

# Agenda

## Audit Committee

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Date: Tuesday, 23 January 2018

Time: 5.00 pm

Venue: Committee Room 1 - Civic Centre

To: Councillors Mr J Baker (Chair), D Davies, J Guy, J Jordan, L Lacey, W Routley, H Thomas, K Thomas, H Townsend and R White

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### Item

- 1 Agenda yn Gymraeg / Agenda in Welsh (Pages 3 - 4)
- 2 Apologies for Absence
- 3 Declarations of Interest
- 4 Minutes of the Last Meeting (Pages 5 - 8)
- 5 Corporate Risk Register Update (Pages 9 - 60)
- 6 Regulatory Reports Summary (6 monthly report) (Pages 61 - 84)
- 7 Treasury Management Report & Revised MRP Policy (Pages 85 - 106)
- 8 Treasury Management Strategy 2018/19 (Pages 107 - 134)
- 9 Internal Audit Plan - Progress (Quarter 3) (Pages 135 - 148)
- 10 Internal Audit Unsatisfactory Audit Opinions (6 monthly report) (Pages 149 - 164)
- 11 Anti-Fraud, Bribery & Corruption Policy Statement (Pages 165 - 180)
- 12 Work Programme (Pages 181 - 186)
- 13 Date of Next Meeting - 28 March 2018

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Date of Issue: 17 January 2018

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# Agenda

## Pwyllgor Archwilio

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Dyddiad: Dydd Mawrth, 23 Ionawr 2018

Amser: 5 y.p.

Lleoliad: Ystafell Bwyllgora 1 - Canolfan Dinesig

At: Mr J Baker (Cadeirydd), Y Cynghorwyr: D Davies, J Guy, J Jordan, L Lacey, W Routley, H Thomas, K Thomas, H Townsend, R White

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### Eitem

#### Rhan 1

1. Agenda yn Gymraeg
2. Ymddiheuriadau am Absenoldeb
3. Datganiadau o Fuddiant
4. Cofnodion y Cyfarfod a gynhaliwyd ar 30 Tachwedd 2018
5. Diweddariad am y Gofrestr Risg Gorfforaethol
6. Adroddiadau Rheoleiddio
7. Adroddiad Rheoli Trysorlys
8. Strategateth Rheoli Trysorlys
9. Cynllun Archwilio Mewnol Cynnydd Chwarter 3
10. Archwilio Mewnol-Barn Archwilio Anfoddhaol (adroddiad 6 mis)
11. Datganiad Polisi Gwrth-dwyll, Llwgwrwobrwyo a Llygredd
12. Rhaflen Waith
13. Dyddiad y Cyfarfod Nesaf – 28 Mawrth 2018

Person cyswllt: Michele Chesterman  
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Dyddiad cyhoeddi: 17 Ionawr 2018

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# Minutes

## Audit Committee

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Date: 30 November 2017

Time: 5.00 pm

Present: Councillors Mr J Baker (Chair), D Davies, J Guy, W Routley, H Thomas, K Thomas, H Townsend and R White

In Attendance: Meirion Rushworth (Head of Finance), Owen James (Assistant Head of Finance – Technical and Development), Andrew Wathan (Chief Internal Auditor), Jan Furtek (Audit Manager), Kyle Jenkins (Auditor), Eleanor Mulligan (Democratic Services and Communications Manager).

Gareth Lucey (Wales Audit Office).

Apologies: Councillors J Jordan and L Lacey

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### 1 Minutes of the Meeting held on 25 September 2017

The minutes of the meeting held on 25 September 2017 were confirmed.

Officers also confirmed that the agreed actions under item 4 had been completed (Statement of Accounts and Audit of Financial Statements Report 2016-17).

### 2 Treasury Management Report

The Assistant Head of Finance presented the report, outlining the treasury activities undertaken during the period to 30 September 2017, and providing details of the proposal to change the Minimum Revenue Provision (MRP) policy for supported borrowing.

#### Professional Client Status

The report included details of the recommendation that the Council should 'opt-up' to professional status in relation to the introduction of the 'Second Markets in Financial Instruments Directive (MiFID II)' when it becomes applicable to the UK in January 2018. It was explained that previously local authorities had automatically been deemed as having professional status. Under the new regulations, firms would be obliged to treat all local authorities as retail clients unless they 'opt-up' to professional client status and meet certain criteria, including holding a minimum of £10m investment balance and employing knowledgeable and experienced staff to carry out investment transactions. Opting into professional status would maintain the current status quo; conversely, not opting-in would likely limit the range of financial services the Council could access.

In response to Member questions, officers advised that:

- This directive was very likely to continue after the UK leaves the EU.

- The financial cost of opting in would be maintaining investments at £10m, however this was a relatively low figure in the overall budget context, and was outweighed by the benefits of opting in with regard to access to services, and having a higher borrowing status.
- MiFID II would need to be reflected in the Council's new short and long term borrowing strategy. Officers confirmed that the current strategy of internal borrowing would continue, with the exception of the £10m required to maintain professional status.

### **Minimum Revenue Provision (MRP) – Change of Method**

The Committee were asked to note the proposed change to the MRP policy for supported borrowing. The Council currently charged MRP for supported borrowing at 4% reducing balance; the report proposed changing to a 2.5% straight line charge, which would reduce the revenue charge for the provision by circa £2.5m.

The Committee asked for further explanation of why this change was deemed prudent. The following points were noted:

- The proposed change was within the Welsh Government guidelines for prudence.
- A number of other authorities have made similar changes, some going further than the proposed 2.5% here.
- Options and assets had been assessed on a weighted averaged against the balance sheet, and an average outstanding life of 40 years was thought to be reasonable for the purpose of calculating MRP.
- The straight line method was recommended over the annuity method, which would cause pressure in future and affect forward planning.

The Committee questioned why a change of policy was needed if the current policy had been deemed prudent, particularly as the change would benefit revenue now but cause a swing back later. The Head of Finance explained that there has to be a minimum level of MRP, and this was part of the overall strategy which had started by changing unsupported borrowing. Taking this and all factors into account, officers had taken the view that, from a capital finance perspective, and balancing pressure on revenue, it would be prudent to set the level at 2.5%.

The Committee questioned whether the case to change the policy had been made fully in the report, and asked that further information be included on:

- Why the change was necessary
- What would happen in 10 years' time when the charge goes the other way
- What was the minimum MRP level
- Would future Heads of Finance be under pressure to change this strategy
- The guidance for English authorities from the Department for Communities and Local Government
- Clarification from WAO on their view of a prudent level

### **Agreed**

Officers were asked to update the report in light of the Committee's comments, and re-submit the report to the Audit Committee's next meeting.

Members agreed to move the next meeting forward to allow the Committee's comments to be fed back to Council when it considers the report on 30 January.

### **3 Lessons Learned 2016-17**

The Assistant Head of Finance presented the findings of an initial 'lessons learned' review carried out by finance officers following the 2016/17 accounts close down. Head outlined the key themes coming out of the review, and the key risks arising from that process.

Members queried the idea of quality assurance being undertaken by Members as part of the draft and final accounts timetable. Concerns were raised about reviewing the document too early, and whether Audit Committee Members should be involved in this. Members agreed that an early 'sense check' by another Member or lay person would be of use. It was also suggested that senior management needed to take more ownership of the content and presentation of the accounts, and be involved at an earlier stage, to focus on the detail of the narrative and improve the accuracy of the later drafts.

#### **Agreed**

To note the lessons learned process that had been carried out to date and agree the proposed plan for 2017/18 closedown.

### **4 Wales Audit Office - Final Accounts Memorandum 2016-17**

The Committee received the WAO's Final Accounts Memorandum for 2016-17, noting its key recommendations.

Members asked about the significance and impact of the one unadjusted misstatement in relation to Newport Transport Ltd. bus depot. It was explained that this had been left unadjusted as it was not significant, and was due to differing accounting policies – in the Newport Transport accounts the depot was valued at a certain level, whereas an external valuer had valued the asset at a higher level.

Although it was noted that, where accounting policies differed, there could be a hanging balance, it was suggested that this could be 'tidied up' in next year's balance sheet, and included as part of the lessons learned exercise.

#### **Agreed**

To note the content and recommendations of the WAO's Final Accounts Memorandum for 2016-17

### **5 Internal Audit Plan 2017-18 - Progress (Quarter 2)**

The Chief Internal Auditor presented the report, concluding that the Internal Audit section was making good progress against the 2017/18 audit plan and internal performance indicators. The unit was currently fully staffed except for one maternity leave cover arrangement which was not being backfilled.

It was confirmed that the shared post of Chief Internal Auditor with Monmouthshire continued to work well, with strong management in both Councils to ensure appropriate coverage and delegation.

#### **Agreed**

To note the report.

### **6 Audit Committee Self Evaluation Exercise**

The Committee were provided with copies of the Audit Committee Self-Assessment Questionnaire, and asked to return completed copies by mid-December.

## **7 Work Programme**

To note the work programme, with the addition of the Treasury Management report being re-submitted to the January meeting.

The January meeting would be moved to allow comments on the Treasury Management report to be submitted to Council on 30 January.



# Report

## Audit Committee

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### Part 1

Date: 23 January 2018

Item No: 5

### **Subject Corporate Risk Register Update**

**Purpose** To present an updated version of the Corporate Risk Register

**Author** Rhys Cornwall, Head of People and Business Change  
Mike Dickie, Business Service Development Manager  
Rachel Kalahar, Senior Performance Management Officer

**Ward** All

**Summary** This report contains the latest update of the Corporate Risk Register.

- The risk register identifies risks that may prevent the council achieving the objectives set out in the Corporate Plan and enables the council to continue to provide services to the citizens and communities of Newport. Robust management of these risks is imperative to the realisation of the council's objectives.
- The corporate risk register helps the council to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs by considering the sustainable development principle set out in the Wellbeing of Future Generations (Wales) Act 2015.
- There are 14 risks identified in the risk register, there are 5 high risks and 9 medium risks.
- The detail and planned mitigating actions for each risk are provided below.

**Proposal** To note the contents of the Corporate Risk Register

**Action by** Chief Executive, Strategic Directors and Heads of Service

**Timetable** Immediate

This report was prepared after consultation with:

- Cabinet
- Deputy Leader
- Audit Committee
- Corporate Management Team
- Head of Law and Standards
- Head of People and Transformation
- Head of Finance

## **Background**

### **1. Corporate Assessment**

As part of its governance arrangements the Council has a risk management strategy and a corporate risk register is monitored quarterly. Through the Corporate Assessment Review 2014 the WAO noted that *“The Council has improved its approach to and presentation of its corporate risk register. The risk register now includes a before and after mitigation risk score at an assessed date and a breakdown of the probability and impact of that risk. The register includes current actions to address each risk and assigns responsibility to senior officers, cabinet member and scrutiny committee”*.

### **2. Risk Management Strategy**

The Risk Management Strategy was agreed by Cabinet in September 2014. It was updated to reflect a revised approach to risk management and improved processes for identifying and escalating risk. Potential benefits of an improved risk management approach are improved decision making, avoidance of shocks and the ability to mitigate threats and take advantage of opportunities.

The Risk Management Strategy is under review to ensure that the sustainable development principle of the Wellbeing of Future Generations (Wales) Act 2015 are embedded in the process and frame each risk.

### **3. Role of Audit Committee**

Since the introduction of the Local Government Measure 2011 the local authority's Audit Committee have a role in reviewing and assessing the risk management, internal control and corporate governance arrangements of the authority. Processes and Strategies about risk management should be reviewed by the Committee however the content of the risk register including setting and changing risks included in the register is *not* the role of the Audit Committee.

#### 4. Summary of risks in this report

Ref	Risk	Brief Description	Probability x Impact = Score			Responsible Officer
			Probability	Impact	Score	
<b>High Risks</b>						
6	<b>Balancing the Council's Medium Term budget</b>	Risk of not meeting / funding key priorities.	4	4	16	Chief Executive
7	<b>Increased pressure on demand led services</b>	As the population grows and certain groups within the population increase this will affect many services across the council that deliver services to meet demand. The growing population also places pressures on universal services that are provided to everyone.	4	4	16	Strategic Director - Place Strategic Director - People
8	<b>Risk of stability of external suppliers</b>	Growing cost of delivering services and purchasing materials will impact on external supplier's ability to continue to fulfil contract obligations. Potentially short notice of inability to provide services.	4	5	20	Strategic Director - People
9	<b>Increasing pressure on existing infrastructure</b>	The M4 Bridge tolls will be abolished for all vehicles at the end of 2018 with an interim reduction in tolls being introduced on the 8 <sup>th</sup> January 2018. This is a positive opportunity for the city but the council must consider the potential impact on existing infrastructure.	4	4	16	Strategic Director - Place
13	<b>Asset Management – Carriageways and Buildings</b>	This links to budget challenge and Government changes to financial settlement and grant funding. This refers to the council's ability to maintain assets in the short, medium and long term due to increasing budget pressures.	5	4	20	Strategic Director - Place
<b>Medium Risks</b>						
1	<b>Legislative Requirements</b>	That new legislative requirements potentially place significant duties on the Authority that it cannot fulfil (resulting in adverse judgements from regulators, significant fines and potential court proceedings and/or existing services are compromised), includes Well-being of Future Generations Act.	3	4	12	Chief Executive
2	<b>Capacity and capability to meet the councils objectives</b>	That there are not skills and or capacity within the workforce to deliver both operational services and also the pace of change needed to modernise services and balance the budget.	4	3	12	Chief Executive

Ref	Risk	Brief Description	Probability x Impact = Score			Responsible Officer
			Probability	Impact	Score	
3	<b>Safeguarding</b>	That the arrangements and the implementation of policies and procedures by the council (and its partners) are not adequate to protect vulnerable adults and children who may be at risk of significant harm.	2	4	8	Strategic Director - People
4	<b>Brexit</b>	That the financial implications of leaving the European Union have a negative impact on the councils financial position.	3	3	9	Chief Executive
5	<b>In year financial management</b>	Overspending can undermine service delivery and medium term planning where significant mitigation means services need to defer spending to manage the overall budget.	3	4	12	Chief Executive
10	<b>Climate Change: Effects on future condition and availability of Council Infrastructure and reducing the future impact of further greenhouse gas emissions.</b>	It is generally accepted that the effects of global warming will result in: <ul style="list-style-type: none"> <li>· All areas of the UK get warmer and the warming is greater in summer than in winter;</li> <li>· Little change in the amount of precipitation (rain, hail, snow etc) that falls annually but it is likely that more of it will fall in the winter with drier summers for much of the UK</li> <li>· Sea levels rise – more in the south of the UK than the North.</li> </ul>	3	4	12	Strategic Director - Place
11	<b>Increasing demands on IT Services and the modernisation agenda</b>	Increased demand for IT services with a reducing budget poses a risk to the future development of IT infrastructure and the development and delivery of the modernised council agenda.	2	3	6	Chief Executive
12	<b>Increasing risk of cyber attacks</b>	Data loss, disaster recovery, impact of possible fines	3	3	9	Chief Executive
14	<b>Recruitment and retention of specialist professional staff</b>	Resilience of Council services and ability to retain specialist professional staff and attract new employees in a competitive market place.	4	3	12	Chief Executive

## Financial Summary

- There are no direct costs associated with this report

## Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
That the strategy and process are not robust enough to capture all high risks	M	L	Reviewing, testing and embedding processes to ensure that they are fit for purpose	Directors, Heads of Service and Performance Team

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

Robust risk management practices increase the chances that all of the council's priorities and plans will be implemented successfully

## Options Available and considered

- To note the contents of the Corporate Risk Register
- Not to note the contents of the Corporate Risk Register

## Preferred Option and Why

- To note the contents of the Corporate Risk Register.

## Comments of Chief Financial Officer

There are no direct financial implications arising from this report. The corporate risk register forms an important part of the governance and budget setting arrangements for the council and the risk register is used to guide the internal audit plan.

## Comments of Monitoring Officer

The Council's corporate governance arrangements are an integral part of the risk management strategy, in ensuring that all decisions are made lawfully and constitutionally and that all risks are identified, assessed and mitigated. The absence of successful call-in and legal challenges demonstrates that these arrangements are robust. However, as part of the review of the Constitution, improvements in the Report templates will be considered to further embed risk management principles within the decision-making processes. The Local Government (Wales) Measure 2011 required the Council to establish a stand-alone Audit Committee with statutory responsibility for reviewing and assessing the risk management, internal control and corporate governance arrangements of the authority. However, the identification of corporate risks, for inclusion within the risk register, is an executive decision for Cabinet.

## Comments of Head of People and Business Change

There are no direct staffing implications arising from this report.

Risk management is a key element of the council's improvement programme and the Administration's commitment to ensuring strong corporate governance and robust performance management. The risk strategy and register allow the council to consider the longer term overarching risks to the council fulfilling its objectives and obligations and take action to mitigate the impact and probability of those risks.

## **Local issues**

None

## **Scrutiny Committees**

Audit Committee have a role in reviewing and assessing the risk management arrangements of the authority. Meetings with the committee have resulted in some changes to the processes used to compile and update the risk register, leading to clarity of detail within the report.

## **Equalities Impact Assessment**

Not applicable.

## **Children and Families (Wales) Measure**

Not applicable.

## **Wellbeing of Future Generations (Wales) Act 2015**

The guidance on the Act is clear – it requires public bodies to maximise their contribution to improving the wellbeing of Wales. The Act provides a framework for better decision making by ensuring public bodies take account of the *long term*, focus on *prevention*, take an *integrated* and *collaborative* approach, and *involve* people in policy making and planning and delivery of services.

Risk management is a key area to implementing the Wellbeing of Future Generations Act (Wales) 2015, the council must ensure that it considers risks in the short, medium and longer term and that it manages risks in a manner that protects current service delivery and communities as well as considering the longer term impact.

The corporate risk register helps the council to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs by considering the sustainable development principle set out in the Wellbeing of Future Generations (Wales) Act 2015.

Key documents and processes have been revised so that they incorporate sustainable development and wellbeing principles. Over the last three years extensive public engagement has been undertaken in relation to setting service delivery priorities and identifying which services matter most to people, and contribute to their wellbeing. This will continue to inform future planning.

## **Crime and Disorder Act 1998**

Not applicable.

## **Consultation**

As above, the Risk Register is also considered by Audit Committee

## **Background Papers**

Corporate Risk Register, Cabinet, 18<sup>th</sup> December 2015  
Corporate Risk Register, Audit Committee, 28<sup>th</sup> January 2016  
Corporate Risk Register, Cabinet, 14<sup>th</sup> March 2016  
Corporate Risk Register, Audit Committee, 24<sup>th</sup> March 2016  
Corporate Risk Register, Cabinet, 6<sup>th</sup> June 2016  
Corporate Risk Register, Audit Committee, 23<sup>rd</sup> June 2016

Corporate Risk Register, Cabinet, 12<sup>th</sup> September 2016  
Corporate Risk Register, Audit Committee, 22<sup>nd</sup> September 2016  
Corporate Risk Register, Cabinet, 21<sup>st</sup> December 2016  
Corporate Risk Register, Audit Committee, 26<sup>th</sup> January 2017  
Corporate Risk Register, Cabinet, 24<sup>th</sup> April 2017  
Corporate Risk Register, Audit Committee, 30<sup>th</sup> May 2017  
Corporate Risk Register, Cabinet, 13<sup>th</sup> September 2017  
Corporate Risk Register, Audit Committee, 25<sup>th</sup> September 2017

Dated: January 2018

## Corporate Risks

### Risk 1

<b>Risk name</b>		<b>Legislative Requirements</b>				
<b>Description/Rationale</b>		<ul style="list-style-type: none"> <li>• That new legislative requirements potentially place significant duties on the Authority that it cannot fulfil (resulting in adverse judgements from regulators, significant fines and potential court proceedings and/or existing services are compromised), includes Well-being of Future Generations Act.</li> <li>• Risk of not meeting increasingly challenging nationally set waste management targets</li> <li>• The Welsh Government is consulting on local government reform, it is likely that the Welsh Government will repeal or change the Local Government Measure 2009 which will mean changes to the way the council plans and manages its services.</li> <li>• Welsh Government drive towards regionalisation and collaborative working – including possible legislation.</li> <li>• Welsh Language Act - gaps in service provision remain, and this remains a reputational risk for the Council.</li> </ul>				
<b>Risk rating prior to mitigation</b>		August 2015 – high (16)				
<b>Links to</b>		Service Planning				
<b>Present Matrix</b>	<b>Assessment Date</b>	<b>Present Risk Score</b>	<b>Present Score Breakdown</b>		<b>Direction of Risk</b>	<b>Review Date</b>
			<b>Probability</b>	<b>Impact</b>		
	December 2017	12	3	4	Unchanged ↔  There is continued pressure on the council to implement the new duties detailed by new legislation. Whilst significant work is underway, there remain major risk factors.	March 2018
	August 2017	12				
	March 2017	12	probability	impact		
	December 2016	12				

Planned Mitigation		Timescales	Current Action Status
<b>Welsh Language Act</b>	Strategic equalities group monitors implementation supported by Welsh Language group.	Annual cycle	Governance arrangements and implementation plans are in place.

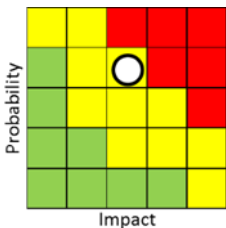


Planned Mitigation		Timescales	Current Action Status
	Action plans in place and being monitored. This has shown significant progress.	Annual cycle	Action plans have been monitored and reported through the Welsh Language Annual Report to Cabinet. The council has made significant progress in terms of practices and positive attitudes. Actions not yet completed are being addressed through Welsh language task groups which report to the Welsh Language Implementation Group. Complaints are investigated and reported on promptly.
	Progress includes increasing awareness of the Welsh Language Standards across the authority. Leaflets, posters, desk prompts and video available.	Initial campaign March 2016, new roll out Sept 2017	In 2016 we promoted the Welsh language Standards and all employees consulted in the Staff Conference were aware of the Standards and changes relating to their own work. A Welsh Language and Equalities Engagement Plan looks to measure and improve employee awareness, and thus increase the use of Welsh in the council. We are currently updating guidance material in order to further facilitate staff understanding of some of the practicalities, and to keep the Welsh language high on the agenda. In line with 'More than just words' the "active offer" is implemented across social services.
	Partnership arrangements with another Council now in place and budget allocated, additional resources now available to support service areas and work such as web site development now underway.	Ongoing	Translation and proofreading is readily available to all staff. A specific contract is in place to deliver translation of the council's web site. We are looking at opportunities to improve the service.
	5 year strategy developed through consultation	Approved Feb 2017 for 5 years	The 5 Year Welsh Language Strategy was approved by Council in February 2017. The action plan is being implemented with partners through existing groups including the Welsh in Education Forum (WEF) and governance arrangements are being put in place to ensure progress across the three themes.
<b>Future Generations Act</b>	Cabinet reports updating members on progress and approach. Awareness raising sessions with officers and members completed and work with consultants to develop organisational readiness for the Act underway.	Autumn 2017	Awareness raising session held with members of new Performance Scrutiny – Partnerships in summer 2017 with further sessions to be included in member development programme in autumn 2017 together with further sessions for staff.  Work on corporate readiness developing with new report templates

Planned Mitigation		Timescales	Current Action Status
			and corporate plan.
	Currently developing an impact assessment template that incorporates the sustainability principles. Formal report, service plan and business case templates updated to ensure the principles of the Act are reflected in all decision making.	Ongoing	New FEIA template in place, Other business processes continue to develop to ensure that the Act is being embedded.. New service plan templates will include wellbeing objectives,
	Public Services Board established with agreed Terms of Reference, formal meetings are held at least quarterly.	Ongoing	<p>The PSB has undertaken a partnership evaluation exercise and agreed an action plan, report to PSB Dec 2017 demonstrating progress.</p> <p>Formal meetings held at least quarterly. Meeting papers, minutes and summaries of business published on One Newport website to aid transparency. All terms of reference reviewed in 2017 to support the developing Wellbeing Plan.</p>
	Draft Wellbeing Assessment in place in conjunction with the assessment required for the Social Services Act. Work being undertaken on a Gwent basis to inform the Wellbeing Assessment and Plan - funding secured from Welsh Government to support this work.	April 2018	<p>Public Services Board has published its Well-being Assessment for Newport (Community Well-being Profile) and is progressing development of the Local Well-being Plan for Newport for publication April 2018. Consultation draft is now</p> <p>Work being undertaken on a Gwent-wide basis to identify possible Gwent priorities. Gwent funding is being utilised on:</p> <ul style="list-style-type: none"> <li>• piloting a well-being measurement tool (Happy Communities) ;</li> <li>• a future scenarios analysis to enhance understanding future trends;</li> </ul>
	Development of wellbeing objectives finalised, pending the redevelopment of the Corporate Plan in 2017.	October 2018	The Council published its Well-being objectives and Well-being Statement in March 2017. These are being incorporated into the Corporate Plan 2017-2022 and will be in service plans 2018-

Planned Mitigation		Timescales	Current Action Status
<b>Waste Management Legislation/ targets</b>	The recycling rate for 2016-17 exceeded the target for 2017-18, there is confidence the target will be exceeded in 2017/2018 too but likelihood is the target for 2019/2020 will not be met.	March 31 <sup>st</sup> 2018	The contract is in place and running. We will monitor monthly to ensure the target is reached.
<b>Responsible Officer:</b>		Chief Executive	
<b>Responsible Cabinet Member(s):</b>		Leader of the Council, Deputy Leader and Cabinet Member for Assets and Member Development	

## Risk 2

<b>Risk name</b>	<b>Capacity and capability to meet the councils objectives</b>					
<b>Description/Rationale</b>	<p>That there are not skills and or capacity within the workforce to deliver both operational services and also the pace of change needed to modernise services and balance the budget.</p> <p>There are continued capacity and capability gaps across the council; these are more prevalent in some areas than others. Although there are a number of actions (see below) that are being undertaken to remediate this situation, there are still risks going forward which will potentially exacerbate this current situation; these include further required financial savings and issues with recruiting to key positions.</p>					
<b>Risk rating prior to mitigation</b>	August 2015 - Medium (12)					
<b>Links to</b>	Corporate Plan, People and Business Change Service Plan					
Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	December 2017	12	4	3	Unchanged ↔	March 2018
	August 2017	12				
	March 2017	12	High probability	Medium Governance impact		

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Planned Mitigation	Timescales	Current Action Status
The Workforce Plan identifies objectives for future planning for all Service Areas.	Completed	Completed – a workforce planning template is available to assist service areas make informed decisions about their people requirements. Further work will be done by the HR service in relation to completing a workforce planning self-assessment tool to identify further areas for improvement. This is anticipated to be completed in Autumn 2017.
People and Business Change will pilot career pathway planning in Autumn 2017 to role model to other service areas	On track – December 2017	A restructure has taken place in HR and the creation of entry level posts into the profession have been created and filled with one internal appointment to facilitate internal progression. We are

Planned Mitigation	Timescales	Current Action Status
		encouraging entry and intermediate level HR qualifications to all levels in the service.
Creation of an apprenticeship scheme was approved in June 2016 and recruitment is underway to the first cohort of apprentices due to start in September 2016, with a possible second intake due to start in January 2017.	Completed	The first cohort of apprentices completed their qualification in Summer 2017 and we are recruiting to the next wave at the end of August once prospective applicants have received their GCSE results and have made decisions about their future plans. It is our intention to continue recruiting apprentices into the Council in future years.
Pilot taking place in Education Services for the roll out of greater NVQ/ILM opportunities for those in the workplace wanting to enhance current skill level. Intention to offer to wider workforce in 2017 linked to workforce planning for each service area	Completed – review of success by December 2017	This pilot has completed and several employees within the Education service achieved their qualifications. We will review the success and benefit brought to the Council in the coming months with a view to making future recommendations at the end of December 2017.
Mandatory training will be identified for each post and linked to job descriptions to set out the expectation of ability, skill and experience at the point of recruitment and to form a development path throughout induction, probation and longer term	Not started	This piece of work has not yet started but has been identified as a priority for 2018/19
Additional Investment in Project Management and business change resources	April 2018	BIP resources will be reviewed in line with the revised change program which will underpin the new corporate plan. BIP and HR have agreed a programme to work towards upskilling managers in these skills. A combination of e-learning, f2f training and learning exchanges have been discussed with a programme intended to start in April 2018.
Coaching, shadowing and mentoring opportunities delivered as part of the change programme	On track	The first cohort of ILM Level 5 in Coaching concluded in Summer 2017. We have reviewed the progress and are working towards further programmes of both coaching and mentoring programmes for 2018/19.
Specific business support and training provided for business change, project and program management, continuous change and specific tools including business case development and project management	Ongoing	Project management and business case support building on the support and training provision already in place further development of support has been undertaken to widen the range of support offered to the organisation.
Training Master classes developed and number of managers attending measured green for 2015 with over 80% attending training to upskill	Completed	We are currently reviewing managerial training, but targets set in this area have consistently been achieved in recent years.

