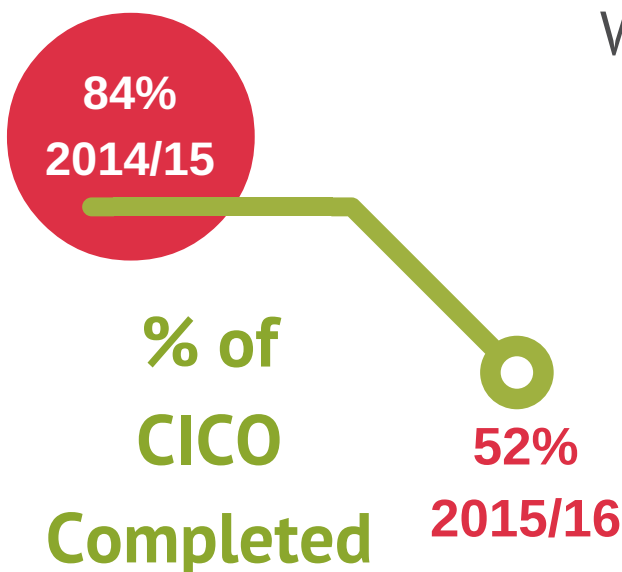
To support the continued improvement in the recruitment process a Safe Recruitment Protocol has been designed, which provides step by step guidance for all stages of recruitment and specific Safe Recruitment training has been rolled out to service areas with more training workshops scheduled for 2016/17.

# Check In, Check Out

In April 2014, a new approach to performance appraisals was introduced. Focusing on a human approach to performance conversations, the Check In Check Out process was designed to help colleagues feel supported and to enable them to have a clear understanding of their roles.



In the first year take up of the new approach was relatively high at 84%. This was in parts due to a big push on promoting the approach from Senior Leadership. Since then, there has been some confusion around the process and also the recording mechanisms, and also less of a promotion on the importance and purpose of the CICO. We've recognised that improvements in the process were required and have taken steps to address this



## What next?

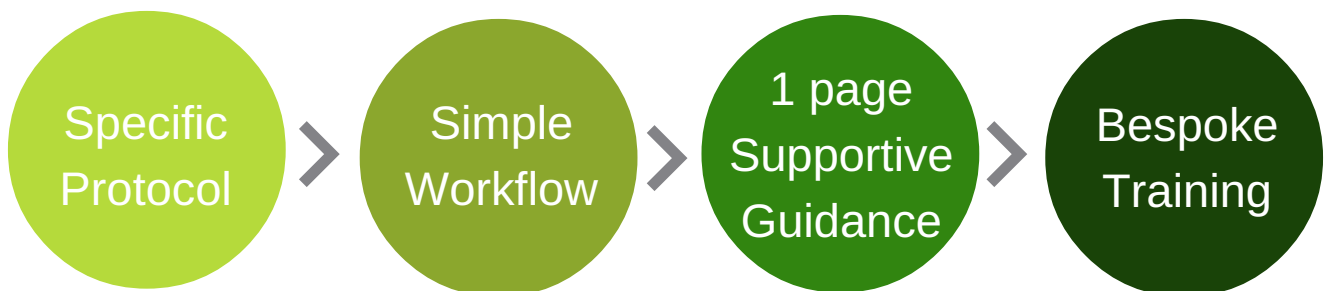
- CICO approach revised and developed
- More robust guidance, including video tutorial and supportive training
- Improved reporting method to make it easier and to ensure outcomes and actions are captured

# Attendance & Wellbeing



Addressing absence is of vital importance, not only in terms of effectively maintaining our services, but also in terms of ensuring that our colleagues are healthy and supported. Changing the attitudes and expectations of both managers and staff towards long term sickness absence plays a big role in addressing and reducing the impact on the service and the individuals affected.

## Our approach:



## Corporate

**42 cases  
resolved**



## Education

Secondary

**96%**



Primary

**70%**



**Reduction in  
Long Term Sickness Cases**

# A County That Serves: Volunteers

The draft Volunteering Strategy and Action Plan 2016 - 2019 has been created which sets out the ambitions of Monmouthshire County Council to enable and develop volunteering across the county, and to encompass support by partnerships across voluntary, public and private sectors. Monmouthshire A County That Serves leads a different way of thinking about how 'we' – our staff teams and communities can support and enable volunteering and social action in Monmouthshire.



Owen Wilce -  
Programme Lead



**Volunteers**  
support our  
organisation

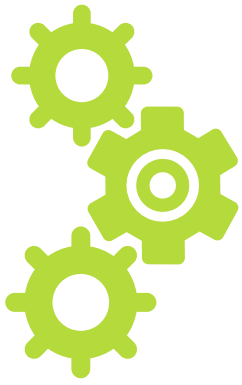


**Coordinators**  
support  
our volunteers

Vital insights have been gained to understand the level of volunteering in Monmouthshire through a comprehensive mapping exercise. These insights have helped to shape the direction of the Strategy. The mapping exercise also helped to capture the impact that volunteering has on the community



Coalition Status  
Achieved



## Online Volunteer Toolkit

## Network for Volunteer Coordinators

The online Volunteer Toolkit provides guidance and a clear level of expectations. Since being launched the toolkit has received 1,117 visits and has been adopted across the organisation. A comprehensive training offer has been developed to further support volunteers and the Network for Volunteer Coordinators is helping to identify and coordinate training needs and support, as well as discussing key areas for development and best practice.

MCC Networking  
Events

New  
Volunteering  
Opportunities  
created &  
advertised

Leading

Volunteers Training

Volunteers  
receiving  
Safeguarding  
Level 1 Training

Volunteering Specific  
Supervisions

# Organisational Development

Truly effective organisations don't put people through change - they change through and with people. Our People & Organisational Development Strategy forms the plan by which we continue to work towards creating the culture and conditions needed for our colleagues to thrive and be at the heart of the change that will take our council forward.



## MONMINDS: Connecting People to Purpose

The group MonMinds was established to ensure a continuous link between our colleagues and our core purpose and business approach. It provides an opportunity for staff to openly voice their opinions on key developments that affect them.



Since its formation, the MonMinds group has been instrumental in ensuring that the People & Organisational Development Strategy remains relatable to our colleagues. Through regular open meetings their opinions continue to shape the actions of the strategy and provide an effective communication channel to communicating progress within their teams.

The staff survey that was completed at the end of 2014/15 provided the direction for specific areas of priority for 2015/16.

The first priority was communication. From discussions held with colleagues, one of the key messages that came from the survey was that people didn't respond to the survey as they believed "Nothing ever changes". We do listen and we do change, yet we need to be far more effective in sharing those stories of change with the organisation. To do this a week of events was launched to share ongoing work.

**2014/15 Staff Survey Responses**



**719 Responses Received**

**This is how you all responded out of 5:**



**We listened; we'll keep listening and making changes.....**

**You said.....**

Deliver training not only in locations appropriate to me but also at convenient times

Staff feel disconnected from Senior Leaders

**We did.....**

Flexible learning opportunities, including short breakfast and lunchtime workshops in various locations.

Members of the Senior Leadership Team worked with different teams to connect with and understand other service areas.



You said.....

When we do staff surveys lots of people never see or hear about the results

We did.....

Concise 1 page poster created to share staff survey results with the organisation

These events were not one-offs. We will keep listening to what our colleagues are saying and responding with changes that enable our colleagues and organisation to remain healthy, effective and efficient.

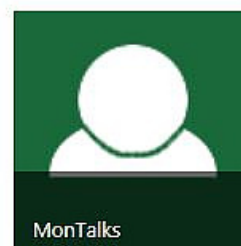


### Livestreaming

In the staff survey we asked "Do you feel kept up to date?". The average response was 3.18 out of 5, We think we can do better. Interactive, live streamed sessions have been introduced to enable improved communication and sharing of information. The sessions have included live Q&A sessions with People Board and policy discussions.