Planned Mitigation	Timescales	Current Action Status
Action Learning Sets have been practised at Senior Management Forum and OD are collating requests from managers to create networks of peer coaching through the use of ALS. HR and Finance partners will be trained as facilitators to enable greater support to managers in identifying problems and creating their own solutions.	Completed	Feedback has shown that our current culture is not yet ready to roll out Action Learning Sets and instead we will be focusing on building our coaching skills as individuals.
Use of external resource / experts	Ongoing	Where there is a capacity constraint or capability gap, external expertise will be utilised on an as required basis. CIPD are providing training to the HR/OD team in January 2018 to upskill team members in the field of OD.
Sampling of My Review has taken place in August 2016 by the HR/OD team and feedback will be provided to managers in September with a refreshed roll out of training on how to conduct appropriate appraisals between October and March 2017 in time for the next annual appraisal	Completed	In Summer 2016 this exercise was completed and the results fed back to the senior leadership team. Further work was then done on scoping possible alternatives to the outdated My Review system – further information is detailed below.
OD strategy devised to enable the organisation to achieve faster cultural change and improved performance	Completed	The People and Culture Strategy 2017-2022 is in first draft and awaiting publication shortly (December 2017). It contains the proposed strategic ambition for the OD function. An investment in 2 day training with the CIPD for all members of the HR/OD function has been made and this will take place in January 2018 to enable the HR/OD team to improve their practice in supporting the organisation to improve.
People service plan to heavily focus on workforce planning and OD for next 12 months	On track	Service planning has temporarily been postponed until the Corporate Plan is published. It is anticipated that the new People and Culture Strategy 2017-2022 will form the business unit actions for HR and OD in the coming 12 months. Two of the key priorities are OD and Workforce Planning.
Performance management process is currently being reviewed with a key objective for 2016/17 to be the roll out of a revised scheme, new performance management system to be piloted early 2017 to assess whether appropriate for organisation roll out	Completed	<p>As per the My Review comments, a new performance management system has been introduced to the Council – Clear Review. This tool was piloted over a 3 month period at the beginning of 2017 and has now been approved for wider roll out. Feedback suggests that this tool could significantly improve performance management across the Council.</p> <p>The new performance management strategy has been drafted which seeks to draw together all aspect of performance to enable employees and members to know what their responsibilities are.</p>

Planned Mitigation	Timescales	Current Action Status
Responsible Officer:	Chief Executive	
Responsible Cabinet Member(s):	Cabinet Member for Community & Resources	

### Risk 3

<b>Risk name</b>	<b>Safeguarding</b>					
<b>Description/Rationale</b>	That the arrangements and the implementation of policies and procedures by the council (and its partners) are not adequate to protect vulnerable adults and children who may be at risk of significant harm					
<b>Risk rating prior to mitigation</b>	March 2017 – Medium (8)					
<b>Links to</b>	Corporate Plan, Service Planning					
Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	December 2017	8	2	4	Unchanged ↔  The level of risk is manageable because this is an area of absolute priority for the local authority. There are safeguarding manager roles across the council and we have strong links with national and regional safeguarding boards	March 2018
	August 2017	8				
				probability		

Planned Mitigation	Timescales	Current Action Status
Safeguarding Action Plan agreed and implementation underway.	November 2017	Implemented  The first annual review of the Corporate Safeguarding Report is due to occur in January 2018- this review will establish how efficiently we have met the identified objectives within the safeguarding action plans both corporately and within the specific teams which encompass the Safeguarding Unit of Social Services since the establishment of the Corporate Safeguarding Report in 2016/17. Actions identified as outstanding or newly identified areas of improvement/ development will be identified as part of this review scrutiny cycle and will therefore be timetabled appropriately to address any unmet needs or deficit

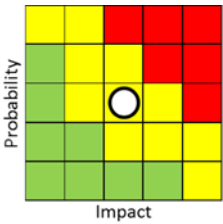



Planned Mitigation	Timescales	Current Action Status
		areas.
Continuous review of policies and procedures	<p>January 2018</p> <p>Ongoing</p> <p>Ongoing-regional work plan of the protocol and procedures sub group is reviewed annually</p>	<p>Implemented</p> <p>The suite of Corporate Safeguarding Policies applicable to all service areas within the council are currently under review to appropriately reflect legislative and procedural changes. These documents will have been fully reviewed, ratified, and disseminated via a re-launch of the “Safeguarding involves us all” campaign (the original campaign which launched the Corporate Safeguarding Report in November 2016) prior to the first annual review in January 2018. This ensures that all staff (including voluntary staff, elected members and contractors) are clearly aware of and understand their responsibilities in respect of ‘safeguarding’.</p> <p>Within the practice of social work across Children and Adult Services where policies and procedures are identified as requiring review due to changes in legislation/ regulations these items are identifiable through CSMT and ASMT processes and Quality Assurance processes. Appropriate staff are identified to undertake the review or development of the required policy/ procedure and timescales are set in order to ensure the required work is completed, the policy is then launched and fully disseminated to the service area for practitioners to use and the documents are stored within the document library of the intranet for easy access.</p> <p>There is also the continuous review process of national and regional policies as identified by the SEWSCB, GWASB and VAWDASV safeguarding boards via the “protocols and procedures” sub group. Work is undertaken on a regional basis and the policies/ procedures/ guidance produced is then agreed and adopted by the 5 local authorities. This ensures a robust compliancy in terms of national policies/ procedures used within regional and local practice are up to date.</p>

Planned Mitigation	Timescales	Current Action Status
Raising awareness of policies and procedures with staff	<p>January 2018</p> <p>Ongoing</p>	<p>Implemented</p> <p>Within Children's Services there has been a review of the processes in how policies/ procedures are disseminated to staff and the current use of the document library for policies/ procedures currently available on the intranet. A Children's Services Hub Page is currently being developed by the Safeguarding Unit and SRS team to improve how staff locate and access the documents they require for practice. The Hub will be the focal access point for Children's Social Care staff to locate all relevant policies, procedures, forms- this will assist in version control of documents; the regular review and publication of new policies/ procedures/ guidance; and a central place for staff to locate all of the required information and documents. This project will therefore aid in raising awareness of policies and procedures with staff but will also provide a more robust approach to ensuring that the information being provided to staff is up to date and readily accessible.</p> <p>Future development of the Hub page will also be extended to include induction processes and team specific intranet pages which can host team blogs, news and updates. This project can also be replicated for Adult Services.</p>
Partnership working	<p>Ongoing</p> <p>Ongoing</p>	<p>Implemented</p> <p>Development of the Safeguarding Intelligence Hub (SIH), Newport is the pilot authority in Gwent for this project which will bring together all public safeguarding services in a single point of entry where safeguarding referrals can be holistically assessed. The Intelligence hub model will facilitate earlier intervention and preventions to limit the need for a more intensive intervention at a later stage by managing cases in a co-ordinated manner. The Intelligence Hub will also foster closer partnership working and clear accountability with agencies, providing faster, more robust and co-ordinated and consistent responses to safeguarding concerns, ensuring citizens are kept safe with their well-being outcomes met.</p> <p>Strong links with the regional safeguarding boards are already in place</p>

Planned Mitigation	Timescales	Current Action Status
		<p>and will continue.</p> <p>The regional service hosted by Health in regard to legislative requirements for Newport council under the Mental Capacity Act, continues to be delivered collaboratively for all Deprivation of Liberty Safeguards for citizens of Newport over the age of 18.</p>
Service Manager for Safeguarding is in place	Completed	<p>Implemented</p> <p>The Service Manager for safeguarding manages across adult, children and education services as well as the regional VAWDASV service.</p>
Safeguarding role in Education	Completed	<p>Implemented</p> <p>The role of the Safeguarding in Education Officer has been extended to encompass the line management of LACES (looked after children in education). Ensuring all schools have reviewed their safeguarding policies and procedures and that they are accessible for the whole school as well as parents and children has been completed over the last year. This will be under continual review</p>
<b>Responsible Officer:</b>	Strategic Director - People	
<b>Responsible Cabinet Member(s):</b>	Cabinet Member for Social Services	

#### Risk 4

<b>Risk name</b>	<b>Brexit</b>					
<b>Description/Rationale</b>	That the financial implications of leaving the European Union have a negative impact on the councils financial position					
<b>Risk rating prior to mitigation</b>	August 2016 – Medium (9)					
<b>Links to</b>	Corporate Plan, Service Plan					
Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	December 2017	9	3	3	Unchanged   This risk remains unchanged as we await further discussion and timescales from the Welsh Government and Central Government	March 2018
	August 2017	9	probability	impact		

Planned Mitigation	Timescales	Current Action Status
This needs to be monitored carefully. The result of the referendum in June 2016 has resulted in further uncertainty for the overall financial outlook for the UK. This may have an impact on future funding for the council. (see risks 5 and 6 below)  A good deal of our activity is also guided by EU regulation. It remains unclear when the UK will formally exit the EU and how these regulations may change  This remains uncertain, further discussion and engagement from the Welsh Government and UK Government is needed to confirm timescales		
<b>Responsible Officer:</b>	Chief Executive	
<b>Responsible Cabinet Member(s):</b>	Leader of the Council	

### Risk 5

<b>Risk name</b>		<b>In year financial management</b>				
<b>Description/Rationale</b>		<ul style="list-style-type: none"> <li>Historical overspending in key areas are increasingly difficult to mitigate – Community Care budgets, Children’s out of area education and social care budgets in particular.</li> <li>Step change in level of overspending in 2016/17 and forecasted overspending in 2017/18 shows significantly worsening position</li> <li>Level of overspending is significantly over and above revenue budget contingency and over current / previous year only mitigated from strong C Tax collection due to accelerated house building – which cannot be guaranteed in future years and C Tax reduction scheme underspending</li> <li>Overspending can undermine service delivery and medium term planning where significant mitigation means services need to defer spending to manage the overall budget</li> <li>Risk to requiring additional on-going budget in service areas affected which makes the 2018/19 and future budget challenge more difficult to manage / achieve</li> </ul>				
<b>Risk rating prior to mitigation</b>		August 2017 – Medium (12)				
<b>Links to</b>		In year overspending can affect all services depending on severity and mitigation put in place, including impacts on future year budgets				
<b>Present Matrix</b>	<b>Assessment Date</b>	<b>Present Risk Score</b>	<b>Present Score Breakdown</b>		<b>Direction of Risk</b>	<b>Review Date</b>
			<b>Probability</b>	<b>Impact</b>		
	December 2017	12	3	4	Unchanged ↔	March 2018
	August 2017	12	probability	impact		

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<b>Planned Mitigation</b>	<b>Timescales</b>	<b>Current Action Status</b>
CMT instigated targeted spending freeze on non-essential spending	Now	In place and on-going
Chief Executive and HoF will be holding monthly meetings with adult social care management team to look and review actions for reducing spend	Sept onwards	In progress

HoS for adults/children social care and education have reviewed and improved decision making panels who assess individual cases accessing services	Now	In place and on-going
Projects initiated in education and children's social care – looking at NCC own provision to bring pupils / children back at lower costs  Adults social care reviewing all care packages in place and HoS to attend panels when reviewing new cases for care packages		Initiated. Projects timetable unknown at this time
<b>Responsible Officer:</b>	Chief Executive / Directors / Heads of Service	
<b>Responsible Cabinet Member(s):</b>	Leader as CM for strategic finance – in conjunction with Cabinet colleagues	

## Risk 6

<b>Risk name</b>		<b>Balancing the Council's Medium Term budget</b>				
<b>Description/Rationale</b>		<ul style="list-style-type: none"> <li>• Council does not have a change programme which addresses the financial shortfall in the Council's Medium Term Financial Plan.</li> <li>• Not balancing the budget over a longer timeframe than has currently been achieved may challenge and could damage the Councils on-going Financial Resilience</li> <li>• Risk of not meeting / funding key priorities</li> <li>• Using 'reserves' to balance the budget is time limited and require permanent savings to be identified in due course.</li> <li>• Lack of on-going medium term financial settlements from WG continue makes meaningful medium term financial planning more difficult.</li> </ul>				
<b>Risk rating prior to mitigation</b>		August 2017 – High (16)				
<b>Links to</b>		The lack of a balanced medium term financial plan has potential impact on all Council services and priorities				
<b>Present Matrix</b>	<b>Assessment Date</b>	<b>Present Risk Score</b>	<b>Present Score Breakdown</b>		<b>Direction of Risk</b>	<b>Review Date</b>
			<b>Probability</b>	<b>Impact</b>		
<p>Probability</p> <p>Impact</p>	December 2017	16	4	4	Unchanged ↔	March 2018
	August 2017	16	probability	impact		

Planned Mitigation	Timescales	Current Action Status
On-going review and challenge to budget pressures within the MTFP	On-going	On –going. CMT challenged all demography issues in July 2017.
Finalising budget proposals for consultation in Dec 2017 and final agreed decisions in Feb 2018 should ensure 2018/19 balanced.	Sept 17	In progress
Complete service cost-benefit prioritisation exercise with informal Cabinet	Sept 17	Completed
Project initiated to draw up a medium term change programme by June 2018 latest	Sept 2018	Started. Discussions with SLT on scope and resourcing and organisation on-going.
<b>Responsible Officer:</b>	Chief Executive / Directors / HoS	
<b>Responsible Cabinet Member(s):</b>	The Leader of the council	



**Risk 7**

<b>Risk name</b>	<b>Increased pressure on demand led services</b>
<b>Description/Rationale</b>	<p>Education</p> <p>As the population grows and certain groups within the population increase this will affect many services across the council that deliver services to meet demand. The growing population also places pressures on universal services that are provided to everyone.</p> <ul style="list-style-type: none"><li>• That an increasing percentage of the population are over 65 putting an increasing strain on demand led services, particularly those that are statutory and raising the risk of unplanned significant budgetary overspends.</li><li>• Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.</li><li>• Increasing population putting extra pressure on school places across Newport.</li><li>• As children with complex needs live longer, the number of children requiring care will increase and the length of care that they require will increase</li><li>• Growing population of highly vulnerable children</li><li>• Increasing demand for refuse collection</li><li>• Increasing number of households and highways</li></ul> <p>Social Services</p> <p>As the population grows and certain groups within the population increase this will affect many services across the council that deliver services to meet demand. The growing population also places pressures on universal services that are provided to everyone.</p> <ul style="list-style-type: none"><li>• That an increasing percentage of the population are over 65 putting an increasing strain on demand led services, particularly those that are statutory and raising the risk of unplanned significant budgetary overspends.</li><li>• Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.</li><li>• Increasing population putting extra pressure on school places across Newport.</li><li>• As children with complex needs live longer, the number of children requiring care will increase and the length of care that they require will increase</li><li>• Growing population of highly vulnerable children</li><li>• Increasing demand for refuse collection</li><li>• Increasing number of households and highways</li></ul>

<b>Risk rating prior to mitigation</b>	August 2017 – High (16) This rated high for Education Services and Medium for Social Services an overall rating of High has been assigned.					
<b>Links to</b>	Corporate plan, service plans					
Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	December 2017	16	4	4	Unchanged ↔	March 2018
	August 2017	16				
			probability	impact		

Planned Mitigation	Timescales	Current Action Status
<b>Education</b> <b>Increasing population putting extra pressure on school places across Newport.</b> One new school (due to open September 2017) and second new school (due to open September 2018). Both established largely through 106 funding. Additional school places have been established across the city through a capacity exercise. Where schools are being re-developed, (e.g. Bryn Derw, Caerleon Lodge	September 2017 – 2018	<ul style="list-style-type: none"> <li>Jubilee Park Primary opened in September 2017 creating additional pupil places in the west side of the city.</li> <li>The Glan Lyn Primary development has commenced.</li> <li>The new Lodge Hill Primary development has commenced.</li> <li>Newport City Council has committed to match funding £35 Million pounds in addition to a confirmed £35 Million Pounds of Band B 21Century Schools funding from Welsh Government.</li> </ul>

Planned Mitigation	Timescales	Current Action Status
<p>Hill) additional places have been included. Three further new build schools are planned through 106 monies funding from 2019 – 2024 (NB: shortfall in funding that will need to be made up by Authority). Forecasts show that there is also a need for expansion on existing school sites, in specific areas of the city, with significant population growth.</p> <p>A Welsh Government 21<sup>st</sup> Century Band B' schools bid has been made which focusses on Newport's urgent need for additional school places as our key priority.</p> <p><b>•As children with complex needs live longer, the number of children requiring care will increase and the length of care that they require will increase</b></p> <p>The number of educational places within the city need to grow in order to provide provision for pupils with complex needs</p> <p><b>•Growing population of highly vulnerable children:</b></p> <p>The number of Learning Resources Bases across the city will expand to support increased demand of pupils with Special Educational Needs, allowing them to maintain mainstream school places.</p> <p>The total cost of Out of County placements continues to grow. Education Services will develop an analysis and forecast of Out of County Placements in order to facilitate a strategic plan of supporting these needs in the most affordable way over the next five years.</p>	<p>2019 – 24</p> <p>2017-2019 (planning to completion)</p>	<ul style="list-style-type: none"> <li>Statutory notice on the school reorganisation proposal to expand the main Maes Ebbw School has been published. Further places are still required. Scoping work is being undertaken to consider how the tertiary phase of the school could be relocated.</li> <li>The ASD School, Ysgol Bryn Derw opened in September 2017. This has supported a small number of additional spaces at Maes Ebbw.</li> <li>A Learning Resource Base opened in Jubilee Park Primary in September 2017. Lodge Primary and Glan Lyn Primary will include LRBs and are due to open between 2018-19.</li> <li>An analysis of Out of County Placement is complete. This shows a significant increase in places. Forecasting will be derived from this by February 2018.</li> <li>Scoping work is being undertaken on the development of a Key Stage 3 and 4 provision for SEBD pupils within the city (to reduce Out of County Places).</li> </ul>
<p><b>Adult and Community Services</b></p> <p><b>That an increasing percentage of the population are over 65 putting an increasing strain on demand led services, particularly those that are statutory and</b></p>		

Planned Mitigation	Timescales	Current Action Status
<p><b>raising the risk of unplanned significant budgetary overspends.</b></p> <p><u>MANAGING DEMAND – PREVENTION EARLY INTERVENTION</u></p> <ul style="list-style-type: none"> <li>• Older Person’s Pathway - joint initiative with Health, people identified from GP surgeries and offered a Stay Well Plan that is individualised and focused on maintaining well-being and health.</li> <li>• Reconfiguring a number of service pathways including Frailty &amp; Reablement to reduce duplication, streamline provision, facilitate hospital discharge and provide services focused on maintaining independence.</li> <li>• Investment in preventative services including 2 Third Sector consortiums offering information, advice and assistance for any Newport citizen.</li> <li>• Investment into First Contact Team offering advice, assistance and signposting to a full range of services.</li> <li>• Utilisation of ICF for Community Connectors offering community based assistance to people who require support to access low level services</li> </ul> <p><u>MARKET MANAGEMENT</u></p> <ul style="list-style-type: none"> <li>• Domiciliary care and Residential and Nursing provision commissioned robustly. Working closely with providers to ensure services are fit for purpose in terms of quality and capacity. Relationship management ensures flexibility and responsivity</li> <li>• Ensuring in house services are cost effective and targeted at community need.</li> <li>• Cost control –negotiating sustainable fees with</li> </ul>	<p>In Place</p> <p>Ongoing</p> <p>In Place</p> <p>In Place</p> <p>Ongoing</p>	<p>Currently in place in 11 out of 20 GP surgeries in Newport, further roll out planned.</p> <p>Further work required to establish new pathway. This will reduce duplication in the existing process and improve accessibility.</p> <p>Ongoing monitoring to identify impact of provision</p> <p>Social care workforce is complex and challenging. Budgetary restrictions are impacting Nationally. In Newport the ongoing relationship and commissioning oversight ensures stability and there is a focus on encouraging new providers to enter the market</p> <p>Continued delivery of in house provision will be reviewed on an ongoing basis.</p> <p>Annual fee negotiations – ongoing dialogue</p> <p>Workstreams are addressing the issues faced by all Welsh Local</p>

Planned Mitigation	Timescales	Current Action Status
<p>providers that offer value for money whilst protecting the social care workforce</p> <ul style="list-style-type: none"> <li>• Engagement with Regional workstreams to address National issues around the purchase of domiciliary and residential care services</li> <li>• Early engagement with Health to maximise CHC funding for people with Health needs</li> </ul>		<p>Authorities in the delivery of social care – budgets- stability of market</p>
<p><b>Removal of preventative services could impact negatively on statutory services by increasing the demand and complexity of needs.</b></p> <ul style="list-style-type: none"> <li>• Investment in a consortium model of third sector preventative services to offer a single point of contact for all Newport citizens</li> <li>• Investment in a Third Sector mental health consortium in partnership with Health – offering a single point of contact for citizens in Gwent</li> <li>• Utilisation of ICF to deliver a Community Connector Service – offering community support for people to access services.</li> <li>• Utilisation of ICF to employ a Carers Development Officer</li> </ul>	<p>In Place</p> <p>In Place</p> <p>In Place</p> <p>In Place</p>	<p>Ongoing monitoring to measure effectiveness at managing demand and offering interventions and assistance to those who would not be eligible for statutory care but who need support.</p> <p>Ongoing monitoring to measure effectiveness at managing demand and offering interventions and assistance to those who would not be eligible for statutory care but who need support.</p> <p>Ongoing monitoring to measure effectiveness at managing demand.</p> <p>Working with Carers groups to ensure they are supported in their role and to minimise the instances of carer breakdown. A new carers network has been established to improve engagement and communication</p>
<p><b>Children and Family Services</b>  <b>As children with complex needs live longer, the number of children requiring care will increase and the length of care that they require will increase.</b></p> <p><b>Growing population of highly vulnerable children</b></p> <p>Investment in developing preventative services to work with</p>		

Planned Mitigation	Timescales	Current Action Status
<p>families to build resilience and to prevent children from being accommodated:</p> <ul style="list-style-type: none"> <li>• Re-tendering for the Strategic Collaborative Partnership that delivers the Family Assessment Support Service (FASS) and Family Support Team (FST)</li> <li>• Tendering for short break services for families with Children with disabilities.</li> <li>• Providing in house respite service for families with children with disabilities.</li> <li>• Carers Development Officer supports families with Children with disabilities</li> </ul> <p>Engagement with Regional work streams to address developing a consistent framework around Continuing Health Care Process.</p> <p>Cost control – negotiating sustainable fees with providers that offer value for money whilst protecting the social care workforce</p>	<p>In place</p> <p>On going</p> <p>On going</p> <p>In place</p> <p>In place</p> <p>On going</p> <p>On going</p>	<p>Currently in process. Barnardos has been awarded the contract and final negotiations are underway for service implementation on 1<sup>st</sup> April 2018.</p> <p>Currently in process. When successful tenderer has been awarded contract work will commence with provider to develop service and be on going contract management</p> <p>Ongoing monitoring to measure effectiveness at managing demand. Newly established Carers Network ensures better communication and engagement with carer/parent groups</p> <p>Work streams are addressing national concerns raised by Welsh Local Authorities. Conclusion of the work will inform direction of travel.</p> <p>Continued fee negotiations with providers to ensure best value and to ensure best outcomes.</p> <p>Standard monitoring of pay rates, travel time e,t,c, to encourage recruitment and retention within the independent sector</p>
<b>Responsible Officer:</b>	Strategic Director – People	
<b>Responsible Cabinet Member(s):</b>	Cabinet Member for Education and Skills Cabinet Member for Social Services	

**Risk 8**

<b>Risk name</b>		Risk of stability of external suppliers				
<b>Description/Rationale</b>		Growing cost of delivering services and purchasing materials will impact on external supplier's ability to continue to fulfil contract obligations. Potentially short notice of inability to provide services				
<b>Risk rating prior to mitigation</b>		August 2017 – High (20)				
<b>Links to</b>		Change programme, service planning, corporate plan etc.				
Present Matrix	Assessment Date	Present Risk Score	Present Score Breakdown		Direction of Risk	Review Date
			Probability	Impact		
	December 2017	20	4	5	Unchanged	March 2018
	<i>August 2017</i>	<i>20</i>	probability	impact		

Planned Mitigation	Timescales	Current Action Status
<u>Market Management</u> Consultation and engagement with social care providers	Ongoing	It is critical to maintain the momentum of dialogue with providers if we are to maximise our influence on the social care market. We have a responsibility to protect the sustainability of services and to ensure appropriate care is available at a fair cost to meet the needs of Newport citizens.
	Ongoing	Continuous dialogue with Providers to understand the real costs of care, helping them to operate efficiently and escalating identified pressures through the appropriate financial channels.