### MonTalks & MonDelivers

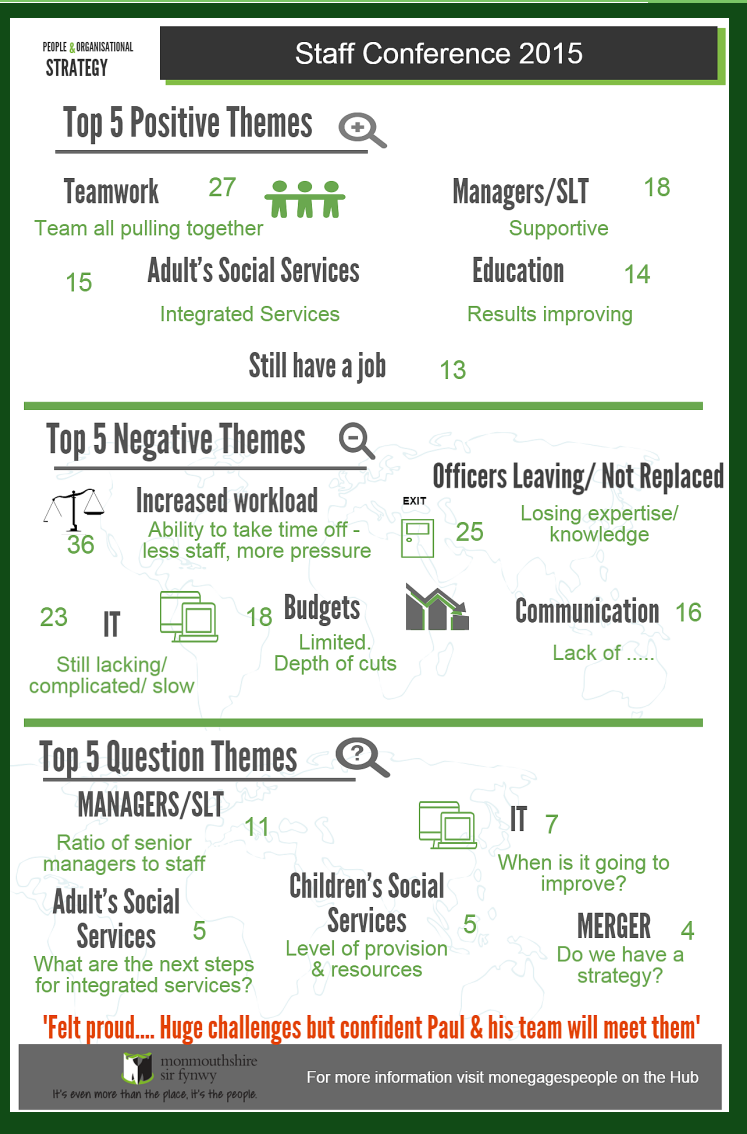
Following the success of the live streaming sessions, MonTalks and MonDelivers were introduced to share insights, information and updates. Feedback has been positive and the talks have provided the opportunity for colleagues to get to know the Senior Leadership Team better.



# Staff Conference

The second annual conference to be held was another packed out event. The timing of the conference allowed for it be an opportunity for colleagues to engage with proposed budget mandate plans and for valuable comments and questions to be captured.

Feedback from the conference identified a need across the organisation for directorate conferences to be held. This suggestion has been taken on board and incorporate into the programme of events planned for 2016/17.



## Driven by our shared values

Our People and Organisational Development is based on a firm foundation of our shared values. What truly embodies our values is how we behave, our actions. The sharing of our values and the expected behaviours begins with a comprehensive induction and continues throughout a colleague's journey with our organisation through Check In Check Out performance appraisals and programmes of support and training.

Our intervention work with teams has focused on connecting those values with tried and tested methodologies that improve leadership, communication and effectiveness., supported by a strong focus on wellbeing and resilience.

# Connected and Collaborative Approach

Our strength as People Services lies in the collective knowledge and experience across our whole team. Our sense of shared purpose, teamwork and collaboration has enabled us to develop a connected People Services offer that focuses on proactively delivering the right support, advice and guidance when our colleagues need it.



The People Services leadership team has been restructured to provide shared leadership across all areas of the team



The shared leadership structure is further enabling us to embrace a truly connected and collaborative approach to meeting the needs of the organisation.

Understanding  
our  
services



"Demand  
Drives  
Design"

Bringing data  
together to set  
our direction



Our drive and direction will be based on our customer needs and demand will design our work based on evidence and data.

We are preparing our people, on and off our payroll for the opportunities and challenges that will shape the future of our Council.



# In closing: A few words from our new Head of People

I am delighted to have recently joined our People services and I am looking forward to working with you and my colleagues in building on the great work and developments that the team have achieved over the last twelve months. Whilst much has been improved there still remains a huge amount to do to ensure that as individuals, teams, and services we have the right skills, tools. Information and support to enable us to be as good as we can be.



Tracey Harry

I, like many of you, am passionate about public service, and believe in Local government and the huge contribution it makes to our communities. Local Government reorganisation is off the agenda so much of the anxiety that had created has been removed. That said we know that financially, times are unlikely to improve, and we need a capable, confident and engaged workforce in place to ensure that Monmouthshire continues to deliver excellent services for and with our citizens.