Planned Mitigation	Timescales	Current Action Status
<p><b><u>Encouraging New Providers To Enter The Market</u></b> The offer of block contracts for domiciliary care hours that provides incentive for new providers and creates a diverse market place.</p> <p>Open dialogue with providers interested in entering the market to ensure they are fully informed about service demand and future commissioning intentions</p> <p><b><u>Developing New Sustainable Models of Service &amp; Maximising Alternative Funding</u></b> Working with partners such as Housing and Health to develop new services that are more financially sustainable and offer better opportunities for people to live independently</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Particular progress in relation to understanding and managing the costs associated with Children’s placements but more work needs to be done in this area as demand outstrips supply.</p> <p>Block contracts are offered for a period of 3 – 5 years but 3 domiciliary care agencies have given notice and ceased trading in Newport over the past year. Three new providers have entered the market as a result of successful bids for NCC contracts but the market remains difficult with demand for services increasing.</p> <p>Ongoing work with new &amp; existing providers to ensure they can develop their business in Newport and become sustainable.</p> <p>Ty Eirlys is a new supported living scheme for 13 people with Learning Disabilities in Newport, its success will offer further opportunity for more developments of its kind that are based on independent living and minimise the level of reliance on Community Care budgets</p> <p>Centrica Lodge is being re-developed by way of a capital grant from Welsh Government via the ICF. This will improve accessibility through the provision of a lift to the first floor and enable further development of the independent living skills aspect of the service</p>

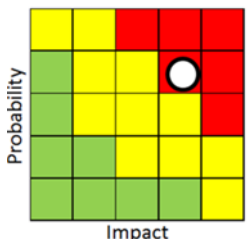



Planned Mitigation	Timescales	Current Action Status
<p><b><u>Working With Commissioning Partners</u></b> Working Regionally &amp; Nationally to share knowledge, best practice, market intelligence and to develop commissioning strategies in both adults and children's services</p> <p><b><u>Commissioning Function</u></b> Strong, well organised Commissioning function and agreed strategies that effectively oversees and controls all purchasing activity and understands the local market. The Commissioning team are fully sighted on market issues, have well developed relationships with providers and work closely with operational teams to source good quality sustainable services.</p>	Ongoing	<p>Continued work with the 4C's Consortium in relation to sourcing appropriate placements for Children</p> <p>Engaged with the National Commissioning Board, set up by the Welsh Government to address issues within the residential care sector for older people, currently developing a regional contract in order to streamline processes, create a consistent approach, improve communication and generate efficiencies.</p> <p>Engaged with the National work-stream around domiciliary care to address the issues around workforce stability and market resilience</p> <p>Most providers operate in multiple local authority areas, so sharing intelligence with other commissioners is essential</p>
	Ongoing	<p>It is vital that we have a strong Commissioning Team in order to respond to challenges presented by the external market including poor provider performance, provider failure, providers giving notice on complex packages and providers exiting the market - failure to do so would put vulnerable people at risk.</p>
	Ongoing	<p>Effective commissioning of care and placements that require Providers to demonstrate sustainable staff recruitment and retention practices, including pay rates and training opportunities.</p>

Planned Mitigation	Timescales	Current Action Status
<b>Responsible Officer:</b>	Strategic Director -People	
<b>Responsible Cabinet Member(s):</b>	Cabinet Member for Social Services	

**Risk 9**

<b>Risk name</b>	<b>Increasing pressure on existing infrastructure</b>
<b>Description/Rationale</b>	<p>The M4 Bridge tolls will be abolished for all vehicles at the end of 2018 with an interim reduction in tolls being introduced on the 8<sup>th</sup> January 2018. This is a positive opportunity for the city but the council must consider the potential impact on existing infrastructure.</p> <p>Traffic at the Toll's is currently 'held' back and released creating a pulsing effect on traffic entering Wales.. Removal of this effect will result in more traffic reaching the 2 lane sections at Magor and the Brynglas tunnels quicker, with associated congestion.</p> <p>Although that is primarily a network management issue for the SW Trunk Road Agency, it is likely to result in rat running on alternative routes impacting on the city's network. Increased use of the Steelworks Access Road, SDR and Chepstow Road is anticipated as the main alternatives motorists will seek to use. We know this with some confidence due to the regular effect on our network of congestion, road collisions and roadworks on the M4 .</p> <p>The tolls are a barrier to logistics companies (some firms spend £200k per annum in toll fees); therefore many logistics and distribution firms locate on the English side of the bridge. Removal of the tolls is likely to result in a review of location, with the potential relocation in and around Newport increasing the impact on local networks</p> <p>House prices in Bristol are relatively expensive; therefore removal of the tolls could increase the attractiveness of living on the Welsh side and commuting to Bristol. This presents an opportunity for Newport, especially locations with good motorway access east of the tunnels but it will attract significant additional car journeys.</p> <p>Increased light and heavy vehicular usage will impact on the whole life of our highway assets and result in increased routine maintenance and associated revenue and capital investment.</p> <p>Any additional traffic will be detrimental to air quality – particularly within the city's existing AQMAs</p> <p><b>Impact on public transport and Council services</b></p> <p>Increased traffic on local roads will have a detrimental impact on journey time/reliability. It will also increase</p>

		operating costs for public transport and council services that rely on road based delivery models. (the Welsh Assembly Enterprise and skills committee are undertaking an inquiry into the impact of congestion on bus services). Consideration of additional resources or different delivery models may be required as mitigation				
<b>Risk rating prior to mitigation</b>		August 2017 – High (16)				
<b>Links to</b>		Corporate Plan, service plan				
<b>Present Matrix</b>	<b>Assessment Date</b>	<b>Present Risk Score</b>	<b>Present Score Breakdown</b>		<b>Direction of Risk</b>	<b>Review Date</b>
			<b>Probability</b>	<b>Impact</b>		
	December 2017	16	4	4	Unchanged 	March 2018
	August 2017	16	probability	impact		

<b>Planned Mitigation</b>	<b>Timescales</b>	<b>Current Action Status</b>
<ul style="list-style-type: none"> <li>In the long term, the successful delivery of the proposed M4 would have the potential to mitigate the effects of the toll removal through Newport.</li> </ul>	Start date: spring 2018 End date: end 2022	This proposal is still at Public Enquiry stage
<ul style="list-style-type: none"> <li>Improved Public Transport Measures (including Great Western Cities Initiative to improve rail connectivity between Newport, Cardiff and Bristol, Bus Rapid Transport and Metro).</li> <li>Improved links to existing M4</li> </ul>	Unknown  Start date: March 2015 End date:	Various feasibility studies have been commissioned to increase connectivity through the city and are waiting funding to progress.  Newport are currently working with WG on improving transport links, congestion and journey times through the Junction 28, Forge Road and Tredegar Park roundabouts reconfiguration works.

	2018	
<b>Responsible Officer:</b>	Strategic Director -Place	
<b>Responsible Cabinet Member(s):</b>	Cabinet Member for Streetscene	

## Risk 10

<b>Risk name</b>	Climate Change: Effects on future condition and availability of Council Infrastructure and reducing the future impact of further greenhouse gas emissions.
<b>Description/Rationale</b>	<p>It is generally accepted that the effects of global warming will result in:</p> <ul style="list-style-type: none"><li>· All areas of the UK get warmer and the warming is greater in summer than in winter;</li><li>· Little change in the amount of precipitation (rain, hail, snow etc) that falls annually but it is likely that more of it will fall in the winter with drier summers for much of the UK</li><li>· Sea levels rise – more in the south of the UK than the North.</li></ul> <p>To tackle the challenge of climate change, Newport needs to act on two fronts;</p> <ul style="list-style-type: none"><li>• Prepare for the changes that are already happening because of the greenhouse gases which have already been released</li><li>• Reduce the greenhouse gases we emit through our operation by reducing and decarbonising our energy consumption</li></ul> <p><b>Preparing for the changes</b></p> <p>Newport should consider how various climate change variables such as intense or prolonged rainfall; hotter temperatures and higher wind speed will impact on the type of highway assets that they manage and the likelihood of these events occurring. By doing this the greatest generic risks to network closure or restriction can be identified. These are likely to be;</p> <ul style="list-style-type: none"><li>• Flooding (pluvial, fluvial, groundwater and coastal)</li><li>• Snow</li><li>• Landslips</li><li>• Scour</li><li>• Wind damage</li><li>• Heat/ water and frost damage</li><li>• Disruption at interchanges with other transport modes such as rail and bus.</li><li>• Inadequate or over stretched resources to meet demand</li></ul> <p>Newport should review and apply the latest UK Climate Projections, as developed by the Met Office and Environment Agency, when assessing future risk and vulnerability. These projections for future changes to both</p>

average climatic conditions and also the frequency of extreme weather events, allow for an understanding of where risk levels may change, and the identification of new risks which may emerge as the climate changes. When applied alongside records of past incidents, and other information sources (such as flood maps), climate projections may also help to identify when and what action should be taken to adapt to the risks.

The locations where there is potential for these events to occur on the Network should be identified. This can be done using the highway asset inventory and records of past incidents of weather related damage or incidents such as flooding or landslips. The local Flood Risk Management Plans should also be used to identify areas prone to flooding. Where possible, local knowledge should be used to validate the findings.

### **Decarbonising and reducing our energy consumption**

The Environment (Wales) Act 2016 requires that Wales reduce its carbon emissions by 80% by 2050; The Cabinet Secretary for Environment and Rural Affairs has set the ambition for the Welsh Public Sector to be carbon neutral by 2030. Welsh Government are also considering how interim carbon targets and budgets will be set from now until from now until 2050.

In 2016/17 Newport City Council was responsible for the direct (scope 1 and 2) greenhouse gas emissions of 17,224 Tonnes of CO<sub>2</sub>eq from our electricity and gas supply alone. Although a significant improvement on previous years, with fleet vehicles adding to this total, the impact of the day to day operation of the council is substantial. Indirect emissions, such as from procurement of goods and services, waste and employee commuting may also be considered in the future. Achieving the required reduction will be a challenge, but there is considerable potential for improvement with the correct investment.

Work is being undertaken to identify and prioritise the most effective methods of energy and carbon reduction across out estate and fleet.

The need for a greener national electricity system is contributing towards increasing energy costs for consumers. The UK Government (BEIS) mid-range forecast predicts that prices will increase at circa 4% per annum until 2025. This represents a significant increase in the cost of electricity for Newport City Council if no reductions are made.

Newport City Council has limited renewable energy generation across our estate, increasing this significantly would be a major step towards meeting emission reduction targets. Potential sites are currently under review,

Some of the risks may have the potential to be reduced by mitigation action. Such action could range from improved routine inspection or maintenance regimes to major asset improvement or replacement works. Options for

		mitigating the greatest risks should be explored with a view to prioritising those measures that will provide the greatest return on investment in terms of reduced risk. These measures should be integrated with the asset management plan with an appropriate weighting.				
<b>Risk rating prior to mitigation</b>		August 2017 – Medium (12): There are a number of risks within this document, each with an individual risk ranging from low to high. The average risk as a whole has been calculated as upper medium				
<b>Links to</b>		NCC Assets, Streetscene Service , Civil Emergencies and Severe Weather Emergency Plans				
<b>Present Matrix</b>	<b>Assessment Date</b>	<b>Present Risk Score</b>	<b>Present Score Breakdown</b>		<b>Direction of Risk</b>	<b>Review Date</b>
			<b>Probability</b>	<b>Impact</b>		
	December 2017	12	3	4	Unchanged ↔	March 2018
	August 2017	12	probability	impact		

<b>Planned Mitigation</b>	<b>Timescales</b>	<b>Current Action Status</b>
Produce and implement a Carbon Management and Implementation plan to set out a strategy, objectives and programme to reduce overall carbon emissions, provide investment opportunities and to mitigate against anticipated increases in energy supply costs.	Ongoing (spring 2018)	Newport is currently evidence gathering and scoping carbon, energy and cost savings measures will be delivered in 2018/19 and beyond.



Planned Mitigation	Timescales	Current Action Status
<p>Aim to get the best value for money from procurement of utilities through the National Procurement Service. Wherever possible purchase electricity backed by Renewable Energy Guarantee of Origin Certificates.</p>	Ongoing	Continue to review energy supply options and secure the best value and lowest carbon energy supply for Newport.
<p>Undertake a full review of the Council's assets and their suitability for the application of renewable energy technologies to deliver Carbon and financial benefits.</p>	Ongoing	Review of all council assets using external expert support in progress, feasibility studies and business cases will be put forward in support of the carbon management plan.
<p>Plan and deliver Sustainable Urban Drainage Systems (SuDS) - SuDS such as permeable surfaces, swales, wetlands and ponds can play an important role in managing local flood risk in urban areas since they replicate natural surface water drainage systems.</p>	Ongoing	<p>Welsh Government is currently consulting on legislation for the Implementation of sustainable drainage systems on new developments.</p> <p>The primary aim of this legislation is;</p> <ul style="list-style-type: none"> <li>- To encourage SUDS on new developments, such as swales, ponds, storage areas, etc. in order to manage drainage and surface water;</li> <li>- For a SAB (<b>SUDS Approval Body</b>) to be implemented within each council to review SUDS designs prior to construction;</li> <li>- For SAB'S (Local Authorities) to adopt and maintain SUDS over their lifetime.</li> </ul>
<p>Comprehensive and robust Adverse Weather Plans.</p>	Existing	<p>The plan will evolve to mitigate the effects of climate change as they start to impact on council services and assets</p> <p>Consideration needs to be given to the provision of a suitable co-ordination structure and associated resources to prepare for the impact.</p>

Planned Mitigation	Timescales	Current Action Status
<p>Plan and deliver green infrastructure - green infrastructure (trees, parks, open space etc) is important because it can help to keep cities cool in the summer, provide drainage routes for surface water and provide pathways through the urban environment for biodiversity to migrate as the climate changes.</p>	Existing	<p>The Green Infrastructure of the authority is monitored and managed primarily through overarching plans, policies and guidance such as LANDmap, the Local Development Plan, the Biodiversity Action Plan, the Fields in trust Standards and the assessment of Accessible Natural Greenspace provision.</p> <p>Develop the criteria for the Special Landscape Areas.</p> <p>Gwent Levels Landscape Character Assessment and Green Infrastructure assessment through the Living Levels project.</p> <p>Comprehensive management and replacement programmes for trees and woodlands.</p>
<p>Selection of road surfacing materials that have a higher resistance to heat damage and /or heat reflectivity. Increased preventative maintenance to seal surfaces to water ingress and arrest disintegration.</p>	Under review	<p>Newport will continue to review the performance of materials and promote timely intervention to secure the whole life of assets. Advances in materials and technology will be embraced where and when applicable.</p>
<p>Maximise on available Welsh Government funding to improve the defence of the city against fluvial and coastal flooding.</p>	Ongoing	<p>Newport will continue to work with all relevant partners to secure funding to mitigate these risks. However, lack of capital funding to meet the authority's contribution (circa 25%) can be a barrier.</p>
<p><b>Responsible Officer:</b></p>	Strategic Director – Place	
<p><b>Responsible Cabinet Member(s):</b></p>	Deputy Leader / Cabinet Member for Assets Cabinet Member for Streetscene	

### Risk 11

<b>Risk name</b>	<b>Increasing demands on IT Services and the modernisation agenda</b>					
<b>Description/Rationale</b>	Increased demand for IT services with a reducing budget poses a risk to the future development of IT infrastructure and the development and delivery of the modernised council agenda.					
<b>Risk rating prior to mitigation</b>	August 2017 – Medium (6)					
<b>Links to</b>	Corporate Plan, People and Business Change Service Plan, modernised council agenda					
<b>Present Matrix</b>	<b>Assessment Date</b>	<b>Present Risk Score</b>	<b>Present Score Breakdown</b>		<b>Direction of Risk</b>	<b>Review Date</b>
	December 2017	6	2	3	Unchanged ↔	March 2018
	August 2017	6	probability	impact		

<b>Planned Mitigation</b>	<b>Timescales</b>	<b>Current Action Status</b>
Manage and develop effective IT services following transition to SRS by establishing strong retained client-side management arrangements, processes and procedures	On-going	Arrangements in place to monitor planned work and projects as part of client side management arrangements. More strategic issues being addressed following transfer of service in conjunction with SRS Delivery Group
Development and implementation of digital by default by committing to move all transactional services online and fully digitising the back-office	On-going	Strategic aims and objectives being developed and will be managed in line with work on 'Modernising Council'. Also monitored by the council's Digital Board. Good progress on streamlining internal forms processes.
Monitoring of carefully considered data set to manage performance of the SRS arrangement/demand on services	On-going	Performance measures are in place and will be monitored on a quarterly basis. Monthly performance information provided by SRS reviewed at SRS Delivery Group and Digital Board.
<b>Responsible Officer:</b>	Strategic Director – Place	
<b>Responsible Cabinet Member(s):</b>	Cabinet Member for Community & Resources	

**Risk 12**

<b>Risk name</b>		<b>Increasing risk of cyber attack</b>				
<b>Description/Rationale</b>		Risk of data loss, disaster recovery, impact of possible fines				
<b>Risk rating prior to mitigation</b>		August 2017 – Medium (9)				
<b>Links to</b>		Corporate Plan, People and Business Change Service Plan, modernised council agenda				
<b>Present Matrix</b>	<b>Assessment Date</b>	<b>Present Risk Score</b>	<b>Present Score Breakdown</b>		<b>Direction of Risk</b>	<b>Review Date</b>
			<b>Probability</b>	<b>Impact</b>		
	December 2017	9	3	3	Unchanged ↔	March 2018
	August 2017	9	probability	impact		

<b>Planned Mitigation</b>	<b>Timescales</b>	<b>Current Action Status</b>
Using and Securing Data in line with the council's Digital Strategy. Numerous information risk management activities including the role of the Information Governance Group, Senior Information Risk Owner (SIRO), and Annual Information Risk Report. Also managing compliance, information security incident management, training and awareness raising.	Most of these activities are carried out throughout the year	Most of the activities are carried out on an on-going basis. Vulnerabilities identified by the Annual IT Health Check are being addressed in line with Public Services Network (PSN) accreditation. Lessons have been learned as a result of previous incidents and improvements have been made to business continuity arrangements with further improvements scheduled. The Information Governance Group, SIRO and information governance team manage information risk on behalf of the council.
<b>Responsible Officer:</b>	Strategic Director – Place	
<b>Responsible Cabinet Member(s):</b>	Cabinet Member for Community & Resources	

**Risk 13**

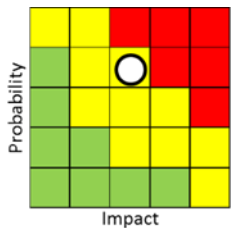
<b>Risk name</b>	Asset Management – Carriageways and Buildings
<b>Description/Rationale</b>	<p><b><u>Carriageways</u></b></p> <p>It is acknowledged throughout Wales that current funding levels fail to ensure a minimum of steady state in highway condition and untreated highway assets continue to deteriorate. Although Newport has proactively used its powers to fund highway condition improvements through prudential borrowing and has benefited from Welsh Government's Local Government Borrowing Initiative (LGBI), the cessation of the Welsh Governments Road Maintenance Grant has resulted in under investment into the city's carriageway asset stock since 2014/15.</p> <p>Carriageway condition is a Public Accountability Measure within the council's suite of performance indicators. Using the Horizons asset management tool, highway condition can be forecasted for future years against differing levels of capital funding. Using a zero capital budget scenario, the condition evaluations are:</p> <ul style="list-style-type: none"> <li>▪ Cost (over 5 year period) to bring the network up to standard (clear maintenance backlog) = £31.8M.</li> <li>▪ Cost (over 5 year period) to keep the PIs PAM 020,021 and 022 at a steady state (maintain current network condition) = £13.4M.</li> <li>▪ Gross replacement cost £646M.</li> </ul> <p><b><u>Buildings</u></b></p> <p>Newport City Council has a significant property estate, many of which have suffered from a lack of annual and cyclical repair, maintenance and investment. £1.5M is invested annually within the NCC estate from the Capital Maintenance Programme, however, this is not enabling a meaningful impact in reducing the maintenance backlog, which is estimated to be at a value of £50M (<i>dated May 2017</i>). NCC is investing its repair and maintenance programme at a rate of £105/m2 which is particularly low compared to adjacent authorities and public sector organisations.</p> <p>The majority of backlog is contained within building elements such as roofs, timber windows, boilers and electrical works. Based on a maintenance backlog estimate of £50M and assuming a £3M annual depreciation across the estate an investment of £8M per annum would be required.</p>

<b>Risk rating prior to mitigation</b>		August 2017 – High (20)				
<b>Links to</b>		Streetscene Service Plans since 2014/15. Corporate Property Strategy and Strategic Asset Management Plan 2013-2018 Corporate Asset Management Plan 2018-2023				
<b>Present Matrix</b>	<b>Assessment Date</b>	<b>Present Risk Score</b>	<b>Present Score Breakdown</b>		<b>Direction of Risk</b>	<b>Review Date</b>
			<b>Probability</b>	<b>Impact</b>		
	December 2017	20	5	4	Unchanged ↔  An updated highway condition assessment will be undertaken to inform the March review. Steady state risk assumed for the December review	March 2018
	August 2017	20	probability	impact		

<b>Planned Mitigation</b>	<b>Timescales</b>	<b>Current Action Status</b>
Carriageways – The limited capital investment has been implemented to maximise the safety, serviceability and sustainability of the highway asset. However, asset condition continues to decline	Annual	<ul style="list-style-type: none"> <li>This limited intervention will continue as long as funding can be apportioned out of the Streetscene Capital Annual Sums</li> <li>£250k was invested in the carriageway assets through 2017/18 from the council's Annual Sums.</li> </ul>
Carriageways – Robust highway inspection and repair regimes mitigate the risk of 3 <sup>rd</sup> party claims as a result of failure of duty to maintain the highway under Section 41 Highways Act	Continual	This work is ongoing but although it ensures highway safety, it has no impact on the mitigation of the initial risk to the whole life of the asset

Carriageways – Support WLGA in its lobbying of Welsh Government for the reintroduction of funding through another round of LGBI	Continual	There is no indication that any additional funding will be made available in the foreseeable future
Buildings – Condition surveys are being enhanced for 2017/18 and 2018/19 to better understand the entire estate, with a reduced commitment for each year thereafter for cyclical condition surveys and specialist surveys to accompany.	Annual	Tendering, evaluation and commissioning of condition surveys due to take place before October 2017.
Buildings – A greater level of programming and prioritisation of the Capital Maintenance Programme for delivery to include life expectancy, building sufficiency and suitability, as well as backlog value.		
<b>Responsible Officer:</b>	Strategic Director - Place	
<b>Responsible Cabinet Member(s):</b>	Cabinet Member for Streetscene Deputy Leader / Cabinet Member for Assets	

**Risk 14**

<b>Risk name</b>		<b>Recruitment and retention of specialist professional staff</b>				
<b>Description/Rationale</b>		Resilience of Council services and ability to retain specialist professional staff and attract new employees in a competitive market place				
<b>Risk rating prior to mitigation</b>		August 2017 – Medium (12)				
<b>Links to</b>		Corporate Plan				
<b>Present Matrix</b>	<b>Assessment Date</b>	<b>Present Risk Score</b>	<b>Present Score Breakdown</b>		<b>Direction of Risk</b>	<b>Review Date</b>
			<b>Probability</b>	<b>Impact</b>		
	December 2017	12	4	3	Unchanged ↔	March 2018
	August 2017	12	probability	impact		

<b>Planned Mitigation</b>	<b>Timescales</b>	<b>Current Action Status</b>
Review of equal pay audit in March 2018 to ensure integrity of the Council's pay and grading system	March 2018	
Effective succession planning practices demonstrated in key service areas where risk is perceived to be high	Ongoing	Heads of Service will be required to effectively succession plan to ensure internal talent is being developed in order to successfully appoint to key positions when vacancies arise due to external progression. Heads of Service will need to work closely with their HR Business Partner to identify their individual risks and what development needs exist within their current workforce.
<b>Responsible Officer:</b>	Chief Executive	
<b>Responsible Cabinet Member(s):</b>	Cabinet Member for Community and Resources	



## Appendix 2

### How the Council Assesses Risk

An assessment of the likelihood and impact of risk is important to measure, compare and monitor risks to ensure efficient use of resources and effective decision making. This assessment is carried out using the risk matrix as described below.

### Risk Assessment Matrix

A Corporate Risk Register will contain the high level risks for the whole authority. In order to differentiate between these high level risks a 5x5 risk assessment matrix will be applied. The matrix is shown below and further detail is included in appendix one.

Risks are scored using the scoring system for probability and impact and assigned a rating based on the tolerances set out in the matrix below

### Risk Scoring

Probability description	Score
Very Low probability	1
Low probability	2
Medium probability	3
High probability	4
Very high probability	5
Impact description	Score
Negligible	1
Low	2
Medium	3
High	4
Very High	5

### Risk Matrix

<b>Probability</b>	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		<b>Impact</b>				

## Impact Matrix

Rating	Severity of impact	General description	Impact factors (and examples of what they might look like)							
			Strategic	Operational	Financial	Resources	Governance	Health & Safety	Reputational	
1	<b>Negligible</b>	Low impact. Localised effect		Minor disturbance of non-key area of operations	Unplanned budgetary disturbance <£100k	Loss of asset/money with value >£2k			Reportable (non-serious) accident affecting one employee/member of public/service user	Isolated complaint(s)
2	<b>Low</b>	Low impact for organisation as a whole. Medium localised impact		Minor disruption of a key area of operations or more significant disruption to a non-key area of operations	Unplanned budgetary disturbance £100-£500k	Loss of asset/money with value £2-10k	Mild WAO criticism in report. Mild criticism from a legal/regulatory authority. Isolated fraud	Reportable (non-serious) accident affecting small number of employees/members of public/service users	Formal complaints from a section of stakeholders or an institution	
3	<b>Medium</b>	Medium impact for organisation as a whole	Noticeable constraint on achievement of a key strategic objective	Major disruption of a service area for a short period or more minor disruption of a service area for a prolonged period	Unplanned budgetary disturbance £500k-£2M	Loss of asset/money with value £10-50k	Adverse WAO report. Significant criticism from a legal/regulatory authority requiring a change of policy/procedures. Small-scale fraud relating to a number of people or more significant fraud relating to one person	Reportable (non-serious) accident(s) affecting a significant number of employees/members of public/service users or a serious injury to a single employee/member of public/service user	Formal complaints from a wide range of stakeholders (e.g. several institutions), adverse local press, complaint/s upheld by Ombudsman	

Rating	Severity of impact	General description	Impact factors (and examples of what they might look like)						
			Strategic	Operational	Financial	Resources	Governance	Health & Safety	Reputational
4	High	High impact for organisation as a whole	Severe constraint on achievement of a key strategic objective	Major disruption of a service area for a prolonged period or major disruption of several service areas for a shorter period	Unplanned budgetary disturbance £2-5M	Loss of asset/money with value £50-100k	Qualified account. Severe criticism from WAO/legal/regulatory authority requiring major overhaul of policy/procedures, Significant fraud relating to several employees	Serious injury of several employees/members of public/service users	Significant loss of confidence amongst a key stakeholder group. Adverse national press
5	Very High	Catastrophic	Failure of a key strategic objective	Major disruption of several key areas of operations for a prolonged period	Unplanned budgetary disturbance >£5M	Loss of asset/money with value >£100k	Severe service failure resulting in WAG intervention/special measures Widespread significant fraud	Death of employee(s)	Severe loss of confidence amongst several key stakeholder groups. Damning national press

## Probability

Score	General Description	Definition
1	Very Low probability	2% chance of occurrence
2	Low probability	5% chance of occurrence
3	Medium probability	10% chance of occurrence
4	High probability	20% chance of occurrence
5	Very high probability	50% chance of occurrence



# Report

## Audit Committee

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### Part 1

Date: 23 January 2018

Item No: 6

### Subject **Monitoring Regulatory Reports**

**Purpose** To provide Audit Committee with information about the regulatory reports that have been received by the Authority and the arrangements to follow up on any recommendations made.

**Author** Rhys Cornwall, Head of People and Business Change,  
Mike Dickie, Business Service Development Manager,  
Rachel Kalahar, Senior Performance Management Officer  
Catherine Davies, Performance Management Officer

**Ward** All

**Summary** This report details regulatory reports that have been received by the authority from our main regulators, Wales Audit Office (WAO), Care and Social Services Inspectorate Wales (CSSIW) and Estyn.

Each of the regulatory reports contains recommendations or proposals on areas of service delivery where the authority can make improvements. It is important that the authority take note of these proposals and plan actions to address.

This report sets out where the actions to address the findings of these reports will be monitored to ensure good progress is made.

**Proposal** Audit Committee is asked to note the contents of the report and ensure that the council is addressing regulatory reports appropriately.

**Action by** Heads of Service

**Timetable** Immediate

This report was prepared after consultation with:

- Head of Law & Regulation
- Chief Democratic Services Officer
- Head of People and Business Change
- Head of Finance
- Chair of Cabinet
- Audit Committee

**Signed**

## Background

This report builds on the information provided periodically to the Audit Committee since 19<sup>th</sup> September 2013. For ease of reading this report only includes details of the last 12 months activity. Reviews from our main regulators are included, Wales Audit Office (WAO), Care and Social Services Inspectorate Wales (CSSIW), Estyn and more recently, Her Majesty's Inspectorate of Probation (HMIP).

Each of the regulatory reports contains recommendations or proposals on areas of service delivery where the authority can make improvements. It is important that the authority take note of these proposals and plan actions to address.

### New Information for this report

- CSSIW performance review letter
- WAO Certificate of Compliance 1
- WAO Certificate of Compliance 2
- Audit of Financial Statement (ISA 2600) Report 2016/17
- Audit Opinion on the 2016-17 financial statements

### Monitoring WAO Proposals for Improvement and recommendations

To date, the monitoring of the proposals for improvement made by WAO are reported to Cabinet, whereas the monitoring arrangements for CSSIW and Estyn reports are through Scrutiny. Progress monitoring reports for the WAO proposals for improvement are reported to Cabinet on a quarterly basis. These quarterly reports to Cabinet include updates of the open Proposals for Improvement and the recommendations arising from the Corporate Assessment. The WAO reviewed the Corporate Assessment in 2016; the final report was issued in August 2016, a new action plan has been completed in response. The latest update on the recommendations and proposals for improvement is included in appendix 2. Links to the reports provided in the last 12 months are below.

Cabinet 24<sup>th</sup> April 2017

<https://msmodgovdb01.corporate.newport/documents/s8238/WAO%20Action%20Plan%20Update.pdf>

## WAO Work Programme

### Local Studies

WAO Undertake a programme of work at the council about our local arrangements. The following local work has been carried out

- Data Quality Review
- Governance Thematic Review
- WAO Certificate of Compliance 1 – Improvement Assessment Audit
- WAO Certificate of Compliance 2 – Performance Assessment Audit
- Annual Improvement Report

The following are in progress in 2017/18

- Scrutiny for the future thematic review
- Transformation thematic review
- How well do councils provide services to rural communities?

### National Studies

In addition to the local work that WAO undertake at the council they also carry out a number of national studies each year on various topics. The outcomes of these studies are to identify trends across Wales and to identify best practice. WAO select a handful of authorities to be study sites where more detailed assessments are carried out.

We have been asked to participate in the following National Studies over the next few months;

- Improving wellbeing through housing adaptations - Newport is a study site, fieldwork completed February 2017 the WAO are visiting several other authorities so the report is currently being drafted by the WAO
- Using Data Effectively – electronic survey underway
- How well do councils provide services to rural communities – document review only

### Roles and Responsibilities

Body	Role	Responsibilities
Cabinet	To receive and respond to service review reports by drawing up appropriate and robust action plans. To work with officers to ensure delivery of those action plans.	To receive 'whole authority' reports from the major regulatory bodies (WAO, CSSIW and Estyn) and endorse action plans for consideration and monitoring (where appropriate) by Scrutiny. To receive quarterly monitoring reports on the Proposals for Improvement.
Cabinet Members		To receive whole authority reports. To receive specific review reports and endorse action plans for consideration and monitoring by Scrutiny. To ensure delivery of action plans.
Audit Committee	To ensure all regulatory reports are being appropriately dealt with, and the council's risk management and internal control mechanisms are adequate.	To receive six monthly overview reports about the position of the regulatory reports received by the authority, including summary findings of reports received. To be advised of upcoming regulatory reports.
Scrutiny Committees	To hold the Executive to account in responding to regulatory reports, ensuring actions plans are robust, and progress is being made in delivering them.	To receive all regulatory reports and resulting action plans and to monitor the progress of the action plans as appropriate.
Chief Executive, Directors, Heads of Service and Senior Managers	To present and deliver action plans and ensure these plans are monitored through service planning or other scrutiny arrangements.	To input into the whole authority and specific review reports as appropriate. To work with Cabinet Members to ensure delivery of action plans.

### Types of regulatory report

There are two types of report that are received from regulators, whole authority (or whole service) reports, and specific review reports.

- 'Whole Authority' reports are those that cover the governance of the authority or the whole scope of the regulator. Examples of this would be the Corporate Assessment, Improvement Letters, Estyn Inspection of Local Authority Services, and the CSSIW Annual Review and Evaluation of Performance. These reports will be considered by Cabinet and final reports will generally be presented by the regulator that authored the report.
- 'Specific Review' reports are those on a single topic, e.g. Waste Management or Regeneration. These reports will be considered by the relevant Cabinet Member.

### Financial Summary

- There are no specific financial implications from this report

## Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
That the authority may not comply with the Local Government Measure in this respect	M	M	Processes have been put in place to capture, monitor and manage proposals from regulators.	
That the authority does not have a full picture of the regulatory activity	M	L	This overview report, the cabinet reports and regular future reports on this topic will address this issue.	

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

This report contributes in some way to all of the council's priorities.

## Options Available

For information

## Comments of Chief Financial Officer

There are no specific financial consequences arising from this report. There may be financial consequences arising from the individual regulatory reports and these will be picked up within those reports as appropriate.

## Comments of Monitoring Officer

There are no specific legal issues arising from the Report. However, the Local Government (Wales) Measure 2011 and relevant statutory guidance now requires that Audit Committee should be informed of all external audit or regulatory reports, so they can be satisfied with the measures adopted to address any issues identified and to mitigate any internal risks. Following the processes set out in this report, Cabinet, Scrutiny Committee's and Audit Committee will need to exercise a greater overview over regulatory reports in future..

## Comments of Head of People and Business Change

There are no direct staffing implications associated with this report.

This report enables the authority to have an overview of the regulatory reports received by the authority, and as such, complies further with the Local Government (Wales) Measure 2011 and the Wellbeing of Future Generations (Wales) act 2015. Actions taken to address proposals from regulators will help to make the functions of the council more robust and sustainable for the future. By ensuring that reports and action plans are reported to the appropriate committee it allows for oversight and accountability for the progress made.

## Local issues

None

## Scrutiny Committees

Not applicable.



## **Equalities Impact Assessment and the Equalities Act 2010**

The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

## **Children and Families (Wales) Measure**

Although no targeted consultation takes place specifically aimed at children and young people, consultation on planning applications and appeals is open to all of our citizens regardless of their age. Depending on the scale of the proposed development, applications are publicised via letters to neighbouring occupiers, site notices, press notices and/or social media. People replying to consultations are not required to provide their age or any other personal data, and therefore this data is not held or recorded in any way, and responses are not separated out by age.

## **Wellbeing of Future Generations (Wales) Act 2015**

Regulators are adopting new approaches to take into account the Wellbeing of Future Generations (Wales) Act 2015 when they review our performance and systems. This will help the council to meet its duties under the act and ensure compliance. By collaborating with regulators to ensure a sensible and pragmatic approach the council will embed the principals of the act into all its planning and activities.

## **Crime and Disorder Act 1998**

Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

## **Consultation**

Not applicable.

## **Background Papers**

See links in report

'Monitoring Regulatory Reports' Audit Committee (22/09/16)

'Monitoring Regulatory Reports' Audit Committee (30/05/17)

'Monitoring Regulatory Reports' Audit Committee (25/09/17)

Dated: January 2017

## Appendix One Details of Regulatory Reports

Key: The following acronyms are used in the table below

ACS	Service Area: Adults and Community Services
CYP	Service Area: Children and Young People Services
FIN	Service Area: Finance
L&R	Service Area: Law and Regulation
PBC	Service Area: People and Business Change
RIH	Service Area: Regeneration, Investment and Housing
STS	Service Area: Streetscene and City Services

### Education (Estyn Regulatory Reports)

Service Area	Report / Review and date	Reported to	Comments / follow up
Education	Estyn has not undertaken any specific reviews during the time period covered in this report.		

### Social Services (CSSIW Regulatory Reports)

Service Area	Report / Review and date	Reported to	Comments / follow up
Social Services	CSSIW performance review letter <a href="https://msmodgovdb01.corporate.newport/ieListDocuments.aspx?CId=139&amp;MID=6889#A13676">https://msmodgovdb01.corporate.newport/ieListDocuments.aspx?CId=139&amp;MID=6889#A13676</a>	Overview and Scrutiny Management Committee, Cabinet and Council July 2017	Reported in the Director of Social Services Annual Report 2016/17

### Other Service Areas and Corporate Reports (WAO Regulatory Reports)

Service Area	Report / Review and date	Reported to	Comments / follow up
ALL	Annual Improvement Report (page 147 onwards) <a href="https://democracy.newport.gov.uk/documents/q6743/Public%20reports%20pack%2016th-Jan-2017%2011.00%20Cabinet.pdf?T=10">https://democracy.newport.gov.uk/documents/q6743/Public%20reports%20pack%2016th-Jan-2017%2011.00%20Cabinet.pdf?T=10</a>	Cabinet 16 <sup>th</sup> January 2017	An assessment as to whether the authority will meet statutory continuous improvement duties.

<b>Service Area</b>	<b>Report / Review and date</b>	<b>Reported to</b>	<b>Comments / follow up</b>
ALL	Governance Thematic Review	Cabinet 15 <sup>th</sup> September 2017	Delayed due to purdah prior to elections
ALL	WAO Data Quality Review	Cabinet Member Chair of Cabinet, September 2017	An assessment of the accuracy of the performance data produced by the authority.
ALL	WAO Certificate of Compliance 1 – Improvement Assessment Audit	Cabinet 15 <sup>th</sup> September 2017	Confirms the compliance of the improvement plan with the Local Government Measure (Wales) 2011
ALL	WAO Certificate of Compliance 2 – Performance Assessment Audit	Cabinet 20 <sup>th</sup> December 2017	Confirms the compliance of the improvement plan year end review with the Local Government Measure (Wales) 2011, especially the duty to demonstrate continuous improvement.
FIN	Audit of Financial Statement (ISA 2600) Report 2016/17	Audit Committee 25 <sup>th</sup> September	
FIN	Audit Opinion on the 2016-17 financial statements	Audit Committee 30 <sup>th</sup> November	
<b>FIN</b>	<b>UPCOMING: Annual Audit Letter</b>	<b>TBC</b>	
<b>RIH</b>	<b>UPCOMING: WAO Improving wellbeing through housing adaptations</b>	<b>TBC</b>	<b>Fieldwork completed February 2017. Part of a national study - final report expected.</b>
<b>PBC</b>	<b>UPCOMING: Transformation thematic review</b>	<b>TBC</b>	<b>Scoping underway</b>
<b>L&amp;R</b>	<b>UPCOMING: Scrutiny for the Future thematic review</b>	<b>TBC</b>	<b>Report Expected in March 2018</b>

**Appendix Two**  
**Update on Wales Audit Office Proposals for Improvement and Recommendations**  
 (Reported to Cabinet on 15<sup>th</sup> November 2017)

**Summary Table**

Recommendations		Number of actions identified in initial action plan	Number of actions completed	Number of Outstanding actions
(Note: reference numbers do not coincide due to recommendations closed by the WAO e.g. recommendation 3 has been closed)				
<b>Recommendation 1</b>	The Council should ensure that Members are routinely and transparently considering robust information at the earliest opportunity to enable them to inform, take, and challenge choices and decisions effectively, and ensure that decisions are recorded and reported transparently.	3	2	1
<b>Recommendation 2</b>	<p>The Council should address with more urgency the weaknesses in its governance arrangements that underpin its decision making to support improvement. This would include:</p> <ul style="list-style-type: none"> <li>strengthening committee work programming arrangements to ensure they are timely, meaningful, informative, transparent, balanced, monitored, and joined up;</li> <li>reviewing and updating the Council's constitution ensuring that roles, responsibilities and accountabilities are clear, and that all Members understand and apply their respective roles in relation to each other without compromising independence;</li> <li>empowering Members to be more proactive and accountable for their roles and responsibilities;</li> <li>strengthening scrutiny arrangements to more effectively inform and challenge policies, options, decisions and actions, and hold Cabinet Members, officers, partners and others to account more robustly to drive an increased pace of progress and improvement; and</li> <li>strengthening and mandating member and officer development and learning programmes based on competency assessments to improve skills and understanding to enable them to undertake their roles more effectively.</li> </ul>	14	13	1

Recommendations (Note: reference numbers do not coincide due to recommendations closed by the WAO e.g. recommendation 3 has been closed)		Number of actions identified in initial action plan	Number of actions completed	Number of Outstanding actions
<b>Recommendation 4</b>	<p>The Council must continue to develop its people management arrangements, to ensure it has the capacity and capabilities necessary to change and improve. In doing so, it should:</p> <ul style="list-style-type: none"> <li>• continue to develop its draft Workforce Plan and associated action plans by, for each action: allocating responsibility to an officer and setting a deadline for completion; and</li> <li>• in the absence of a formal approach to 360-degree feedback for all staff, address manager inconsistency in carrying out appraisals and ensure all staff receive a constructive and developmental appraisal to support job performance.</li> </ul>	12	11	1
<b>Recommendation 5</b>	<p>To strengthen the arrangements that enable the Council to scrutinise its improvement objectives. In doing so, the Council should:</p> <ul style="list-style-type: none"> <li>• Enable Members to effectively challenge and scrutinise service performance: <ul style="list-style-type: none"> <li>▪ ensure that meeting agendas allow for sufficient time for Members to focus on (broad) underperformance; and</li> <li>▪ provide training on effective challenge and scrutiny for Members.</li> </ul> </li> </ul>	6	4	2

Full details of actions planned for each recommendation are provided below.

Completed actions are highlighted in grey

**Recommendation 1**

<b>Recommendation 1</b>	The Council should ensure that Members are routinely and transparently considering robust information at the earliest opportunity to enable them to inform, take, and challenge choices and decisions effectively, and ensure that decisions are recorded and reported transparently.
<b>WAO's Intended outcome/benefit</b>	Decisions and scrutiny are based on consideration of up to date and accurate information. Decisions are accurately recorded on a timely basis on the Council's decision making tracker so the public are able to easily find and understand what decisions have been taken and by whom.
<b>Responsible Officer</b>	Chief Executive Head of Law & Regulation

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
1.1	Chief Officers will view all decision making reports and conclude on whether they are of sufficient quality before submission to the decision making and scrutiny processes.	March 2017	Cabinet reports are received by SLT for consideration of content and quality before submission to the Cabinet cycle.	This is now embedded in the process, no further actions planned.	Chief Executive
1.2	Heads of Service will ensure that appropriate quality assurance processes are implemented within their service areas to ensure that reports are of an acceptable quality and standard before submission for inclusion in the decision – making or scrutiny processes	July 2017	Reports will be considered by Heads of Service before consideration by SLT and submission to the decision making or scrutiny process	To continue this process and assess its effectiveness	Chief Executive

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
1.3	All Cabinet, Cabinet Member and delegated officer decisions are properly recorded, including background information, options and reasons for those decisions, in accordance with the Council's constitution and legislative requirements. Minutes of Council and Committee meetings are also recorded accurately, approved at subsequent meetings and published in a timely manner. All decisions, background reports and minutes are published on the Council's web site, with a search engine to enable decisions to be tracked and easily found.	July 2017	The new template is now being used. An updated template has also been made available for reports to Scrutiny	Implemented	Head of Law & Regulation

## Recommendation 2

<b>Recommendation 2</b>	<p>The Council should address with more urgency the weaknesses in its governance arrangements that underpin its decision making to support improvement. This would include:</p> <ul style="list-style-type: none"> <li>• strengthening committee work programming arrangements to ensure they are timely, meaningful, informative, transparent, balanced, monitored, and joined up;</li> <li>• reviewing and updating the Council's constitution ensuring that roles, responsibilities and accountabilities are clear, and that all Members understand and apply their respective roles in relation to each other without compromising independence;</li> <li>• empowering Members to be more proactive and accountable for their roles and responsibilities;</li> <li>• strengthening scrutiny arrangements to more effectively inform and challenge policies, options, decisions and actions, and hold Cabinet Members, officers, partners and others to account more robustly to drive an increased pace of progress and improvement; and</li> <li>• strengthening and mandating member and officer development and learning programmes based on competency assessments to improve skills and understanding to enable them to undertake their roles more effectively.</li> </ul>
<b>WAO's Intended outcome/benefit</b>	<ul style="list-style-type: none"> <li>• The areas of focus of each of the committees is clear, linked to corporate priorities, regularly updated and considered in an open forum.</li> <li>• The Council's constitution accurately reflects existing arrangements and clearly sets out roles and responsibilities.</li> <li>• Members are able to fulfil their roles effectively and are held to account for these roles.</li> <li>• Scrutiny is used effectively to inform policy development and hold Cabinet Members and officers to account for performance.</li> <li>• Members and officers are equipped and supported to undertake their roles.</li> </ul>
<b>Responsible Officer</b>	Head of Law & Regulation

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
2.1	To develop the use of Committee pre-meetings in order to focus challenge more effectively and improve the quality of questioning. (Scrutiny AR Action 1)	July 2017	Pre-meetings are continuing for the new scrutiny committees. Chairing and questioning training delivered.	Implemented.	Head of Law & Regulation



Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
2.2	To introduce an effective system for scrutiny of the Public Services Board, in response to the statutory duty placed on scrutiny by the WFGA (Scrutiny AR Action 2)	By April 2018	A new scrutiny committee structure was agreed at this year's AGM, including a separate committee for partnership scrutiny. This Committee is now up and running.	Implemented.	Head of Law & Regulation
2.3	To introduce a new report template to improve the quality and focus of the information that is presented to Committees (Scrutiny AR Action 3)	By November 2016 meeting cycle	This has been implemented and is on-going.	Implemented	Head of Law & Regulation
2.4	To continue to develop the links between Scrutiny and Auditors / Inspectors / Regulators, in particular to support work programming and training (Scrutiny AR Action 4)	Ongoing	Outcomes of the peer review with Caerphilly and Monmouthshire will be reported in the Scrutiny Annual Report. Further links with AIRs are being incorporated as the new work programmes develop.	Implemented	Head of Law & Regulation
2.5	To continue implementation of the Public Engagement Strategy agreed in 2015 (Scrutiny AR Action 5)	By April 2017	This has been implemented and is ongoing.	Implemented	Head of Law & Regulation
2.6	Cabinet work programmes are presented to each cabinet meeting	By April 2017	This has been implemented and is ongoing	Implemented	Head of Law & Regulation
2.7	The Democratic Services Committee are reviewing the various elements of the Constitution	Ongoing	This has been implemented and is ongoing	Implemented	Head of Law & Regulation
2.8	To develop the use of Committee pre-meetings in order to focus challenge more effectively and improve the quality of questioning.	July 2017	See 2.1 above	Implemented	Head of Law & Regulation

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
	(Scrutiny AR Action 1)				
2.9	To introduce a new report template to improve the quality and focus of the information that is presented to Committees (Scrutiny AR Action 3)	By November 2016 meeting cycle	See 2.3 above	Implemented	Head of Law & Regulation
2.10	To develop the use of Committee pre-meetings in order to focus challenge more effectively and improve the quality of questioning. (Scrutiny AR Action 1)	July 2017	See 2.1 and 2.8 above	Implemented	Head of Law & Regulation
2.11	To continue regular meetings of the Chairs of Scrutiny, the Scrutiny Officer Team and leading Members of the Executive, to ensure a positive relationship continues, and workloads are coordinated effectively (Scrutiny AR Action 6)	Meetings already diarised	New schedule of meetings to be arranged.	TBA.	Head of Law & Regulation
2.12	To develop an appropriate role for Scrutiny within the new arrangements for managing performance, and building on the existing measures for service plan monitoring (Scrutiny AR Action 7)	By December 2017	We have introduced a new system for performance reporting, including scrutiny consideration.	Implemented	Head of Law & Regulation
2.13	To update and deliver the training and seminar programme for Members, including training to support: - Budget scrutiny - Performance scrutiny - Implementation of the Wellbeing of Future Generations Act (Scrutiny AR Action 8)	July 2017	Training for the new Committees is underway, and a report is being presented to Democratic Services Committee in November to start working towards the WLGA Member Development Charter.	Implemented	Head of Law & Regulation
2.14	To work with current Members to	July 2017	Programme implemented.	Implemented.	Head of Law

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
	develop an effective scrutiny induction programme for Elected Members after the 2017 election. (Scrutiny AR Action 9)				& Regulation

#### Recommendation 4

<b>Recommendation 4</b>	<p>The Council must continue to develop its people management arrangements, to ensure it has the capacity and capabilities necessary to change and improve. In doing so, it should:</p> <ul style="list-style-type: none"> <li>continue to develop its draft Workforce Plan and associated action plans by, for each action: allocating responsibility to an officer and setting a deadline for completion; and</li> <li>in the absence of a formal approach to 360-degree feedback for all staff, address manager inconsistency in carrying out appraisals and ensure all staff receive a constructive and developmental appraisal to support job performance.</li> </ul>
<b>WAO's Intended outcome/benefit</b>	<ul style="list-style-type: none"> <li>The Council has effective workforce planning arrangements in place, which will help it deliver its vision and priorities.</li> <li>Staff appraisals are consistently undertaken and to a good standard and these are used to inform staff development.</li> </ul>
<b>Responsible Officer</b>	Head of People & Business Change

#### Action Update

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
4.1	Creation of a workforce plan review group	February 2016	Completed		Head of People & Business Change
4.2	Publication of workforce plan	June 2016	Completed		Head of People & Business Change

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
4.3	Second version of workforce plan in place for 2016/17	June 2016	Completed		Head of People & Business Change
4.4	HR Business Partners to meet with Head of Service to discuss workforce objectives for 2016/17	June 2016 onwards	Completed		Head of People & Business Change
4.5	2016/17 objective for workforce planning set in both service planning and individual objectives	May 2016	Completed		Head of People & Business Change
4.6	Carry out self-assessment audit to assess current performance and identify future priorities	December 2016	Completed		Head of People & Business Change
4.7	Conduct enhanced training on workforce planning for all HR/OD officers	December 2016	Completed		Head of People & Business Change
4.8	Feedback to managers on quality of appraisals sampled	October 2016	Feedback provided on sample of appraisals		Head of People & Business Change
4.9	Options to review current processes are investigated to bring about technology in the PM cycle and modernise the system	July 2017	<p>Currently on a pilot for new performance management system to move to a continuous performance management process instead of an annual appraisal</p> <p>Pilot was conducted from January – March 2017 with a group of 100 employees across all service areas.</p> <p>Review of the pilot was successful and contracts have been agreed to implement full roll out across the Council.</p>	<p>Make determination as to whether to proceed and roll out across the Council. Plan roll out of training and support to use the system</p> <p>Roll out is fully planned and has commenced with senior managers.</p> <p>Comms to staff will commence in July 2017.</p> <p>KPI will be amended to show % of successfully achieved objectives</p>	Head of People & Business Change

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
			<p>Sessions have been taking place with senior managers to explain the project and a full comms plan will come out to employees later in July</p> <p>Clear Review is now in full operation and has been rolled out to many service areas across the Council. We estimate to be fully rolled out by the end of September.</p>	<p>Reporting will start in October and HRBP's will work with Heads of Service on specific issues relating to their teams.</p> <p>Objective writing has already been identified as a barrier to performance improvement and training will be sourced and provided to encourage better objective setting</p>	
4.10	Review of Coaching for Performance course and recommendations made on future procurement	August 2016	Review undertaken and we will continue to run the course but add additional coaching support in the form of ILM qualifications	Implemented	Head of People & Business Change
4.11	Solutions identified to offer both coaching and mentoring ILM qualifications	August 2016	ILM in coaching and mentoring has been identified and a cohort of 14 managers signed up – this commenced January 2017	Implemented	Head of People & Business Change
4.12	Creation of action learning set network	October 2016	<p>ILM in action learning sets identified and offered to managers but take up low at this point.</p> <p>Informal action learning set took place in one service area in November</p> <p>Focus will be on coaching at this time</p>	Implemented	Head of People & Business Change

## Recommendation 5

<b>Recommendation 5</b>	To strengthen the arrangements that enable the Council to scrutinise its improvement objectives. In doing so, the Council should: <ul style="list-style-type: none"> <li>• Enable Members to effectively challenge and scrutinise service performance: <ul style="list-style-type: none"> <li>▪ ensure that meeting agendas allow for sufficient time for Members to focus on (broad) underperformance; and</li> <li>▪ provide training on effective challenge and scrutiny for Members.</li> </ul> </li> </ul>
<b>WAO's Intended outcome/benefit</b>	Members are given accurate and timely information to enable them to challenge performance and progress against improvement objectives effectively. Remedial action is identified and taken forward. Performance is frequently discussed and challenged by scrutiny and members have sufficient time to do so. Members have the necessary skills to challenge and scrutinise effectively.
<b>Responsible Officer</b>	Head of People & Business Change

## Action Update

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
5.1	New Performance reporting framework in place ensures more information is provided to scrutiny and Cabinet Members in a timelier manner.	Framework agreed by Cabinet and Scrutiny Chairs September 2016	This has now been implemented	No further action planned	Head of People & Business Change
5.2	New performance management system will allow information on performance to be more visible and readily available around the authority.	New System Implemented April 2016 Further development continues.	Further work has been carried out on the system by Performance Management Officer. Development plan in progress and further training has been rolled out. The system is now available across the council with users able to comment on performance that is relative to them.	The system is now implemented for performance management data  The system will continue to be developed for other areas	Head of People & Business Change