Our response to the challenges that lie ahead is positive and you should all have heard about and been invited to engage in the work around “Future Monmouthshire”. Future Monmouthshire relies on all of us understanding that we cannot stay the same, we need to adapt and develop our services in ways which we may not have thought of before and that may be scary, though not a reason to stay the same. We are working closely with colleagues to understand what we, as people services, need to do to ensure that we are providing the necessary training, support and information to ensure the success of the programmes of work within Future Monmouthshire.

I would remind you that The People Board provides an excellent forum for keeping you up to date with our work in people services and it also provides an opportunity for you to engage directly with members of the team, please take the opportunity. From time to time check out the People Services Hub which we are expanding all the time with useful information, online training and guidance to help you in your roles.

I also invite you to speak to me direct or send me an e-mail if you have any concerns or issues which you feel need to be addressed.

I look forward to another productive year and will keep you informed of progress.

Tracey

**Tracey Harry**

**Head of People**



## **MONMOUTHSHIRE COUNTY COUNCIL**

**Extract from the Minutes of the meeting of Strong Communities Select Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 21st July, 2016 at 10.00 am**

### **6. People Services**

#### **Context:**

To present Strong Communities Select Committee with the first People Services Annual report for information and comment. We recommend that the Select Committee consider the contents of the first People Services annual Report and identify any issues that they would like the People Services Team to consider going forward.

#### **Key Issues:**

Our People are at the heart of everything we do. The collective purpose, passion and talents of our colleagues, on and off the payroll are the foundations to our success as a council and a county.

We believe that people join public service to make a difference and we have developed our people services in order to ensure that we are best placed to engage, support and develop our workforce , to ensure they are able to do just that, make a difference.

To provide clarity of purpose and direction we developed a People and Organisational Strategy, underpinned by an ambitious delivery work programme. We have reported progress against the strategy in 2015/16 and the attached People Services annual Report, June 2016, provides a summary of activity against our areas for improvement during the year.

We can be proud of what the service has achieved during the year and this will now form the base line for monitoring future activity. Bringing the different elements of People services together has delivered a more coherent, effective and efficient service organised around a common purpose.

#### **Member Scrutiny:**

Members questioned the relevance of the data given the date of the survey. The Committee were told that there were no plans to undertake the survey on an annual basis, it was felt that the quality of questions was paramount with staff being asked the questions they wanted to answer.

Members expressed that they felt that the results reassured them that the staff weren't being ignored.

A Member spoke about the Council building a similar structure as the Investors in People programme with importance being placed on speaking to staff, noting their interests, growing your own staff.

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The Committee were told that new initiatives were taking place, with coded pathways and training already there, social media is now playing a large part in attracting people to the jobs within Council.

The Committee asked about staff appraisals and were told about the new service applying an emphasis on quality rather than quantity.

We were told that the leadership team had a duty of care for their staff.

### **Committee's Conclusion:**

The Chair thanked the Officer for the report and asked for a copy of the 2014/15 staff survey form.

The Committee will look at reviewing this regularly.



<b>17TH NOVEMBER 2016</b>	
<i>Deadline for finalised reports to Cheryl – 12 noon 7th November 2016</i>	
<i>Finalised reports to Committee Section – end of day 7th November 2016</i>	
Presentation on Public Sector Internal Audit Standards (PSIAS)	Andrew Wathan
Corporate Assessment follow on review - Information Technology	WAO
Whole Authority Complaints, Comments & Compliments report	Annette Evans
Half Yearly Treasury Update	Joy Robson
Internal Audit progress report 2016/17 - quarter 2	Andrew Wathan
Unsatisfactory Audit Opinions	Andrew Wathan
People Services Annual Report & workforce plan	Peter Davies
Review of MRP	Mark Howcroft
Quarterly Monitoring of Reserves - Quarter 2	Mark Howcroft
<b>15TH DECEMBER 2016</b>	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section –</i>	
Wales Audit Office Proposals for Improvement progress reports	Richard Jones
Overview of Performance Management Arrangements	Richard Jones
Implementation of Audit Recommendations	Andrew Wathan
Update on Special Investigations	Andrew Wathan
ISA 260 reports - Trust Funds	WAO
Audited Welsh Church Fund Trust Fund Accounts 2015/16	Mark Howcroft
Audited Monmouthshire Farm School Trust Fund Accounts 2015/16	Mark Howcroft
Corporate Assessment Follow on review - Human Resources	WAO

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