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
5.3	Exception dashboards and reports for service plans highlight key areas.	January 2017	Service plans will adapted to cover the same time period as the corporate plan with regular reviews of progress and content. This will ensure that the service plans support the delivery of the corporate plan and allow service areas to plan in the short and longer term.	A new reporting framework will be developed in conjunction with Scrutiny.	Head of People & Business Change
5.4	Performance reports that go to Cabinet now go to the Scrutiny Chairs for Information.	Framework agreed by Cabinet September 2016	This has now been implemented, detailed improvement plan Cabinet update sent to Scrutiny for information for Q1	No further actions planned, this will be ongoing.	Head of People & Business Change
5.5	Heads of Service have regular briefing meetings with Cabinet Members who in turn brief the Leader of the Council.	Framework agreed by Cabinet September 2016	Heads of Service have had regular briefing meetings with Cabinet Members. Cabinet Members then brief the Leader of the Council.	This is now embedded, no further actions planned.	Chief Executive
5.6	We have put in place a training and seminar programme for Scrutiny Members, and we have also introduced pre-meetings to improve the focus and challenge of Member questions. We are also developing the new induction programme for May 2017 which will include focus on effective challenge.	Systems in place and in ongoing development Induction programme from May 2017	Induction programme delivered.  We have changed the scheduling for performance information, so that monitoring of improvement objectives and other performance information is presented to scrutiny ahead of Cabinet, so that scrutiny comments are considered as part of the Cabinet process.	Working towards WLGA Member Development Charter.	Head of Law & Regulation

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
			<p>A report will be presented to Democratic Services Committee in November to start working towards the WLGA Member Development Charter, which will review provision of all training and support for Councillors, including for scrutiny.</p>		



## Proposal for Improvement 1

<b>Proposal for Improvement 1</b>	The Council should: Provide Cabinet with a more detailed update of progress in addressing our Corporate Assessment and its Follow-up recommendations to facilitate more active discussion and challenge of progress.
<b>WAO's Intended outcome/benefit</b>	Cabinet are able to challenge and monitor progress against the Corporate Assessment action plan and understand reasons for delay and to identify further actions as necessary. There is open discussion of progress during public meetings so that public and members can see the progress being made.
<b>Responsible Officer</b>	Head of People & Business Change

## Action Update

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
1.1	The Action plan will be reported as a separate report in its own right; this will raise its profile with Members as it will be an agenda item.	The first report will go to cabinet on 17th October.	Cabinet have received the Review of progress in addressing the Corporate Assessment and Corporate Assessment Follow-up recommendations 2015/16.  The Quarterly update on progress against the Corporate Assessment Recommendations and Proposals for improvement is now considered by cabinet as a report in its own right.	No further action planned	Head of People & Business Change
1.2	The action plan will provide a more detailed update of progress made.	January 2017	The reporting process outlined in response to Recommendation 1 (ref 1.1 and 1.2) will ensure that sufficient detail is included.  The Quarterly update is now submitted to Chief Officers prior to submission to Cabinet to ensure that enough detail has been included.	No further action, this is now part of the process.	Head of People & Business Change

## Proposal for Improvement 2

<b>Proposal for Improvement 2</b>	Review the timespan for completion of return to work interviews.
<b>WAO's Intended outcome/benefit</b>	Return to work interviews are undertaken on a more timely basis for mutual benefit to the Council and the employee.
<b>Responsible Officer</b>	Head of People & Business Change

### Action update

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
2.1	Newport is in the second quartile for sickness absence based on 2015/16 data, and is joint 7th based on the number of days lost per FTE. Our policy uses best practice of 7 calendar days for RTW's to be completed and whilst we do not achieve 100% submission, we do not believe that reducing the time frame will ensure greater submission response rates. However, we will look to move from a paper based system to an online one in an attempt to improve submission rates as we believe that completing paper documentation has a greater impact on delayed submission rates.	September 2017	<p>We have rolled out People Manager on iTrent to managers in the organisation.</p> <p>We anticipate that this action will shorten the length of time to complete return to work interviews and will increase the percentage of returns within the timeframe.</p> <p>People Manager self-service in relation to sickness absence has been rolled out across the Council</p> <p>Newport continues to perform well nationally for sickness days lost and remains in the second quartile, above the Wales average.</p>	<p>Further consideration of the removal of the paper form and move to an online form.</p> <p>We have reviewed the option of moving to an online form, but are now considering removing the form entirely and building an iTrent screen for managers to log the detail of the RTW when they are closing the period of sickness in the actual RTW discussion with the employee – removing the form altogether. This should remove practically all late RTW completion providing managers are holding the RTW discussion at the same time as closing the sickness on iTrent</p>	Head of People & Business Change

### Proposal for Improvement 3

<b>Proposal for Improvement 3</b>	Review whether it has appropriate capacity and capability within its People and Business Change service area to strengthen workforce planning.
<b>WAO's Intended outcome/benefit</b>	The Council has the confidence that it has the necessary resources and support to address workforce planning to meet its priorities and vision.
<b>Responsible Officer</b>	Head of People & Business Change

#### Action update

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
3.1	Workforce planning has been a theme of the HR service plan for the last year and officers have been identified as leads for enabling workforce planning to become an integral function of the HR service. We have visited the Vale of Glamorgan, Swansea and RCT Councils to learn from their best practice and apply this knowledge at Newport. We intend to undertake the WAO self-assessment audit tool to review our progress and identify priorities for the future. Officers will be effectively trained on workforce planning There is a risk in terms of capacity within the HR/OD team as Newport has considerably fewer HR FTE than comparable Councils and priorities will need to be assessed accordingly.	September 2017	<p>Workforce Plan 2016/17 published and all service areas have completed their template for the year with their workforce planning objectives identified. HR Business Partners are working proactively with Heads of Service to discuss their templates as part of normal business discussions and each member of the HR team has contribution towards the workforce planning progress report.</p> <p>A SHRBP has been allocated responsibility for promoting workforce planning with service areas.</p> <p>The actions required for progress with the workforce plan are contained within the People and Culture Strategy</p>	<p>Currently working on a longer term workforce plan for the organisation which will match up to the next People Plan – i.e. a 5 year plan for both</p> <p>The draft People and Culture Strategy has a workforce plan element contained within it and is with Cabinet Member and Head of Service for feedback. We intend</p>	Head of People & Business Change

Ref	Planned Actions	Completion Date	Progress to date	Planned next quarter	Responsible Officer
				<p>to consult with the workforce on the strategy in the next quarter</p> <p>We will be carrying out a workforce planning self-assessment exercise in the next quarter</p>	

# Report

## Audit Committee

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### Part 1

Date: 23 January 2018

Item No: 7

**Subject** **Report on Treasury Management for the period to 30 September 2017 and revised MRP policy**

**Purpose** Having been brought to the November Audit Committee, this report updates the detail on the changes to the Minimum Revenue Provision policy following comments from the Committee. This report is to inform the Audit Committee of treasury activities undertaken during the period to 30 September, 2017. To provide details of the proposal to change the Minimum Revenue Provision (MRP) policy for supported borrowing.

**Author** Assistant Head of Finance

**Ward** General

**Summary** The Council continues to be both a short term investor of cash and borrower to manage day-to-day cash flows. Current forecasts indicate that in the future, temporary borrowing will continue to be required to fund normal day to day cash flow activities.

The first half of the year saw the successful sale of the Friars Walk development which allowed borrowing which had been undertaken in relation to the loan provided to Queensberry Newport Ltd to be repaid. All borrowing in relation to this development are now fully repaid, and this has meant that net borrowing has fallen from £209.2m to £149.1m during the year.

All borrowing and investments undertaken during the first half of the year was expected and within the Council's agreed limits.

The Council currently charges MRP for supported borrowing at 4% reducing balance, it is proposed that this is changed to a 2.5% straight line charge, which will reduce the revenue charge for the provision by c£2.4m.

**Proposal** **To note the report on treasury management activities for the period to 30 September 2017 and provide comments to Council.**

**To note the recommendation that the Council 'opt-up' to professional status in relation to the introduction of the 'Second Markets in Financial Instruments Directive (MiFID II) when it becomes applicable to the UK in January 2018 and provide comments, if any, on this matter to Council.**

**To note and review the proposed change to the Minimum Revenue Provision (MRP) policy for supported borrowing and provide comments to Council.**

**Action by** Head of Finance

**Timetable** Immediate

This report was prepared after consultation with:

- Treasury Advisors
- Head of Finance

Please list here those officers and members you have consulted on this report.

**Signed**

## **BACKGROUND**

1. The Council's Treasury Management Strategy and Prudential Indicators were approved by Council in March 2017 alongside the Medium Term Financial Plan and the 2017/18 Budget.
2. The Treasury Management Strategy for 2017/18 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 for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends 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.
3. 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."
4. The report has been prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code, and reviews and reports on:
  - Borrowing Strategy / Activity
  - Investment Strategy / Activity
  - Economic Background
  - Compliance with Prudential Indicators approved by Council

## **BORROWING STRATEGY / ACTIVITY**

### **Short and Long Term Borrowing**

5. Whilst the Council has significant long term borrowing requirements, the Council's current strategy of funding capital expenditure is through reducing investments ('internal borrowing') rather than undertaking new borrowing i.e. we defer taking out new long term borrowing and fund capital expenditure from day to day positive cash-flows for as long as we can.

By using this strategy the Council can also minimise cash holding at a time when counterparty risk remains high. The interest rates achievable on the Council's investments are also significantly lower than the current rates payable on long term borrowing and this remains the main reason for our current 'internally borrowed' strategy.

6. Whilst the strategy minimises investment counterparty risk, the risk of interest rate exposure is increased as the current low longer term borrowing rates may rise in the future. The market position is being constantly monitored in order to minimise this risk.
7. As anticipated, during the first half of the year the amount of borrowing has reduced by £60.075m, this relates mainly to borrowing associated with the Queensberry debt. This reduction in borrowing followed the sale of the Friars Walk development and all borrowing in relation to this was able to be fully repaid in July 2017. The borrowing associated with this loan was always kept separate from the Council's other borrowing requirements shown in Appendix B.
8. No further long term loans have been taken out in the first half of the financial year. However, it is anticipated that the Council will need to undertake additional borrowing on a short term basis for the remainder of the year in order to cover normal day to day cash flow activity. With current estimates it is not expected that any additional long-term borrowing would be required in this financial year.
9. Appendix B summarises the Council's debt position as at 30 September 2017. The changes in debt outstanding relate to the raising and repaying of temporary loans.

10. In regards to LOBOs, no loans were called during the period. All £30m outstanding is subject to potential change of interest rates by the lender (which would automatically trigger a right to the Council to repay these loans) prior to the end of this financial year. Should a change of interest rate be requested, then it will be considered in detail and a decision on how we proceed will be made in conjunction with our treasury advisors.

## **INVESTMENTS ACTIVITY / POSITION**

11. The Council's strategies in this area of Treasury Management are (i) to be a short term and relatively low value investor and (ii) investment priorities should follow the priorities of security, liquidity and yield, in that order.

The Council's strategy of being a s/t and relatively low value investor has been maintained, though the repayment of the Friar's Walk loans has increased cash holdings temporarily. In line with our strategy, this will be allowed to reduce over the next year or so.. As at 30 September 2017, there was a £33.3m balance of short-term investments outstanding.

12. This was anticipated and reported in the TM strategy report. All investments are placed on a temporary basis and are placed in high security institutions, in line with our other strategy in this area, dealing with our investing priorities of (i) security (ii) liquidity and (iii) yield, in that order. At the 30 September 2017 £32.5m was placed with various local authorities and £800k with Santander Call Account with the maximum maturity date of 22 March 2018.
13. January 2018 will see the implementation in the UK of the second Markets in Financial Instruments Directive (MiFID II), where firms will be obliged to treat all local authorities as retail clients unless they opt up to professional client status and meet certain criteria. These criteria include holding a minimum of £10m investment balance and employing knowledgeable and experienced staff to carry out investment transactions. If the Council do not opt up to professional client service it is likely to severely limit the scope of services that financial institutions including advisers and brokers can provide to the Council. Therefore it is recommended that the Council will opt up to professional status and therefore would be required in the future to maintain investment balances of at least £10m. This is still a relatively small balance within the context of the Council's finances and cash-flows and still allows us to pursue current strategies on borrowing and investments. This is further discussed in Appendix A.
14. It is anticipated that our investment balances will remain well above the minimum £10m, until the start of 2019/20, when the stock issue of £40m will be due, at this point the Council will need re-finance and undertake new long-term borrowing.
15. The Council does not hold any long-term (more than 364 days) investments as at 30 September 2017.

## **OTHER MID YEAR TREASURY MATTERS**

### **Economic background and Counter Party Update**

16. Appendix A outlines the underlying economic environment during the first half of the financial year, as provided by the Council's Treasury Management Advisors Arlingclose.
17. As discussed previously in this report the Council does not have any long-term investments, and the investments that it currently undertakes is mainly with other local authorities which are deemed very secure, therefore the risk is currently limited. There were no significant changes in credit ratings advised in the first half of the financial year that had implications for the approved lending list. The long term rating of Santander UK, the Council's bankers, remains at A above the Council's minimum



level of A-.

## **Regulatory Updates**

18. The implementation of MiFID II in January 2018 is further detailed in Appendix A.
19. In February 2017 CIPFA canvassed views on the relevance, adoption and practical application of the Treasury Management and Prudential Codes and after reviewing responses launched a further consultation on changes to the codes in August with a deadline for responses of 30th September 2017. Details of the proposed changes are outlined in Appendix A to this report, with the main proposed changes including, the production of a new high-level Capital Strategy report to full council, plans to drop certain indicators and for the treasury management code to include reference to non-treasury investments such as commercial investments in properties in the term “investments”.
20. CIPFA intends to publish the two revised Codes towards the end of 2017 for implementation in 2018/19, although CIPFA plans to put transitional arrangements in place for reports that are required to be approved before the start of the 2018/19 financial year. This will be updated in the Treasury Management Strategy report in January 2018.

## **Compliance with Prudential Indicators approved by Council**

21. The Authority measures and manages its exposures to treasury management risks using various indicators which can be found in Appendix B. The Authority has complied with the Prudential Indicators for 2017/18, set in March 2017 as part of the Treasury Management Strategy. Details of treasury-related Prudential Indicators can be found in Appendix B.

## **MINIMUM REVENUE PROVISION – CHANGE OF METHOD**

### **Minimum Revenue Provision (MRP) Policy**

22. MRP is the method by which Local Authorities charge their revenue accounts over time with the cost of their capital expenditure that was originally funded by debt.
23. From 2007/08 onwards, Local Authorities have been free to set their own policy on calculating MRP, with the sole legislative proviso being that the amount calculated must be one that the Council considers to be “prudent”. Detailed guidance then exists as to methods of setting MRP which are deemed acceptable / prudent.
24. Council's agree their policy for charging MRP on an annual basis and can change it from year to year. In practice, Councils tend to stick with a consistent methodology and carry out a periodic review every few years to confirm or change their existing policies / methodologies.

### **Reason for the review**

25. Following significant financial restraints that face local authorities, a number of Councils across the UK; in undertaking their periodic review of their MRP policy, have assessed that it is prudent to change the existing MRP policy from a 4% reducing balance, to a policy which aligns the MRP charge to the actual average asset lives of the Council. This is because the 4% reducing balance is based on the Capital Financing Requirement method, with the opening balance reducing by 4% each year until the amount is fully extinguished. This begins with a higher charge which reduces each year and takes a significant amount of time to fully repay (c 150 years). In Wales, such reviews

have already been undertaken by Torfaen, Merthyr Tydfil, Conwy, Denbighshire, Flintshire, Rhondda Cynon Taff, Caerphilly and Monmouthshire Councils.

26. Newport City Council updated their policy in relation *unsupported* borrowing last year which resulted in a saving on the MRP charged for that, whilst still being prudent. This was reviewed by the Audit Committee and subsequently approved by Council. In this current year, officers, alongside Treasury Advisers, have undertaken a review of their policy in relation to *supported* borrowing to assess whether there was scope to change the charge which remained prudent but also achieved savings to support the finances of the Council.
27. As noted above, the Council's Treasury Management Advisor, Arlingclose, was commissioned to objectively review the Council's current MRP policy and our findings, including confirming the recommendations as being prudent and within guidelines. This gives an objective and independent review to the Audit Committee and Council.

### Current supported borrowing MRP Policy

28. The Council's MRP policy is set on an annual basis in accordance with the 2008 Regulations and approved by Full Council as part of the Treasury Management Strategy and the Revenue Budget prior to the commencement of each financial year.
29. The Council's 2017/18 MRP policy was approved by Council in March 2017 and comprises of the following method to determine the annual MRP charge: -
  - Historic debt liability as at the 31st March 2007 and subsequent capital expenditure funded from supported borrowings to be charged to revenue at 4% in accordance with the CFR Method on a reducing balance basis.
30. Based on the current policy the supported borrowing MRP charge/budget to the revenue account for the 2017/18 financial year is £6,451k.

### Alternative approaches

31. The amended Local Authorities (Capital Finance and Accounting) (Wales) regulations require that the Authority make a 'prudent' amount of MRP each year. The regulations also require that the Authority "have regard" to the MRP guidance issued by the WAG. The guidance suggests four options for the calculation of MRP. They are shown in the following table, together with a high level analysis of which one was chosen to review further:

METHODOLOGY	MAIN ATTRIBUTES / ISSUES	CONCLUSION
'Regulatory Method'	(i) Used for pre-2008 borrowing / capital expenditure but regulation allows it to be still used  (ii) based on superseded regulations  (iii) a complex methodology	<b>Not reviewed as a viable options:</b>  -Not used by virtually all Councils at this point.  -Overly complex and outdated
'CFR method'	(i) Easier to use than above method  (ii) Charge based on the Capital	<b>Current methodology / policy</b>

	<p>Financing Requirement</p> <p>(iii) Charge reduces over time and therefore is a longer term charge for reducing CFR to zero</p>	
'Asset Life'	<p>(i) Charge based on average asset lives</p> <p>(ii) Different options as to how to implement</p> <p>(iii) Potentially provides a simpler and straightforward method for planning and monitoring purposes</p> <p>(iv) Consistent charge which reduced CFR to zero quicker than the above methods</p>	<p><b>Recommended for review</b></p> <p>-should provide a lower charge whilst still prudent as based on asset life</p> <p>-Easier to use for planning and monitoring purposes</p> <p>-Writes down CFR on a consistent and therefore quicker basis</p>
'Depreciation method'	<p>(i) More suitable for unsupported borrowing</p> <p>(ii) Charge based on asset life</p> <p>(iii) More complicated than asset life methodology above as need to take account of revaluations / impairments etc and previous charges made</p> <p>(iii) Produces a higher charge than the above options</p> <p>(iv) Provides a simpler and straightforward method for planning and monitoring purposes</p>	<p><b>Not reviewed as a viable option</b></p> <p>-significantly more complicated and time consuming to implement than straight line method, without adding benefit.</p> <p>- would cause large variations in MRP which make it hard to plan</p> <p>-requires implementation on an asset by asset basis and no data on which assets funded by unsupported borrowing and have o/s CFR's</p>

32. The Asset Life method was deemed a viable option for further review. This is entirely consistent with reviews undertaken by other Local Authorities when they have reviewed their supported borrowing MRP policy / methodology – it is *the* obvious alternative for supported borrowing CFR. This links the supported MRP charge to average asset lives, is allowable within the MRP guidance and links the annual MRP charge to a more realistic assessment of the lives of assets funded through debt.
33. Moving to this method requires an assessment of the average asset life's on the Councils Balance Sheet. These assets have a range of estimated asset lives but it is difficult to establish which are unfinanced and included in the supported element of the CFR and therefore this is calculated using all assets currently on the balance sheet and calculating an average, weighted asset life. This was

completed, has been shared with the Council's external auditors and indicated an average weighted life of 40 years.

34. Having established an asset life approach based on 40 years, there are 2 alternative options available for charging the MRP on this basis:

**Straight Line Method** – Under this approach the MRP charge on the supported borrowing CFR would be applied equally over the 40 year period meaning that the year-on-year charge remains constant.

**Annuity Method** – This is more commonly used as a method of establishing loan repayments, and works in a similar way. In this context, it produces a profile of MRP payments that starts low and increases each year. which makes forward planning more difficult.

35. Appendix C shows the different MRP charges each methodology would produce

- Option 1 - 40 year (2.5%) Straight line method
- Option 2 - 40 year (2.5%) Annuity method

The differences mainly relate to timing / value of the charges, as follows:

- Straight line method makes a consistent charge over the 40 year period, therefore easier to use for planning / monitoring purposes
- Straight line is a relatively easier methodology
- Straight line produces a saving of c£2.4m compared to the current budget level and this is then a fixed saving from that point – no future pressures on the budget. Appendix C shows this.
- Annuity method produces a higher saving in the first year at c£4.2m but then increases each year and produces a pressure on the budget in each year. Appendix C shows this.
- By taking a higher saving in first few years, the dis-benefits of moving to the asset life method shown above are very significantly greater with the annuity basis
- All methods charge the same MRP over the total lifespan of each policy / methodology but timings / values are different. The suggested 'asset life' method reduce the annual MRP charge compared to the current policy / method in the short to medium term but that is then reversed over the medium to long term. This however, under the straight line method would not create any budget problem as the saving is taken in the year of implementation and the charge is then fixed.

On balance, the Head of Finance recommends the straight line method given the significant increase in the dis-benefits shown above that the annuity method would create the ease of use and easier planning / monitoring. Implementation is recommended for 2017/18.

### **Revised policy**

36. Due to current austerity and the pressure on revenue budgets, it is deemed necessary to assess the above alternative approaches to assess whether a change in the MRP policy could release savings while maintaining a prudent charge which meets Welsh Government guidance.
37. From the above alternative approaches, moving to an 'asset life' approach based on the 40 years asset life calculated from a review of the balance sheet would provide the Authority with an ongoing saving of £2.4m. If this was brought in from 2017/18 financial year, this saving could be moved to an earmarked reserve, which could be utilised to further support future budget pressures.
38. While creating a significant saving from day one of implementation, the revised policy also:

- Meets Welsh Government guidance of charging MRP
- Provides a straight line charge to the revenue account, which will assist in future planning, and does not cause increased budget pressure in future years unlike with the annuity method.
- Provides a number of positives which would be beneficial to the Wellbeing and Future Generations Act, such as:
  - Linking the MRP charge to the useful life of the asset, therefore applying the charge to the taxpayers who have use of the asset
  - From this, there is a reduction in the time to extinguish the “repayment” of the borrowing undertaken to fund capital expenditure will be reduced from c.150 years to 40 years.
  - Protects front line services from being cut for future generations to use, while funding is being cut.
  - Asset life being used is well inside the maximum allowable in guidance of 50 years.

39. However it is recognised there are a number of consequences of reducing the MRP charge from the current policy, these include:

- The current method would see, with all other factors remaining equal, a reducing charge in each year. As per table 1 in year 13, the revised method would actually cost more than the reduced charge. However, in reality the reduced Capital Financing Requirement would be replaced by further supported capital expenditure, therefore it is unlikely that this reduced charge would be realised as future savings.
- Reduced MRP charge will reduce cash-flow over the short to medium term, which will mean that borrowing may need to be brought forward.
- Reduces headroom for new borrowing without increasing the current ‘borrowing requirement’ compared to current methodology. This is exemplified by Chart 2 in Appendix C.

## Financial Summary

40. The decrease in the charge to revenue resulting from changing to the various options is shown in Appendix C, Table 1.

41. If the Council were to implement the proposed Option 1 from 2017/18, this would create an underspend of c. £2.4m in this financial year. This underspend will continue, until a saving is taken in relation to this.

Although Option 1 gives revenue savings, due to the fact that MRP could be looked at as a provision for the repayment of debt, this saving in turn leads to less cash being left in the authority to repay existing borrowing or delaying taking out new borrowing. Therefore there is going to be £2.4m less cash each financial year, in order to repay this debt over the short to medium term.

42. Another impact of reducing the MRP charge is that it reduces the speed in which the CFR is falling. We are currently developing the capital programme for 2018/19 to 2022/23, and if the current assumption was to fund capital expenditure through borrowing at the same rate as the MRP is “falling-off”, then as MRP is declining at a lower rate if we implement the new proposal, this impacts on the level of capital expenditure the Council can undertake without causing a pressure on revenue budgets i.e. it reduces the headroom the capital programme has to play with. The impact of this over the life of the programme is estimated to be a reduction in capital expenditure of c.£10m. Chart 2 in Appendix C, shows the reduction in headroom due to change in MRP policy.

43. From Table 1 in Appendix C, you can see that all other things remaining equal, the MRP charge on the current policy would reduce incrementally each year as the CFR reduces. However, in option 1 this would remain a steady charge until the CFR was extinguished. Therefore in the first year there

would be a variance of a lower charge, which would incrementally reduce until year 13 where the charge that would be made under Option 1 is actually higher than that made under the current method, and this difference would increase as the years go on.

44. However, from the perspective of future revenue implications, the straight line method gives a level of certainty over the charge as it is more stable than the reducing balance method, and although the comparative values show a higher amount in year 13 onwards, this will not be an actual pressure on the medium term financial plan as the straight line charge is fixed. The implication is that the capital programme would need to be restricted to fit within the new funding envelope of the lower charge which is illustrated in Chart 2 of the appendix.
45. Wales Audit Office have been consulted on the proposed change to Option 1 and have reviewed the basis of the charge and are content that this is in line with current guidance and that it is prudent. The Council's Treasury Advisors have also advised that all methods reviewed comply with WG guidance, it is however the responsibility of the Section 151 Officer to assess its prudence..

### Summary of change to Option 1

46. The table below shows the main differences and implications of change to a 2% straight line MRP charge in comparison to the current MRP policy of charging at 4% reducing balance.

Impact	Current Policy 4% Reducing Balance	Option 1 – 2.5% Straight Line
Supported borrowing MRP Charge (no new capital exp)	£6.4m reducing each year	£4m straight line
Revenue saving achieved	N/A	£2.4m
CFR balance after 40 years	£31.5m	£0
Asset lives	Not based on asset lives therefore span to pay off is longer than realistic asset life	Based on 40 year asset life which is felt realistic
Future Generations Act	Higher MRP charge today but would like for like be lower for taxpayers in the future (after year 13 for comparative purposes)	Lower MRP charge, but it could be argued that the current policy is placing a subsidy on current taxpayers for assets that will not have the expected life in future. This policy addresses that issue.
WG Guidance	Follows the CFR Method of WG Guidance	Follows the Asset Life Method of WG guidance which is still deemed acceptable and prudent by both the Head of Finance and Treasury Advisors.

### Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Investment counterparty not repaying investments	High but depending on investment value	Low	The Council only invests with Institutions with very high credit scores. It employs advisors to monitor money market movements and changes to credit scores and	Members, Head of Finance, Treasury staff, based on advice

			acts immediately should things change adversely. The lower levels of funds available for investment will also alleviate the risk.	from treasury advisors
Interest Rates moving adversely against expectations	Low	Low	Despite recent increase in the bank rate to 0.5%, future expectations for higher short term rates are subdued. The Treasury strategy approved allows for the use of short term borrowing once investment funds are exhausted to take advantage of these low rates.	Head of Finance, Treasury staff, treasury advisors
Due to change in MRP policy, capital financing costs will increase	Medium	Medium	When re-financing of the stock issue comes in to place, thought will be given to the impact on the reduction of cash in the organisation to repay borrowing and the revenue implication of this.	Head of Finance, Treasury staff, treasury advisors

\* Taking account of proposed mitigation measures

### Links to Council Policies and Priorities

It is the Council's policy to ensure that the security of the capital sums invested is fully recognised and has absolute priority. The Council follows the advice of the Welsh Governments that any investment decisions take account of security, liquidity and yield in that order.

### Options Available

The Prudential Code and statute requires that, during and at the end of each financial year, reports on these matters are presented to Council for approval. Thus the only option available is consider the report and provide comments to the Council.

### Preferred Option and Why

Note the contents of the report and provide comments to the Council.

### Comments of Chief Financial Officer

Decisions made on treasury matters will be made with a view the Treasury Management Strategy, Treasury Advisors and Prudential Indicators.

The change of the MRP policy will create an immediate saving as highlighted in the report. These will be built into the Medium Term Financial Plan as part of the budget strategy. This change is required to be approved by Council.

### Comments of Monitoring Officer

There are no legal implications. The in year and annual treasury management report is consistent with relevant Chartered Institute of Public Finance and Accountancy Guidance, Treasury Management principles and the Council's investment strategy.

### Staffing Implications: Comments of Head of People and Business Change

There are no staffing implications arising from this report.

## **Comments of Cabinet Member**

N/A.

## **Background Papers**

Treasury Management Strategy report to Audit Committee January 2017.

Report to Council February 2017: 2017/18 Budget and Medium Term Financial Plan

Dated: 04 November 2017



## APPENDIX A

### External Context

**Economic backdrop:** Commodity prices fluctuated over the period with oil falling below \$45 a barrel before inching back up to \$58 a barrel. UK Consumer Price Inflation (CPI) index rose with the data print for August showing CPI at 2.9%, its highest since June 2013 as the fall in the value of sterling following the June 2016 referendum result continued to feed through into higher import prices. The new inflation measure CPIH, which includes owner occupiers' housing costs, was at 2.7%.

The unemployment rate fell to 4.3%, its lowest since May 1975, but the squeeze on consumers intensified as average earnings grew at 2.5%, below the rate of inflation. Economic activity expanded at a much slower pace as evidenced by Q1 and Q2 GDP growth of 0.2% and 0.3% respectively. With the dominant services sector accounting for 79% of GDP, the strength of consumer spending remains vital to growth, but with household savings falling and real wage growth negative, there are concerns that these will be a constraint on economic activity in the second half of calendar 2017.

The Bank of England made no change to monetary policy at its meetings in the first half of the financial year. The vote to keep Bank Rate at 0.25% narrowed to 5-3 in June highlighting that some MPC members were more concerned about rising inflation than the risks to growth. Although at September's meeting the Committee voted 7-2 in favour of keeping Bank Rate unchanged, the MPC changed their rhetoric, implying a rise in Bank Rate in "the coming months". The Council's treasury advisor Arlingclose is not convinced the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.

In contrast, near-term global growth prospects improved. The US Federal Reserve increased its target range of official interest rates in June for the second time in 2017 by 25bps (basis points) to between 1% and 1.25% and, despite US inflation hitting a soft patch with core CPI at 1.7%, a further similar increase is expected in its December 2017 meeting. The Fed also announced confirmed that it would be starting a reversal of its vast Quantitative Easing programme and reduce the \$4.2 trillion of bonds it acquired by initially cutting the amount it reinvests by \$10bn a month.

Geopolitical tensions escalated in August as the US and North Korea exchanged escalating verbal threats over reports about enhancements in North Korea's missile programme. The provocation from both sides helped wipe off nearly \$1 trillion from global equity markets but benefited safe-haven assets such as gold, the US dollar and the Japanese yen. Tensions remained high, with North Korea's threat to fire missiles towards the US naval base in Guam, its recent missile tests over Japan and a further testing of its latent nuclear capabilities.

Prime Minister Theresa May called an unscheduled General Election in June, to resolve uncertainty but the surprise result has led to a minority Conservative government in coalition with the Democratic Unionist Party. This clearly results in an enhanced level of political uncertainty. Although the potential for a so-called hard Brexit is diminished, lack of clarity over future trading partnerships, in particular future customs agreements with the rest of the EU block, is denting business sentiment and investment. The reaction from the markets on the UK election's outcome was fairly muted, business confidence now hinges on the progress (or not) on Brexit negotiations, the ultimate 'divorce bill' for the exit and whether new trade treaties and customs arrangements are successfully concluded to the UK's benefit.

In the face of a struggling economy and Brexit-related uncertainty, Arlingclose expects the Bank of England to take only a very measured approach to any monetary policy tightening, any increase will be

gradual and limited as the interest rate backdrop will have to provide substantial support to the UK economy through the Brexit transition.

**Financial markets:** Gilt yields displayed significant volatility over the six-month period with the appearing change in sentiment in the Bank of England's outlook for interest rates, the push-pull from expectations of tapering of Quantitative Easing (QE) in the US and Europe and from geopolitical tensions, which also had an impact. The yield on the 5-year gilts fell to 0.35% in mid-June, but then rose to 0.80% by the end of September. The 10-year gilts similarly rose from their lows of 0.93% to 1.38% at the end of the quarter, and those on 20-year gilts from 1.62% to 1.94%.

The FTSE 100 nevertheless powered away reaching a record high of 7548 in May but dropped back to 7377 at the end of September. Money markets rates have remained low: 1-month, 3-month and 12-month LIBID rates have averaged 0.25%, 0.30% and 0.65% over the period from January to 21st September.

**Credit background:** UK bank credit default swaps continued their downward trend, reaching three-year lows by the end of June. Bank share prices have not moved in any particular pattern.

There were a few credit rating changes during the quarter. The significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities. Moody's downgraded Standard Chartered Bank's long-term rating to A1 from Aa3 on the expectation that the bank's profitability will be lower following management's efforts to de-risk their balance sheet. The agency also affirmed Royal Bank of Scotland's and NatWest's long-term ratings at Baa1, placed Lloyds Bank's A1 rating on review for upgrade, revised the outlook of Santander UK plc, and Nationwide and Coventry building societies from negative to stable but downgraded the long-term rating of Leeds BS from A2 to A3.

S&P also revised Nordea Bank's outlook to stable from negative, whilst affirming their long-term rating at AA-. The agency also upgraded the long-term rating of ING Bank from A to A+.

Ring-fencing, which requires the larger UK banks to separate their core retail banking activity from the rest of their business, is expected to be implemented within the next year. In May, following Arlingclose's advice, the Authority reduced the maximum duration of unsecured investments with Bank of Scotland, HSBC Bank and Lloyds Bank from 13 months to 6 months as until banks' new structures are finally determined and published, the different credit risks of the 'retail' and 'investment' banks cannot be known for certain.

The new EU regulations for Money Market Funds were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility NAV (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

### **Regulatory Updates**

**MiFID II:** Local authorities are currently treated by regulated financial services firms as professional clients who can "opt down" to be treated as retail clients instead. But from 3<sup>rd</sup> January 2018, as a result of the second Markets in Financial Instruments Directive (MiFID II), local authorities will be treated as retail clients who can "opt up" to be professional clients, providing that they meet certain criteria.

Regulated financial services firms include banks, brokers, advisers, fund managers and custodians, but only where they are selling, arranging, advising or managing designated investments. In order to opt up to professional, the authority must have an investment balance of at least £10 million and the person authorised to make investment decisions on behalf of the authority must have at least one year's relevant professional experience. In addition, the firm must assess that that person has the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The main additional protection for retail clients is a duty on the firm to ensure that the investment is "suitable" for the client. However, local authorities are not protected by the Financial Services Compensation Scheme nor are they eligible to complain to the Financial Ombudsman Service whether they are retail or professional clients. It is also likely that retail clients will face an increased cost and potentially restricted access to certain products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice. The Authority has declined to opt down to retail client status in the past as the costs were thought to outweigh the benefits.

The Authority meets the conditions to opt up to professional status and intends to do so in order to maintain their current MiFID status.

**CIPFA Consultation on Prudential and Treasury Management Codes:** In February 2017 CIPFA canvassed views on the relevance, adoption and practical application of the Treasury Management and Prudential Codes and after reviewing responses launched a further consultation on changes to the codes in August with a deadline for responses of 30<sup>th</sup> September 2017. The Authority responded to this consultation with its feedback.

The proposed changes to the Prudential Code include the production of a new high-level Capital Strategy report to full council which will cover the basics of the capital programme and treasury management. The prudential indicators for capital expenditure and the authorised borrowing limit would be included in this report but other indicators may be delegated to another committee. There are plans to drop certain prudential indicators, however local indicators are recommended for ring fenced funds (including the HRA) and for group accounts. Other proposed changes include applying the principles of the Code to subsidiaries.

Proposed changes to the Treasury Management Code include the potential for non-treasury investments such as commercial investments in properties in the definition of "investments" as well as loans made or shares brought for service purposes. Another proposed change is the inclusion of financial guarantees as instruments requiring risk management and addressed within the Treasury Management Strategy. Approval of the technical detail of the Treasury Management Strategy may be delegated to a committee rather than needing approval of full Council. There are also plans to drop or alter some of the current treasury management indicators.

CIPFA intends to publish the two revised Codes towards the end of 2017 for implementation in 2018/19, although CIPFA plans to put transitional arrangements in place for reports that are required to be approved before the start of the 2018/19 financial year. The Department of Communities and Local Government (DCLG) and CIPFA wish to have a more rigorous framework in place for the treatment of commercial investments as soon as is practical. It is understood that DCLG will be revising its Investment Guidance (and its MRP guidance) for local authorities in England; however there have been no discussions with the devolved administrations yet.

## **Outlook for the remainder of 2017/18**

The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Both consumer and business confidence remain subdued. Household consumption growth, the driver of UK GDP growth, has softened following a contraction in real wages. Savings rates are at an all-time low and real earnings growth (i.e after inflation) struggles in the face of higher inflation.

The Bank of England's Monetary Policy Committee has changed its rhetoric, implying a rise in Bank Rate in "the coming months". Arlingclose is not convinced the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.

Arlingclose's central case is for gilt yields to remain broadly stable in the across the medium term, but there may be near term volatility due to shifts in interest rate expectations.

## APPENDIX B

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in table 1 below.

Table 1: Balance Sheet Summary

	31.3.17 Actual £m
General Fund CFR	276.1
Less: Other debt liabilities *	-47.4
<b>Borrowing CFR</b>	<b>228.7</b>
Less: Usable reserves	-107.2
Less: Working capital	88.0
<b>Net borrowing</b>	<b>209.5</b>

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

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 30 September 2017 and the change over the period is show in table 2 below.

Table 2: Treasury Management Summary

Newport City Council Debt	Outstanding as at 31/03/17 £m	Debt Raised £m	Debt Repaid £m	Outstanding as at 30/09/2017 £m
Public Works Loans Board	71.1	0	0	71.1
Market Loans	35.0	0	0	35.0
Stock Issue	40.0	0	0	40.0
<b>Total Long Term Loans</b>	<b>146.1</b>	<b>0</b>	<b>0</b>	<b>146.1</b>
Temporary Debt	63.1	44.3	104.4	3.0
<b>Total Long Term and Temporary Debt</b>	<b>209.2</b>	<b>44.3</b>	<b>104.4</b>	<b>149.1</b>

### Borrowing Strategy during the half year

At 30/9/2017 the Authority held £149.1m of loans, (a decrease of £60.1m on 31/3/2017), as part of its strategy for funding previous years' capital programmes. The 30<sup>th</sup> September 2017 borrowing position is show in table 3 below.

Table 3: Borrowing Position

	31.3.17 Balance £m	Movement £m	30.9.17 Balance £m	30.9.17 Weighted average rate %	30.9.17 Weighted average maturity years
Public Works Loan Board	71.1	0	71.1	4.45	16.6
Banks (LOBO)	30.0	0	30.0	4.302	36.8
Banks (fixed-term)	5.0	0	5.0	3.77	60.5
Stock Issue	40.0	0	40.0	8.875	1.5
Local authorities (long-term)	0	0	0	-	-
Local authorities (short-term)	63.1	(60.1)	3.0	0.35%	0
<b>Total borrowing</b>	<b>209.2</b>	<b>(60.1)</b>	<b>149.1</b>	<b>5.52%</b>	<b>17.7</b>

The “cost of carry” analysis performed by the Authority’s treasury management advisor Arlingclose did not indicate any value in borrowing in advance for future years’ planned expenditure and therefore none was taken.

The Authority continues to hold £30m of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the first half of 2017/18.

#### Investment Activity

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first half of 2017/18 the Authority’s investment balance ranged between £0.6m and £96 million (due to sale of Friars Walk receipt) due to timing differences between income and expenditure. The investment position during the half year is shown in table 4 below.

Table 4: Investment Position

	31.3.17 Balance £m	Movement £m	30.9.17 Balance £m	30.9.17 Weighted average rate %	30.9.17 Weighted average maturity Years
Banks & building societies (unsecured)	2.3	(1.5)	0.8	0.15	0
Government (incl. local authorities)	0	32.5	32.5	0.23	0.27
<b>Total investments</b>	<b>2.3</b>	<b>31.0</b>	<b>33.3</b>	<b>0.22</b>	<b>0.26</b>

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

#### Compliance Report

The Head of Finance is pleased to report that all treasury management activities undertaken during the first half of 2017/18 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

**Table 7: Investment Limits**

	<b>30.9.17 Actual (£m)</b>	<b>2017/18 Limit (£m)</b>	<b>Complied</b>
Banks Unsecured	0.8	£5m	✓
Banks Secured	0	£10m	✓
Government	32.5	Unlimited	✓
Corporates	0	£5m	
Registered Providers	0	£5m	✓
Unsecured investments with Building Societies	0	£5m	✓

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 8 below.

**Table 8: Debt Limits**

	<b>H1 Maximum (£m)</b>	<b>30.9.17 Actual (£m)</b>	<b>2017/18 Operational Boundary (£m)</b>	<b>2017/18 Authorised Limit (£m)</b>	<b>Complied</b>
Borrowing	209	149	288	308	✓
PFI & finance leases	46	46	46	46	✓
<b>Total debt</b>	<b>255</b>	<b>195</b>	<b>334</b>	<b>354</b>	<b>✓</b>

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

### **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 variable rate interest rate exposures, expressed as the proportion of net principal borrowed was:

	<b>30.9.17 Actual</b>	<b>2017/18 Limit</b>	<b>Complied</b>
Upper limit on fixed interest rate exposure	100%	100%	✓
Upper limit on variable interest rate exposure	0	50%	✓

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

**Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	30.9.17 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	22%	80%	0%	✓
12 months and within 24 months	27%	70%	0%	✓
24 months and within 5 years	3%	70%	0%	✓
5 years and within 10 years	25%	50%	0%	✓
10 years and within 20 years	8%	30%	0%	✓
20 years and within 30 years	0%	20%	0%	✓
30 years and within 40 years	9%	20%	0%	✓
40 years and within 50 years	3%	20%	0%	✓
50 years and above	3%	20%	0%	✓

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

**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 long-term principal sum invested to final maturities beyond the period end were:

	2017/18	2018/19	2019/20
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	5	5	5
Complied	✓	✓	✓

In the next TM Strategy report we may need to adjust these limits taking into consideration the introduction of MiFID II.

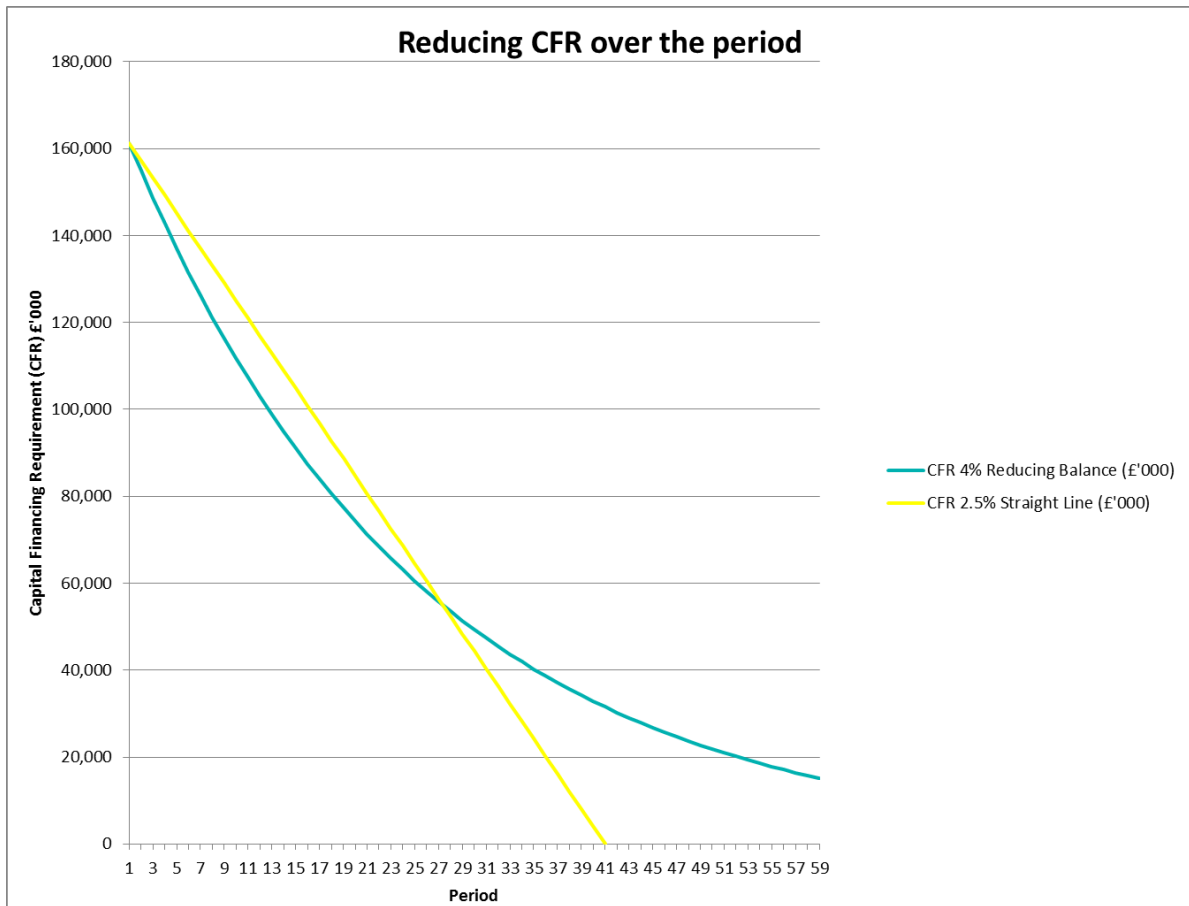


## APPENDIX C – MRP POLICY OPTION APPRAISAL

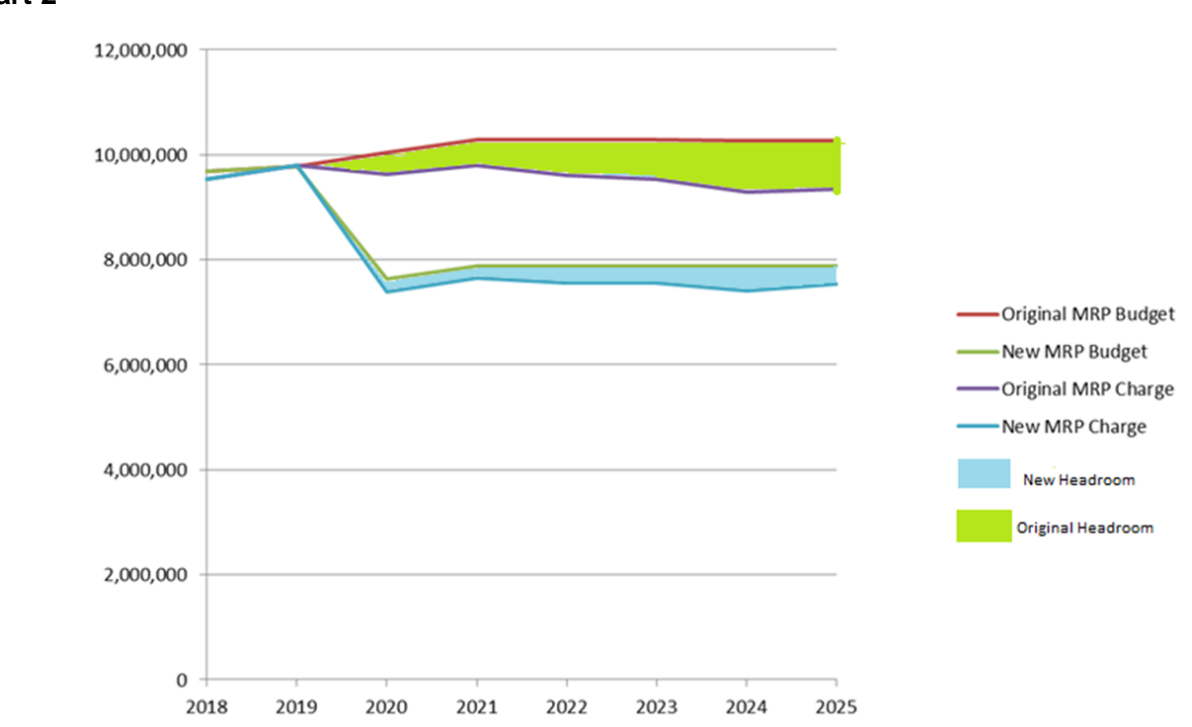
Table 1

Period	Year	Current MRP		Option 1			Option 2		
		CFR 4% Reducing Balance (£'000)	MRP Charge 4% RB (£'000)	CFR 2.5% Straight Line (£'000)	MRP Charge 2.5% SL (£'000)	Difference (£'000)	CFR 2.5% Annuity Method (£'000)	MRP Charge 2.5% AM (£'000)	Difference (£'000)
1	2017	161,278	6,451	161,278	4,032	(2,419)	161,278	2,253	(4,198)
2	2018	154,827	6,193	157,246	4,032	(2,161)	159,025	2,315	(3,878)
3	2019	148,634	5,945	153,214	4,032	(1,913)	156,710	2,379	(3,566)
4	2020	142,688	5,708	149,182	4,032	(1,676)	154,331	2,445	(3,262)
5	2021	136,981	5,479	145,150	4,032	(1,447)	151,885	2,513	(2,966)
6	2022	131,502	5,260	141,118	4,032	(1,228)	149,372	2,583	(2,677)
7	2023	126,242	5,050	137,086	4,032	(1,018)	146,790	2,654	(2,395)
8	2024	121,192	4,848	133,054	4,032	(816)	144,135	2,728	(2,120)
9	2025	116,344	4,654	129,022	4,032	(622)	141,408	2,803	(1,851)
10	2026	111,690	4,468	124,990	4,032	(436)	138,604	2,881	(1,587)
11	2027	107,223	4,289	120,959	4,032	(257)	135,724	2,961	(1,328)
12	2028	102,934	4,117	116,927	4,032	(85)	132,763	3,043	(1,075)
13	2029	98,817	3,953	112,895	4,032	79	129,720	3,127	(826)
14	2030	94,864	3,795	108,863	4,032	237	126,593	3,214	(581)
15	2031	91,069	3,643	104,831	4,032	389	123,380	3,303	(340)
16	2032	87,427	3,497	100,799	4,032	535	120,077	3,394	(103)
17	2033	83,930	3,357	96,767	4,032	675	116,683	3,488	131
18	2034	80,572	3,223	92,735	4,032	809	113,195	3,585	362
19	2035	77,349	3,094	88,703	4,032	938	109,610	3,684	590
20	2036	74,255	2,970	84,671	4,032	1,062	105,926	3,786	816
21	2037	71,285	2,851	80,639	4,032	1,181	102,140	3,891	1,040
22	2038	68,434	2,737	76,607	4,032	1,295	98,249	3,999	1,261
23	2039	65,697	2,628	72,575	4,032	1,404	94,250	4,110	1,482
24	2040	63,069	2,523	68,543	4,032	1,509	90,141	4,223	1,701
25	2041	60,546	2,422	64,511	4,032	1,610	85,917	4,340	1,918
26	2042	58,124	2,325	60,479	4,032	1,707	81,577	4,461	2,136
27	2043	55,799	2,232	56,447	4,032	1,800	77,116	4,584	2,352
28	2044	53,567	2,143	52,415	4,032	1,889	72,532	4,711	2,568
29	2045	51,424	2,057	48,383	4,032	1,975	67,821	4,842	2,785
30	2046	49,367	1,975	44,351	4,032	2,057	62,980	4,976	3,001
31	2047	47,393	1,896	40,320	4,032	2,136	58,004	5,114	3,218
32	2048	45,497	1,820	36,288	4,032	2,212	52,890	5,255	3,435
33	2049	43,677	1,747	32,256	4,032	2,285	47,635	5,401	3,654
34	2050	41,930	1,677	28,224	4,032	2,355	42,234	5,550	3,873
35	2051	40,253	1,610	24,192	4,032	2,422	36,684	5,704	4,094
36	2052	38,643	1,546	20,160	4,032	2,486	30,980	5,862	4,316
37	2053	37,097	1,484	16,128	4,032	2,548	25,118	6,024	4,541
38	2054	35,613	1,425	12,096	4,032	2,607	19,093	6,191	4,767
39	2055	34,189	1,368	8,064	4,032	2,664	12,902	6,363	4,995
40	2056	32,821	1,313	4,032	4,032	2,719	6,539	6,539	5,226
41	2057	31,508	1,260	0			0		

**Chart 1**



**Chart 2**



The difference in the shaded area between the current MRP policy and the proposed policy is reduced “headroom” which relates to capital expenditure of c£10m over the programme to 2023/24.

# Report

## Audit Committee

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### Part 1

Date: 23 January 2018

Item No: 8

**Subject** Treasury Management Strategy 2018/19

**Purpose** This report considers the Council's 2018/19

- Treasury Management Strategy,
- Prudential Indicators,
- Investment Strategy; and
- Minimum Revenue Provision (MRP) policy

**Author** Assistant Head of Finance

**Ward** General

### Summary

The overarching recommended Treasury Strategy is unchanged from our current strategy, which, in summary:

- Limit the need to actually borrow cash by using the positive cash-flow the Council has to fund capital expenditure funded from borrowing, wherever possible, known as 'internal borrowing'
- Borrow and invest in the short-term to manage the shorter term cash-flow requirements of the Council.

In practice, the overarching strategy above limits the activities of long term borrowing and investments, however, as highlighted in the Treasury Management half year report, to satisfy the requirements of the second Markets in Financial Instruments Directive (MiFIDII) it is expected that the authority will maintain a minimum investment balance of £10m at all times – thus limiting our capacity to be internally borrowed.

The strategies within this report set the Council's approved borrowing and investment limits, based on planned capital spending. This report has been prepared in line with the Council's draft Medium Term Financial Plan, and will be presented to full Council as part of the overall budget report for approval in February 2018.

**Proposal** To recommend to Cabinet for approval the Prudential Indicators, Minimum Revenue Provision Policy, the Treasury Management Strategy and the Annual Investment Strategy as detailed in the report.

**Action by** Head of Finance – prepare budget papers for Cabinet in line with recommendations from this Committee

**Timetable** Immediate

This report was prepared after consultation with:

- The Council's Treasury Advisors
- Accountancy Staff
- Heads of Law and Standards and HR/Policy

**Signed**

## Background

### Background

1. The Council is involved in two types of treasury activity:

- Borrowing long-term for capital purposes and short term for temporary cash flow
- Investment of surplus cash

Within this, the overarching strategy is

- Limit the need to actually borrow cash by using the positive cash-flow the Council has to fund capital expenditure funded from long-term borrowing, wherever possible, known as 'internal borrowing'
- Borrow and invest in the short-term to manage the shorter term cash-flow requirements of the Council.

2. The borrowing and investment activities are controlled primarily via the Council's Treasury Management Strategy and various measures and limits set via its Prudential Indicators to regulate/control the implementation of that strategy.

3. CIPFA requires local authorities to determine their Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis. This requires approval by full Council following a recommendation from the Cabinet. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the Welsh Government's (WG's) Investment Guidance.

4. Our detailed Treasury strategies for 2018/19 are included at Appendix 1. In addition, planned strategies to 2021/22 are also included, in line with the Council's 4 year Medium Term Plan. Key points of interest are summarised below.

5. The strategy and indicators here are based on the 2017 Prudential Scheme. This was updated very recently and the new scheme was published January 2018. The biggest change is the need to include a 'capital strategy', with changes beyond that limited to smaller issues and updates to Prudential Indicators. Given the late publication, WG have agreed that this would be fully implemented in 2019/20. This paper and the accompanying TMSS and Prudential Indicators are based on this.

### Treasury Management Strategy

6. The Council's overall Treasury Management Strategy takes into account the current outstanding borrowing that it has due to capital expenditure incurred in the past and links this into the future expectations for the Council around future capital expenditure to be incurred and future cash flows. As noted, the plan aims to limit new l/t borrowing, wherever possible by using internal cash resources.

7. This Treasury Management Strategy highlights that the Council has an inherent need to borrow and therefore the borrowing strategy discussed below is a vital part of the overall Treasury Management Strategy.

8. Due to the revenue implications of undertaking capital expenditure and the need to charge a Minimum Revenue Provision (MRP) for capital expenditure funded by borrowing, the strategy of the Council, is, where possible, to limit increases in the capital expenditure financing costs in the Medium Term Financial Plan. 2017/18 is the final year of our current capital programme and the

next five-year programme will be approved alongside this strategy at February's Council. The prudential indicators for these are shown in the appendix to this report.

9. In summary the Council is expected to limit the amount of long-term borrowing in the short-term to a minimum, but in conjunction with advice from our Treasury Advisors, there will become a point where current borrowing will need to be re-financed, and a decision will need to be taken as to the appropriate timing of that borrowing.
10. The detailed Treasury Management Strategy is shown in Appendix 1.

## **Borrowing Strategy**

11. The Council has significant long term borrowing requirements but in recent years, the strategy has been able to fund its capital expenditure from reducing investments rather than undertaking more expensive new borrowing i.e. using 'surplus cash', known as 'internal borrowing'. This is because the rates achievable on the Council's investments are lower than the rates that would be payable on long-term borrowing and therefore this strategy is more cost effective.
12. In terms of the revenue budget, the Council must ensure it sets aside sums to repay capital expenditure funded from borrowing (irrespective of whether the borrowing itself is undertaken externally or through dis-investing). This is done via the 'Minimum Revenue Provision' (MRP). In addition, a budget is also needed to fund actual interest payable on loans taken out, which are based on predictions of actual external borrowing. Both are discrete budget lines in the Council's overall revenue budget.
13. 2017/18 is the final year of the current four-year programme, and work has commenced on providing figures for the future programme from 2018/19 to 2022/23 which will be finalised alongside the budget report. Appendix 2 shows the estimated capital expenditure for the Council over the medium term and is based on keeping capital expenditure funded by borrowing within the capital financing revenue budgets that are included within the Medium Term Financial Plan. This means that there would not be additional pressure on the MRP budget from the capital expenditure funded by borrowing. An estimate has also been included for the capital expenditure that can be funded by reserves, capital receipts, grants etc. which will not impact on the level of the CFR or the MRP charge.
14. A paper on the future capital programme has been taken to Senior Management and a framework for future capital expenditure has been agreed to, which seeks to limit capital expenditure funded by borrowing to the current funding envelope we have for capital financing within the MTFP. This will mean that no pressure will be put on new borrowing in the future, other than that shown in Table 1 below, which shows the inherent need to borrow for replacing maturing loans and pressure on cash from reducing earmarked reserves, hence reducing the ability to be internally borrowed.
15. Local Authorities measure their underlying need for long-term borrowing through their 'Capital Financing Requirement' (CFR). This takes into account the amount of capital expenditure that needs to be funded through borrowing, (as opposed to external funding - from cash grants, capital receipts or S106 contributions for example) irrespective of whether the borrowing itself is undertaken externally or through dis-investing.
16. The table below shows the estimated Capital Financing Requirement / New Net Borrowing Requirement position for Newport City Council for 2018/19 to 2020/21:

(all figures are cumulative)

**Table 1: Newport City Council – CFR**

	31.3.17 Actual £m	31.3.18 Estimate £m	31.3.19 Forecast £m	31.3.20 Forecast £m	31.3.21 Forecast £m
General Fund CFR	279.1	281.8	292.0	294.2	295.2
Less: Other debt liabilities *	(47.2)	(45.1)	(43.1)	(42.3)	(41.3)
<b>Borrowing CFR</b>	<b>231.9</b>	<b>236.7</b>	<b>248.9</b>	<b>251.9</b>	<b>253.9</b>
Less: External borrowing **	(211.7)	(146.1)	(144.7)	(103.2)	(100.9)
<b>Internal borrowing</b>	<b>20.2</b>	<b>90.6</b>	<b>104.2</b>	<b>148.7</b>	<b>153.0</b>
Less: Usable reserves	(107.2)	(86.3)	(76.9)	(73.2)	(70.6)
Less: Working capital	84.7	4.6	4.6	4.6	4.6
<b>Investments (or New borrowing)</b>	<b>2.3</b>	<b>(8.8)</b>	<b>(31.9)</b>	<b>(80.1)</b>	<b>(87.0)</b>

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

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

17. As the table shows, the inherent 'need to borrow' as shown by the CFR is predicted to be £87 million over the next four years. The CFR is expected to remain relatively steady over the next four years, as the capital strategy is to fund capital expenditure within the budgets of the current Minimum Revenue Provision, therefore keeping the CFR stable. The increase in the CFR is due to an anticipated capital loan to a company in relation to redevelopment in which the Council will undertake borrowing to finance; this is similar to the treasury arrangements for the loan to Queensberry. The terms of loan will require full repayment of the loan four years following the anniversary of the first payment; this will reduce the CFR back to c£283m in 2021/22.
18. Given **current** borrowing levels a further c£20m long term borrowing is likely to be required during 2018/19. This is due to the expected capital loan and the level of earmarked reserves decreasing. However, the Authority will be required to be flexible to borrow up to the Authorised Limit.
19. The Authority will adopt a flexible approach to any borrowing necessary in consultation with its treasury management advisers, Arlingclose Ltd. The following issues will be considered prior to undertaking any external borrowing:
- Affordability
  - Maturity profile of existing debt
  - Interest rate and refinancing risk
  - Borrowing source

## Investment Strategy

20. The Authority holds minimal invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £0.6m and £96 million, the large balance being when the Council received the receipt from the sale of Friars Walk. In 2018/19, the level of investment is likely to decrease over time to align with the borrowing strategy of keeping new long-term borrowing to a minimum. However, due to the implementation of the second Markets in Financial Instruments Directive (MiFIDII), as highlighted in the Treasury Management half year report, the Authority will be required to maintain a minimum investment balance of £10 million. Whilst this puts a limit to the extent the Council can be internally borrowed, it is a relatively small balance in the wider scheme of the Councils cash-flows and borrowing and the strategy of being 'internally borrowed' still stands.

21. **Objectives:** Both the CIPFA Code and the WG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses.
22. Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding classes during 2018/19.
23. **Approved Counterparties:** Whilst investment funds remain available and based on the treasury management advice from Arlingclose; the Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown will invest in the following areas:

Table 2: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	Not applicable	Not applicable	£ Unlimited 50 years	Not applicable	Not applicable
AAA	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
AA+	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
AA	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
AA-	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
A+	£5m 2 years	£10m 2 years	£5m 2 years	£5m 2 years	£5m 2 years
A	£5m 13 months	£10m 2 years	£5m 2 years	£5m 2 years	£5m 2 years
A-	£5m 6 months	£10m 13 months	£5m 2 years	£5m 13 months	£5m 2 years
BBB+	£2.5m 100 days	£5m 6 months	£2.5m 2 years	£2.5m 6 months	£2.5m 2 years
BBB	£2.5m overnight	£5.0m 100 days	Not applicable	Not applicable	Not applicable
None	£1m 6 months	Not applicable	£10m 25 years	Not applicable	Not applicable
Pooled funds	Not applicable				

24. Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. Whilst the credit ratings score drives the approved listing, the day-to-day operational counterparties are generally limited to named counterparty listing as documented in Appendix C. However, where it is prudent to do so the Authority may also use other approved investments based on the approved



credit ratings as documented in the table above.

25. A more detailed explanation of the different approved counterparty types are included in Appendix 1 but for the sake of clarity, the Council's investment strategy will, as per the Welsh Governments Investment Guidance, give priority to security and liquidity and will aim to achieve a yield commensurate with these principles.

### Minimum Revenue Provision (MRP) Policy

26. The MRP Policy is detailed in Appendix D. As per the Treasury Management half-year report brought to Audit Committee, it is proposed that the MRP charge for supported borrowing will be changed from 2017/18. This is in line with guidance and the policy attached.

### Prudential Indicators

27. The Council must establish certain 'checks' required by CIPFA to ensure that its Treasury Management Strategy is operating effectively. These are known as Prudential Indicators, and they will be reported to the Council on a 6 monthly basis.
28. Examples of our key indicators are noted below; again more detail is supplied at Appendix 2

#### Net Borrowing/Capital Financing Requirement

The Council's net borrowing should not exceed its Capital Financing Requirements as outlined earlier. This ensures that borrowing is only used to finance capital over the long term. The Council does not note any difficulty in meeting this requirement.

#### Financing Costs to Net Revenue Stream

This ratio shows how much of the Council's total revenue budget is used for capital financing costs, as a percentage. The ratio for 2018/19 is 7.6%.

29. We recommend that the Audit Committee scrutinise the 2018/19 Treasury Management Strategy and Prudential Indicators detailed in Appendix 1 and 2 and provides comments, as needed, to Cabinet and Council.

### Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Investment counterparty not repaying investments	High but depending on investment value	Low	The Council only invests with Institutions with very high credit scores. It employs advisors to monitor money market movements and changes to credit scores and acts immediately should things change adversely. The lower levels of funds/duration available for relatively higher risk investment as measured by 'credit ratings' will also alleviate the risk.	Members, Head of Finance, Treasury staff, based on advice from treasury advisors
Interest Rates moving adversely against	Low	Low	Base and short-term Interest rates are expected to remain at current levels until the second half of 2016. The Treasury strategy approved	Head of Finance, Treasury staff, treasury advisors

expectations			allows for the use of short term borrowing once investment funds are exhausted to take advantage of these low rates.	
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\* Taking account of proposed mitigation measures

### **Links to Council Policies and Priorities**

It is the Council's policy to ensure that the security of the capital sums invested is fully recognised and has absolute priority. The Council follows the advice of the Welsh Assembly Government that any investment decisions take account of security, liquidity and yield in that order.

### **Options Available and considered**

The Prudential Code and statute requires that, during and at the end of each financial year, reports on these matters are presented to Cabinet/Council for approval. Best practice is for the reports to be scrutinised by the Audit committee prior to Council approval. Thus the only option available is to consider this report and provide comments prior to Council approval.

### **Preferred Option and Why**

The preferred choice is to receive and scrutinise the contents of the report and provide feedback and comments prior to Council approval.

### **Comments of Chief Financial Officer**

The treasury management strategy and the treasury management and prudential indicators included within this report are an important aspect of setting a prudent financial landscape for the Council. This includes ensuring a prudent and affordable capital programme, with a sight on the level of borrowing and risks associated with this.

Within the ever reducing medium term financial landscape this is as important as ever, and the on-going revenue impact of capital decisions needs to be at the forefront of any decisions that are made.

### **Comments of Monitoring Officer**

There are no legal implications. The in year and annual treasury management report is consistent with relevant Chartered Institute of Public Finance and Accountancy Guidance, Treasury Management principles and the Council's Investment Strategy.

### **Comments of Head of People and Business Change**

There are no human resources implications within the report

### **Comments of Cabinet Member**

N/A

### **Local issues**

N/A

### **Scrutiny Committees**

N/A

### **Equalities Impact Assessment and the Equalities Act 2010**

The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment;

pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

### **Children and Families (Wales) Measure**

N/A.

### **Wellbeing of Future Generations (Wales) Act 2015**

The Wellbeing of Future Generations (Wales) Act 2015 is taken into account when looking at the long-term impact of treasury management and capital decisions. The Council has a prudent Minimum Revenue Provision Policy and abides by the treasury management and prudential indicators detailed in the report.

### **Crime and Disorder Act 1998**

Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

### **Consultation**

N/A

### **Background Papers**

Report on Treasury Management for the period to 30 September 2017

Dated:

## Treasury Management Strategy Statement 2018/19

### Introduction

In June 2009 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. CIPFA consulted on changes to the Code in 2017, but has yet to publish the full detail required for the revised Code in time for this Strategy.

In addition, the Welsh Government (WG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

**Revised strategy:** In accordance with the WG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Authority's capital programme or in the level of its investment balance.

### External Context

**Economic background:** The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

**Credit outlook:** High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

**Interest rate forecast:** The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

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

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.4%, and that new long-term loans will be borrowed at an average rate of 3.5%.

### Local Context

On 31st December 2017, the Authority held £156m of borrowing and £34m of investments. This is set out in further detail at *Appendix B*. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.17 Actual £m	31.3.18 Estimate £m	31.3.19 Forecast £m	31.3.20 Forecast £m	31.3.21 Forecast £m
General Fund CFR	279.1	281.8	292.0	294.2	295.2
Less: Other debt liabilities *	(47.2)	(45.1)	(43.1)	(42.3)	(41.3)
<b>Borrowing CFR</b>	<b>231.9</b>	<b>236.7</b>	<b>248.9</b>	<b>251.9</b>	<b>253.9</b>
Less: External borrowing **	(211.7)	(146.1)	(144.7)	(103.2)	(100.9)
<b>Internal borrowing</b>	<b>20.2</b>	<b>90.6</b>	<b>104.2</b>	<b>148.7</b>	<b>153.0</b>
Less: Usable reserves	(107.2)	(86.3)	(76.9)	(73.2)	(70.6)
Less: Working capital	84.7	4.6	4.6	4.6	4.6
<b>Investments (or New borrowing)</b>	<b>2.3</b>	<b>(8.8)</b>	<b>(31.9)</b>	<b>(80.1)</b>	<b>(87.0)</b>

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

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

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority has an increasing CFR due to the capital programme, but intends to maintain minimal investments and will therefore be required to borrow up to £87m over the forecast period. This will contain new borrowing for re-financing of maturing loans, of which there is a significant value in 2019/20 due to the stock issue.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2018/19.

## **Borrowing Strategy**

The Authority currently holds £156million of loans, a decrease of £53 million on the previous year, as part of its strategy for funding previous years' capital programmes, and the maturity of loans relating to the Queensberry Ltd borrowing. The balance sheet forecast in table 1 shows that the Authority will need to borrow further in 2018/19, this will mainly be to cover the expected capital loan and the reduction in earmarked reserves. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £263 million.

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

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

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

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

**Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- capital market bond investors
- special purpose companies created to enable local authority bond issues

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

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Authority has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

**LOBOs:** The Authority holds £30m 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. £30m of these LOBOS have options during 2018/19, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to £30m.

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

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

### Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held, this is due to the receipt from the sale of Friars Walk. In the past 12 months, the Authority's investment balance has ranged between £0 and £35 million, however, the level of investments is expected to reduce over the forthcoming year as funding is required and there is a move back towards holding minimal investments.

**Objectives:** Both the CIPFA Code and the WG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

**Negative interest rates:** If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

**Strategy:** The majority of the Authority's surplus cash is currently invested in local authorities or short-term unsecured bank deposits. It is expected that the authority will look to diversify its investments into other approved counterparties where it is felt there is the correct balance between security and yield.

**Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved investment counterparties and limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	Not applicable	Not applicable	£ Unlimited 50 years	Not applicable	Not applicable
AAA	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
AA+	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
AA	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
AA-	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
A+	£5m 2 years	£10m 2 years	£5m 2 years	£5m 2 years	£5m 2 years
A	£5m 13 months	£10m 2 years	£5m 2 years	£5m 2 years	£5m 2 years
A-	£5m 6 months	£10m 13 months	£5m 2 years	£5m 13 months	£5m 2 years
BBB+	£2.5m 100 days	£5m 6 months	£2.5m 2 years	£2.5m 6 months	£2.5m 2 years
BBB	£2.5m overnight	£5.0m 100 days	Not applicable	Not applicable	Not applicable
None	£1m 6 months	Not applicable	£10m 25 years	Not applicable	Not applicable
Pooled funds	Not applicable				

This table must be read in conjunction with the notes below

**Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

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

**Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and



time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

**Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

**Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £5,000,000 per company as part of a diversified pool in order to spread the risk widely.

**Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

**Pooled funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

**Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £5,000,000] per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

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

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

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

**Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information

on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

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

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

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

**Non-specified investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, Money Market Funds and other pooled funds that are defined as capital expenditure, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

	<b>Cash limit</b>
Total long-term investments	£50m
Total invested in other pooled funds	£5m
Total investments without credit ratings or rated below [A-] (except the UK Government and UK local authorities)	£20m
Total non-specified investments	£50m

**Investment limits:** The Authority’s revenue reserves available to cover investment losses are forecast to be £6.5 million on 31st March 2018. The maximum that will be lent to any one organisation (other than the UK

Government) will be £5million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

**Table 4: Investment limits**

	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£10m per group
Registered providers	£5m in total
Unsecured investments with building societies	£5m in total
Loans to unrated corporates	£5m in total

**Liquidity management:** The Authority uses purpose-built cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

### **Non-Treasury Investments**

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the WG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes, for example as loans to local businesses and landlords, or as equity investments and loans to the Authority's subsidiaries.

Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

The Authority's existing non-treasury investments are listed in Appendix B.

### **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 variable rate interest rate exposures, expressed as the proportion of interest payable will be:

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	50%	50%	50%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

**Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	70%	0%
12 months and within 24 months	60%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	50%	0%
10 years and within 20 years	30%	0%
20 years and within 30 years	20%	0%
30 years and within 40 years	20%	0%
40 years and within 50 years	20%	0%
50 years and above	20%	0%

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

**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 long-term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£40m	£10m	£10m

### Other Items

There are a number of additional items that the Authority is obliged by CIPFA or WG to include in its Treasury Management Strategy.

**Policy on the use of financial derivatives:** In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

**Investment training:** The needs of the Authority's treasury management staff for training in investment management are assessed every three months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

**Investment advisers:** The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

**Investment of money borrowed in advance of need:** The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £263 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

## Financial Implications

The budget for investment income in 2018/19 is £0.04 million. The budget for debt interest paid in 2018/19 is £9.1 million, based on an average debt portfolio of £150 million at an average interest rate of 4.5%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

## Other Options Considered

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

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

## Appendix A - Arlingclose Economic & Interest Rate Forecast November 2017

### Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

### Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
<b>3-month LIBID rate</b>														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
<b>1-yr LIBID rate</b>														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.26
<b>5-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
<b>10-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
<b>20-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
<b>50-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

Appendix B - Existing Investment & Debt Portfolio Position

	31 December 2017 Actual Portfolio £'000	31 December 2017 Average Rate %
<b>External borrowing:</b>		
Public Works Loan Board	70,488	4.47
Local authorities	10,500	0.41
LOBO loans from banks	30,000	4.33
Other loans	5,000	3.77
Stock Issue	40,000	8.88
<b>Total external borrowing</b>	<b>155,988</b>	<b>5.30</b>
<b>Other long-term liabilities:</b>		
Private Finance Initiative	47,300	
Finance Leases	87	
<b>Total other long-term liabilities</b>	<b>47,387</b>	
<b>Total gross external debt</b>	<b>203,375</b>	
<b>Treasury investments:</b>		
Banks & building societies (unsecured)	2,480	0.30
Government (incl. local authorities)	32,000	0.40
<b>Total treasury investments</b>	<b>34,480</b>	<b>0.40</b>
<b>Net debt</b>	<b>168,895</b>	

<b>Non-treasury investments:</b>		
Investment property	10,396	
Shares in subsidiaries	251	
<b>Total non-treasury investments</b>	<b>10,647</b>	
<b>Total investments</b>	<b>45,127</b>	



## Appendix C – Operational Investment Counterparties List

### COUNTERPARTY LIMITS FOR BANKING – UK INSTITUTIONS

Counterparty - Banking UK Institutions	Unsecured Investments		Secured Investments	
	Maximum Counterparty Limit and Group Limit (if applicable)	Maximum Lending Period	Maximum Counterparty Limit and Group Limit (if applicable)	Maximum Lending Period
Bank of Scotland	£5,000,000	13 Months	£10,000,000	2 years
Barclays Bank Plc.	£5,000,000	100 Days	£10,000,000	2 years
Close Brothers Ltd	£5,000,000	6 Months	£10,000,000	2 years
Goldman Sachs International Bank	£5,000,000	100 Days	£10,000,000	2 years
HSBC Bank Plc.	£5,000,000	13 Months	£10,000,000	2 years
Lloyds Bank Plc.	£5,000,000	13 Months	£10,000,000	2 years
National Westminster Bank Plc.	£2,500,000	35 Days	£10,000,000	2 years
Nationwide Building Society	£5,000,000	6 Months	£10,000,000	2 years
Royal Bank of Scotland	£2,500,000	35 Days	£10,000,000	2 years
Santander UK Plc. (Banco Santander Group)	£5,000,000	6 Months	£10,000,000	2 years
Standard Chartered Bank	Suspended		£10,000,000	2 years

## Appendix 2 - Prudential Indicators 2018/19

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy'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. Further detail will be provided in the capital programme report for the budget strategy.

Capital Expenditure and Financing	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m
Estimated Capital Expenditure	36.7	32.2	32.1	23.5
<b>Total Expenditure</b>	<b>36.7</b>	<b>32.2</b>	<b>32.1</b>	<b>23.5</b>
Capital Receipts	7.7	3.1	0.0	0.0
Government Grants	13.6	7.6	18.9	13.3
Reserves	1.3	1.4	0.0	0.0
Revenue	1.9	0.1	0.2	0.1
Borrowing	12.1	20.0	12.8	10.2
Leasing and PFI	0.2	0.0	0.2	0.0
<b>Total Financing</b>	<b>36.9</b>	<b>32.2</b>	<b>32.1</b>	<b>23.5</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	31.03.18 Revised	31.03.19 Estimate	31.03.20 Estimate	31.03.21 Estimate
	£m	£m	£m	£m
General Fund CFR	281.8	292.0	294.2	295.2

The CFR is forecast to rise by £13m over the next three years as capital expenditure financed by debt is outweighed by resources put aside for debt repayment in those years, however this is mainly due to the expected capital loan of £12m, which will be repaid in 2022/23 this will reduce the CFR to close to current levels.

**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	31.03.18 Revised	31.03.19 Estimate	31.03.20 Estimate	31.03.21 Estimate
	£m	£m	£m	£m
Borrowing	156.0	176.9	185.9	190.9
Finance leases	0.1	0.1	0.0	0.0
PFI liabilities	45.1	43.1	42.3	41.3
<b>Total Debt</b>	<b>201.1</b>	<b>220.0</b>	<b>228.3</b>	<b>232.3</b>

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

**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. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m
Borrowing	288	197	206	211
Other long-term liabilities	46	46	44	43
<b>Total Debt</b>	<b>334</b>	<b>243</b>	<b>250</b>	<b>254</b>

**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	2017/18 Limit	2018/19 Limit	2019/20 Limit	2020/21 Limit
	£m	£m	£m	£m
Borrowing	308	217	226	231
Other long-term liabilities	46	46	44	43
<b>Total Debt</b>	<b>354</b>	<b>263</b>	<b>270</b>	<b>274</b>

**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	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	%	%	%	%
General Fund	7.6%	7.6%	7.0%	7.1%

**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 difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£	£	£
General Fund - increase in annual band D Council Tax	2.33	-2.97	3.92

**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 2011 Edition* in June 2009. It fully complies with the Codes recommendations.

## Appendix D - Annual Minimum Revenue Provision Statement 2018/19

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Welsh Government's *Guidance on Minimum Revenue Provision* (the WG Guidance) most recently issued in 2010.

The broad aim of the WG Guidance 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 Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The WG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance.

For supported capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments. For unsupported capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in on an annuity basis with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational.

For capital expenditure loans to third parties that are repaid over a short time period or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead.

Capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20.

Based on the Authority's latest estimate of its Capital Financing Requirement on 31<sup>st</sup> March 2017, the budget for MRP has been set as follows:

	31.03.2018 Estimated CFR £m	2018/19 Estimated MRP £m
Supported capital expenditure	164	4
Unsupported capital expenditure	73	3
Finance leases and Private Finance Initiative	45	2
<b>Total General Fund</b>	<b>282</b>	<b>9</b>

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# Report

## Audit Committee

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### Part 1

Date: 23 January 2018

Item No: 9

**Subject** Internal Audit – Progress against audit plan 2017/18 Quarter 3

**Purpose** To inform Members of the Council's Audit Committee of the Internal Audit Section's progress against the 2017/18 agreed audit plan for the first nine months of the year and for information on audit opinions given to date and progress against key performance targets.

**Author** Chief Internal Auditor

**Ward** General

**Summary** The attached report identifies that the Internal Audit Section is making good progress against the 2017/18 audit plan and internal performance indicators.

**Proposal** 1) The report be noted by the Council's Audit Committee

**Action by** The Audit Committee

**Timetable** Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People and Business Change

**Signed**

## Background

1. This report aims to inform Members of the Audit Committee of progress of work undertaken by the Internal Audit Section of the Council against the agreed audit plan. Progress against the audit plan for the first nine months of the year will be reported.
2. The report gives Members assurance (or otherwise) on the adequacy of the internal control environment operated within the Council by providing the audit opinions on work undertaken at the end of Q3.

### Internal Audit Staffing

3. The team currently operates with an establishment of 8 audit staff. At the start of the year there were 7 audit staff with 1 vacancy in the team. One Auditor left and one Auditor was appointed and started in the team during quarter 1. The remaining vacant post was recently filled and the Auditor started in October. Although the Audit Manager's maternity is being back filled by one of the Principal Auditors in the team, we haven't yet back filled cover for the Principal Auditor so the team is not running on full capacity.
4. In order to take account of the budget savings contribution and the delayering exercise required by senior management following the job evaluation exercise, the Internal Audit team was restructured.
5. The relationship with Monmouthshire County Council (for sharing of the Chief Internal Auditor) continues.

### Audit Plan

6. The Public Sector Internal Audit Standards (PSIAS) (IIA) came into force from April 2013 which the team will need to ensure it is compliant with as it carries out work in line with the Audit Plan. These standards replace the former Code of Practice for Internal Audit within Local Government (CIPFA).
7. 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. Newport's peer review will take place before April 2018.
8. The 2017/18 Audit Plan was agreed by the Audit Committee on 30<sup>th</sup> May 2017.

### Performance

9. The Audit Section's performance is measured against planned work, which incorporates externalities like special investigations, financial advice and financial regulations training. Where actual time taken for the review exceeds planned time there will be an impact on the audit plan. Ad-hoc reviews requested by management cannot be planned for but will have an immediate impact on the achievement of the audit plan; we will endeavour to minimise these throughout the year. The section has been involved with minimal special investigations so far this year but if this increases significantly it could have an impact on this year's achievement of the audit plan; so far there have been no unplanned reviews.



10. The section's performance is measured against performance indicators set and agreed by the Welsh Chief Auditors' Group. Performance against these indicators is reported to the Audit Committee on a quarterly basis; the targets for each of the indicators are set internally by the Chief Internal Auditor.
11. The performance for Quarter 3 2017/18 has been compared to the same period of the previous year (shown in brackets). The figures (**Appendix A**) are cumulative and show that:
  - a. 54% (50%) of the audit plan has been achieved so far which is above last year's performance and higher than the profiled target of 50%;
  - b. The promptness of issue of draft report (comparing timescale between finalising all fieldwork and issuing the draft report to management) averages at 16 days which is above the target time of 10 days;
  - c. The promptness of report finalisation (comparing timescale from meeting with client to discuss issues raised in the draft report to issue of finalised report to management) averages 4 days (1 day) which is within the target time of 5 days.
12. Coverage of the plan at this stage of the year is above expectations; the target being 50% for Quarter 3. Although there has been a reduced audit resource in the team we have had very little involvement with special investigations. Although performance may dip throughout the year, historically things have picked up in the final quarter; this year will depend on sufficient audit resources being available to complete the audit plan. All key financial systems will be reviewed by the year end.
13. 16 (40) days have been spent finalising 14 (18) 2016/17 audit reviews; all of which have now been finalised.
14. A vacancy / secondment provision was taken into account in the planning stage which related to the Chief Internal Auditor's work with Monmouthshire, and two Auditor posts.
15. Inevitably there will be some overruns on reviews undertaken within the team which may result in not as many reviews being undertaken as were planned for the year, but there has been a significant improvement in this over previous years.
16. From time to time the team does get involved with non-planned audit work which often results in special investigations. The team has been involved with one such issue for a number of months relating to an allegation of a senior manager colluding with a contractor; this matter has subsequently been referred to the police.

#### Quality Control

17. On completion of all audit reviews, an evaluation questionnaire is sent out to the service manager with the final report. This gives the manager who has been audited an opportunity to comment on the audit review itself, confirming (or not) that it was of benefit to their service and that the main risks had been covered; the staff, their approach, constructiveness and helpfulness; the report, covering the benefits of discussing the draft report, whether the balance was right via the inclusion of strengths and weaknesses, whether management comments were correctly reflected and if the report format was easy to follow. These questionnaires are returned in confidence to the Chief Internal Auditor who will assess the comments and address any criticisms. Generally, there has been positive feedback from service managers via these questionnaires; this will continue to be collated throughout the year and fed into the annual audit report for 2017/18.

## Financial Training

18. In the Audit Section's continued efforts to ensure that Council's assets are safeguarded and to provide assurance to management that their internal controls are robust, further training specifically on financial regulations and contract standing orders is offered to all service areas. An overview of financial management is also part of the Corporate Induction Programme and the course is also available on a self-nomination basis, quarterly, as part of the Corporate Training Programme. Feedback from staff who have attended courses has been positive. During this year the financial training is continuing to be targeted to areas of previous poor performance, in line with the agreed protocol for dissemination of good practice.
19. The training programmes will continue throughout the year; 6 sessions have been delivered up to the end of Q3 to 89 delegates.

## Audit Opinions 2017/18

20. Audit opinions issued so far in 2017/18 are shown at **Appendix B**. Definition of audit opinions currently given is shown at **Appendix D**.
21. 27 jobs completed to at least draft report stage by 31 December 2017 warranted an audit opinion: 5 x *Good*; 16 x *Reasonable*, 6 x *Unsatisfactory and no Unsounds*. 5 grant claims have been undertaken during the year; 3 opinions were *Unqualified*, 2 were *Qualified*. Other reports have been completed which did not warrant an audit opinion or related to audit certification work. Other work completed related to the Annual Governance Statement, the Council's performance indicators, provision of financial advice and external clients (**Appendix C**).
22. The audit opinion relates to the adequacy of internal controls within the system or establishment being reviewed. The opinion is derived from the balance of strengths and weaknesses identified from evidence obtained, and testing undertaken, during the audit. Where the auditor believes that any issues identified are the result of a deliberate action and may be in breach of the Disciplinary Code or Employee Code of Conduct, further investigations will be carried out and action taken as appropriate.

## Service Management Responsibilities

23. Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by incorporating their agreed actions into the audit reports. When management sign off the reports they are accepting responsibility for addressing the issues identified within the agreed timescales.
24. Although Heads of Service are responsible for implementing and maintaining adequate internal controls within service areas, operational managers are responsible for working within those controls 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.

## Follow up audit reviews

25. 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 are reported separately to this Audit Committee on a six-monthly basis.

## Financial Summary

26. There are no financial issues related to this report.

## Risks

27.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Audit Plan not completed	M	M	Passed potential management issues back to management	Chief Internal Auditor

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

28. Giving management assurance on systems in operation gives them confidence that there is sound financial management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. Better service provision, looking after the public pound makes our City a better place to live for all our citizens.

- To make our city a better place to live for all our citizens
- To be good at what we do
- To work hard to provide what our citizens tell us they need

## Options Available

29. This is a factual progress report and therefore there are no specific options, as such. The quarterly reports provide a mechanism for monitoring the performance and progress of the Internal Audit team and the adequacy of the Council's internal control environment to ensure the public pound is spent wisely and appropriately and that fraud, theft and corruption is minimised.

30. The Audit Committee is asked to note progress on delivery of the audit plan and audit opinions given to date and ask questions, make observations and recommendations, as necessary.

## Preferred Option and Why

31. N/A

## Comments of Chief Financial Officer

32. I can confirm that I have been consulted and have no additional comments.

## Comments of Monitoring Officer

33. There are no legal implications. The Report has been prepared in accordance with the Council's internal audit procedures and the Performance Management framework. The progress made to date in delivering the objectives set out in the approved Audit Plan highlights the effectiveness of

the work undertaken by this service area in ensuring that adequate and effective internal financial controls are in place.

### **Staffing Implications: Comments of Head of People and Business Change**

34. The report highlights a specific resourcing issue that has arisen as a result of maternity leave and the knock on effect of backfilling, which needs to be managed. In terms of Corporate Policy & Performance, the report presents a review of audit activity during the period concerned and is set out in the context of performance framework. Clearly the work of the audit team is critical in giving assurance that the work of the Council is being undertaken within the set policies and procedures. It is also critical in ensuring that the organisation meets its statutory responsibilities under the Well-being of Future Generations Act (2015).

### **Comments of Cabinet Member**

35. N/A

### **Local issues**

36. N/A

### **Consultation**

37. N/A

### **Background Papers**

38. N/A

Dated:



## Appendix A

## Newport City Council Internal Audit Service Performance Indicators

2016/17	2016/17 Target	1 <sup>st</sup> Qtr 16/17	2 <sup>nd</sup> Qtr 16/17	3 <sup>rd</sup> Qtr 16/17	4 <sup>th</sup> Qtr 16/17	Comments
Proportion of planned audits complete	77%	16%	35%	50%	89%	[Profiled Target 50%]
Proportion of planned audits complete within estimated days	65%	N/A	90%	74%	72%	Cumulative figures
Directly chargeable time against total time available	50%	52%	54%	57%	60%	Quarterly performance
Directly chargeable time against planned	84%	62%	66%	72%	83%	Quarterly performance
Proportion of Special Reviews responded to within 5 working days	100%	N/A	N/A	100%	100%	Cumulative figures
Number of sessions provided to train staff in all Service Areas on best financial practice	11	0	6	7	9	Cumulative figures
Staff turnover rate (number of staff)	1	0	0	0	0	Quarterly performance
Promptness of draft report issue (end of fieldwork to draft report issue date)	10 days	1 days	9 days	14 days	13 days	Cumulative figures
Promptness of report finalisation (date of client meeting to final report issue date)	5 days	4.5 days	3.5 days	3 days	3 days	Cumulative figures

2017/18	2017/18 Target	1 <sup>st</sup> Qtr 17/18	2 <sup>nd</sup> Qtr 17/18	3 <sup>rd</sup> Qtr 17/18	4 <sup>th</sup> Qtr 17/18	Comments
Proportion of planned audits complete	80%	21%	35%	54%		[Profiled Target 50%]
Proportion of planned audits complete within estimated days	65%	N/A	50%	73%		Cumulative figures
Directly chargeable time against total time available	50%	52%	63%	64%		Quarterly performance
Directly chargeable time against planned	84%	62%	92%	84%		Quarterly performance
Proportion of Special Reviews responded to within 5 working days	100%	N/A	100%	100%		Cumulative figures
Number of sessions provided to train staff in all Service Areas on best financial practice	11	2	4	6		Cumulative figures
Staff turnover rate (number of staff)	1	0	0	0		Quarterly performance
Promptness of draft report issue (end of fieldwork to draft report issue date)	10 days	4 days	13 days	16 days		Cumulative figures
Promptness of report finalisation (date of client meeting to final report issue date)	5 days	8 days	6days	4 days		Cumulative figures

**Appendix B**  
**Opinions as at 31 December 2017, Qtr 3**

Good	5
Reasonable	16
Unsatisfactory	6
Unsound	0
Total	27

**Internal Audit Services - Management Information for 2017/18 Q3**

Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	Opinion given
P1718-4	CE	Finance	Accountancy	Treasury Management 2016/17 (D)	Medium	Good
P1718-5	CE	Finance	Income Collection	Sundry Debtors (D)	High	Good
P1718-46	People	Education Serv	Primary Schools	Clytha Primary (F)	Medium	Good
P1718-49	People	Education Serv	Primary Schools	St David's RC Primary (F)	Medium	Good
P1718-59	People	Education Serv	Engagement & Learning	Gwent Education Minority-Ethnic Service (F)	Medium	Good
P1718-1	CE	Finance	Accountancy	Social Services Financial Assessment & Charging (F)	High	Reasonable
P1718-7	CE	Finance	Procurement	Purchasing Cards (System) (D)	High	Reasonable
P1718-14	CE	People & Bus Change	Business Improvement & Performance	Performance Indicators (D)	Medium	Reasonable
P1718-18	CE	People & Bus Change	Digital & Information	Freedom of Information (FOI) (D)	Medium	Reasonable
P1718-31	People	Adult & Comm Serv	Care & Support Services	Spring Gardens (D)	Medium	Reasonable
P1718-32	People	Adult & Comm Serv	Care & Support Services	Brynglas Day Opportunities 2016/17 (D)	Medium	Reasonable
P1718-45	People	Education Serv	Primary Schools	Always Primary 2016/17 (F)	Medium	Reasonable
P1718-48	People	Education Serv	Primary Schools	Somerton Primary (D)	Medium	Reasonable

Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	Opinion given
P1718-50	People	Education Serv	Primary Schools	St Julian's Primary (D)	Medium	Reasonable
P1718-52	People	Education Serv	Secondary Schools	Lliswerry High (D)	Medium	Reasonable
P1718-57	People	Education Serv	R&P - School Organisation	Outside Preferred Catering Contractor (Schools) Part B (D)	Medium	Reasonable
P1718-58	People	Education Serv	Improvement & Inclusion	Education Welfare Service 2016/17 (F)	Medium	Reasonable
P1718-63	Place	RI&H	Development Services	Developers Contributions (Section 106) (F)	High	Reasonable
P1718-64	Place	RI&H	Economic Regeneration & Policy	Vibrant & Viable Places Programme 2016/17 (F)	High	Reasonable
P1718-68	Place	RI&H	Housing Renewals / Improvements	Disabled Facilities Grants 2016/17 (F)	High	Reasonable
P1718-74	Place	Streetscene & City Serv	Operational Areas	Parking Services (F)	High	Reasonable
P1718-18	CE	People & Bus Change	Digital & Information	Subject Access Requests (D)	Medium	Unsatisfactory
P1718-24	People	Children & Young People Serv	Safeguarding, Quality Assurance & Child Protection	SGO / Kinship Payments (D)	High	Unsatisfactory
P1718-53	People	Education Serv	Secondary Schools	Llanwern High (F)	Medium	Unsatisfactory
P1718-57	People	Education Serv	R&P - School Organisation	Outside Preferred Catering Contractor Part A & C (Schools) (D)	Medium	Unsatisfactory
P1718-77	Place	Streetscene & City Serv	Green Services	Cemeteries (D)	Medium	Unsatisfactory
P1718-79	Place	Streetscene & City Serv	Waste Operations	Agency / Overtime - Refuse Follow Up (D)	High	Unsatisfactory



Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	Opinion given
P1718-30	People	Adult & Comm Serv	Service Development & Commissioning	Supporting People Programme Grant (SPPG) Certification	Not applicable	Unqualified
P1718-39	Place	Law & Regulation	Trading Standards	Scambusters Grant Claim 2016/17	Medium	Unqualified
P1718-44	People	Education Serv	R&P - Finance & School Resources	Pupil Deprivation Grant 2016/17	Medium	Unqualified
P1718-43	People	Education Serv	R&P - Finance & School Resources	Education Improvement Grant 2016/17	Medium	Qualified
P1718-76	Place	Streetscene & City Serv	Passenger Transport Unit	Bus Services Support Grant 2016/17	Medium	Qualified

**(D) – report is in draft status**

**(F) – report has been finalised**


## Appendix C

### Non Opinion work 2017/18 Q3

Job number	Group	Service Area	Section or Team	Job Title	Opinion
P1718-9	CE	Finance	General	Annual Governance Statement	Not applicable
P1718-11	CE	Finance	General	National Fraud Initiative (NFI)	Not applicable
P1718-12	CE	Finance	General	Financial Advice	Not applicable
P1718-20	CE	People & Bus Change	General	Financial Advice	Not applicable
P1718-21	CE	People & Bus Change	General	Financial Regulations Training	Not applicable
P1718-26	People	Children & Young People Services	General	Financial Advice	Not applicable
P1718-33	People	Adult & Comm Services	General	Financial Advice	Not applicable
P1718-40	Place	Law & Regulation	General	Financial Advice	Not applicable
P1718-56	People	Education Services	Schools	CRSA's / Healthcheck - Primary/Secondary/ Nursery	Not applicable
P1718-60	People	Education Services	Schools	Financial Regulations Training	Not applicable
P1718-61	People	Education Services	General	Financial Advice	Not applicable
P1718-71	Place	RI&H	General	Financial Advice	Not applicable
P1718-80	Place	Streetscene & City Services	General	Financial Advice	Not applicable
P1718-82	External	Ext Audits	WCAG Training Co-ordinator	WCAG Training Co-ordinator	Not applicable

Appendix D

**INTERNAL AUDIT SERVICES – OPINION DEFINITIONS**

	<b>GOOD</b>	<b>Well controlled with no critical risks identified which require addressing; substantial level of assurance.</b>	<b>Green</b>
	REASONABLE	Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.	Yellow
	UNSATISFACTORY	Not well controlled; unacceptable level of risk; changes required urgently; poor level of assurance.	Amber
	UNSOUND	Poorly controlled; major risks exists; fundamental improvements required with immediate effect.	Red

Unqualified	<p>The Financial Statement is free from material misstatement and presents fairly the activities of the organisation.</p> <p>The terms and conditions of the grant funding have been complied with.</p>
Qualified	<p>There is a lack of supporting information or documentation to verify that that figures quoted in the Financial Statement fairly represent the activities of the organisation.</p> <p>The terms and conditions of the grant funding have not been fully complied with.</p>

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# Report

## Audit Committee

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### Part 1

**Date:** 23 January 2018

**Item No:** 10

**Subject** **Internal Audit – Progress Against Unfavourable Audit Opinions Previously Issued [to September 2017]**

**Purpose** To inform Members of the Audit Committee of the up to date position of audit reviews previously given an unsatisfactory / unsound audit opinion.

**Author** Chief Internal Auditor

**Ward** General

**Summary** The attached report identifies current progress of systems or establishments which have previously been given an unsatisfactory or unsound audit opinion. Although there will always be concerns over reviews given an unsatisfactory or unsound audit opinion, managers are allowed sufficient time to address the issues identified and improve the financial internal controls within their areas of responsibility.

In July 2015 it was reported that 5 audit reviews had been given an Unsatisfactory audit opinion during **2014/15**:

In **2015/16**, 34 audit opinions had been issued; 8 were *Unsatisfactory*, no *Unsound* opinions were issued. This was reported to Audit Committee in June 2016. The Head of Streetscene & City Services was called into Audit Committee in September 2016 to respond to two consecutive Unsatisfactory Audit Opinions relating to CCTV / Security (Telford Depot).

During **2016/17** 35 audit opinions had been issued; 5 were *Unsatisfactory*, 1 was *Unsound*. The new Head of Streetscene & City Services was called into Audit Committee in June 2017 to respond to concerns raised by Members of the Audit Committee regarding further unfavourable audit opinions in that service area. This was reported, in part, to Audit Committee in March 2017.

As at 30th September 2017, during **2017/18** 22 audit opinions had been issued; 2 were *Unsatisfactory*, none were *Unsound*.

**Proposal**

- 1) The report be noted and endorsed by the Council's Audit Committee
- 2) To consider calling in any specific heads of service if members of the Audit Committee feel they require further assurance that improvements will be made to the control environment following unfavourable audit opinions.

**Action by** Audit Committee

**Timetable** Immediate

## Background

1. This report aims to inform Members of the Audit Committee of the current status of audit reviews previously given an *unsatisfactory* or *unsound* audit opinion and to bring to their attention any areas which have **not** demonstrated improvements within the financial control environment. The previous report was presented to Audit Committee in March 2017. The new Head of Streetscene & City Services was called into Audit Committee in June 2017 to respond to concerns raised by Members of the Audit Committee regarding further unfavourable audit opinions in that service area. He gave a commitment that improvements would be made within 12 months.
2. Since bringing this report to the Audit Committee there have been 13 reviews which had been given two consecutive *unsatisfactory* or *unsound* audit opinions and these have previously been brought to the attention of the Audit Committee by the Chief Internal Auditor; in each case the relevant Head of Service and Cabinet Member attended a meeting of the Audit Committee. The latest referrals are shown at Appendix A.
3. It is pleasing to report that improvements were made in all 13 areas. These reviews will now be picked up as part of the audit planning cyclical review and will be audited as part of that process.
4. Follow up audit work for the 8 2015/16 Unsatisfactory reviews has now been undertaken with the updated opinions shown in the table in paragraph 9. 5 opinions have subsequently improved. Significant improvements have been made in 2 areas followed up with 'Good' opinions issued.
5. Although follow up audit work had been planned for the 5 unsatisfactory opinions issued in 2016/17, none have actually been followed up to date. These are shown in the table in paragraph 10. 2 areas are unlikely to be followed up, 4 will be followed up in Q4 of 2017/18 or during 2018/19.
6. Where the team come across obstacles in undertaking follow up work, for example managers stating that the issues will be addressed by the implementation of a new system, the Chief Internal Auditor will take a view as to the usefulness of a follow up review at the time and report back to the Audit Committee.
7. Definitions of the audit opinions are shown at Appendix B.

## History of unfavourable audit opinions

8. In **2015/16**, 34 audit opinions had been issued; 8 of which were deemed to be *Unsatisfactory*; a summary of the significant issues has previously been reported:

	Revised Opinion / Date of follow up	Current Status
Partnerships & Planning - Re: Grants to Voluntary Sector Organisations	2016/17	Reasonable June 2017
Looked After Children 16+	2016/17	Reasonable July 2017
Kimberley Nursery	2016/17	Reasonable May 2017
Ysgol Gymraeg Casnewydd	2016/17	Good (Draft - March 2017)
Malpas Court Primary - Special	2015/16	Good
Joint Venture – Newport Norse	2017/18	Not yet followed up. Delay in finalising original report
Highways Improvements Contracts – Project Management	2017/18	Not yet followed up
CCTV / Security Telford Depot – Follow Up	2014/15 – Unsatisfactory 2015/16 - Unsatisfactory	Unsatisfactory Follow up planned for 2017/18 due to absence of Head of Service and Operational Manager

9. In **2016/17**, 35 audit opinions had been issued; 5 were deemed to be *Unsatisfactory*, 1 was *Unsound*; a summary of the significant issues follows the table:

	Revised Opinion / Date of follow up	Current Status
Payment Card Industry Data Security Standards	Unsatisfactory *1	Final (July 2016)
Highways Network Assets Valuation	Unsatisfactory *2	Final (February 2017)
Overtime & On Call Payments - Highways	Unsatisfactory To be followed up in Q4 of 2017/18	Draft (December 2016)
Maes Ebbw School	Unsatisfactory To be followed up in in Q4 of 2017/18	Final (July 2017)
Charles Williams Church in Wales School	Unsatisfactory To be followed up in 2018/19	Final (July 2017)
Agency / Overtime - Refuse (incl. Follow-up)	Unsound To be followed up Q3 of 2017/18	Final (November 2016)

#### a) Payment Card Industry Data Security Standards

- Previously reported

\*1 Still a number of actions outstanding which require work by the Shared Resource Service (SRS). These are behind due to the current workload of the SRS which includes a large number of projects. The matter is on the agenda and being monitored by the Council's Information Governance Group.

#### b) Highways Network Assets Valuation

- Previously reported

\*2 The risk profile has reduced substantially as a result of CIPFA deciding not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. and the fact that the valuation figures are no longer a mandatory requirement for the whole of government accounts.

#### c) Overtime & On Call Payments – Highways

- Previously reported

#### d) Maes Ebbw School

Ref.	SIGNIFICANT
1.09	For the period examined, where cash income was received, this was not verified by 2 members of staff. No cash handover procedures were in place.
1.10	At the time of the review, the Headteacher was unaware of a safe held by the Site Manager. Income was being stored within the safe unbanked for long periods.
1.11	For the period reviewed, the School staff were not charging VAT correctly on invoices raised for the hire of the Hydrotherapy Pool. Invoices were not being raised promptly and there was no monitoring record maintained of invoices.
1.12	A debt was written off without Governing Body approval or the documented authority of the Headteacher.
2.09	For the sample examined, purchase orders were not always raised in advance of the invoice being received.
2.10	For the sample examined, evidence of obtaining value for money / quotations was not always available for the purchases made between £3,000 and £25,000 and when applicable Excepted Contracts forms were not completed. There was no evidence to support that value for money had been achieved for purchases of less than £3,000 in value.
2.11	For the sample examined, Excepted Contracts forms had been used to authorise purchases when not appropriate to do so.
2.12	At the time of the review, the School had an 'approved' list of suppliers approved by the Governing Body with little or no evidence of market testing to support the supplier's inclusion.
2.13	Electrical works had been undertaken at the School without notification to Newport Norse (Corporate Landlord). A copy of the NIC-EIC Minor Electrical Installation Works Certificate was not located at the School.



Ref.	SIGNIFICANT
3.05	At the time of the audit, the review of driving at work documentation was not sufficient, had not been conducted on an annual basis for all staff and those who drove fleet vehicles / transported young people did not have their licence reviewed every 6 months.
3.06	For the period reviewed, an honorarium had been incorrectly paid to an employee and another employee had been set up incorrectly on iTrent and therefore was being overpaid.
3.07	For the sample of new starters examined, the Safer Recruitment in Schools policy / guidance was not always followed.
3.08	At the time of the review, an honorarium was being paid to an employee through regular additional hours.
3.09	For the sample examined, management actions taken in relation to sickness absences were not always in strict accordance with the Management of Attendance Policy. Reasons for why the actions taken were appropriate were not always recorded / adequate and referrals to Occupational Health were not always made promptly.
3.10	For the period reviewed, School purchases were made by an employee and reimbursed using general expenses claim forms, by-passing official procurement procedures at the School.
4.08	For the period examined, income summaries were not sufficient and where donations had been received or class funds banked these were not always verified by 2 members of staff.
5.04	For the period reviewed, the School's disposal register was not adequate and there was no authorisation for disposals made. Not all disposals were recorded.
5.05	At the time of the review, make / model / serial numbers were not recorded for all items on the School's inventory. The number of iPads listed on the main inventory did not match to the number recorded on the iPad inventory, leading to 9 iPads being unaccounted for.
5.06	At the time of the review, the records in support of iPads provided to staff were poor and did not actually confirm the iPad provided to each staff member.
5.07	At the time of the review, the School did not have key holder lists for external and internal doors of the School or for those with access to the alarm system.
5.08	For the period reviewed, the records in support of the School's minibus were not fully completed and the original copies of the daily defects sheets were not always held. The School was claiming kilometres from the Bus Services Support Grant where they were not eligible to do so.
6.04	At the time of the review, overspends were likely across a number of the School's sub-codes and the School is facing a deficit budget for 2017/18. Members of the School's Governing Body had commented on not receiving adequate financial information.
7.05	At the time of the review, the Register of Business Interest forms for Governors could not be located. Not all staff had completed a signed declaration.

e) Charles Williams Church in Wales Primary School

Ref.	CRITICAL
2.03	<p>Contract Standing Orders for Schools were not followed in respect of the £75,000 purchase with Computer World Wales.</p> <ul style="list-style-type: none"> <li>• A full open tender exercise was not completed</li> <li>• No written contract / agreement with the supplier was available</li> <li>• The school could not provide documentary evidence to determine if items were purchased or leased from the supplier.</li> </ul>
3.02	<p>Contracts of employment had not been issued to all new staff at the School since amalgamation.</p>

Ref.	SIGNIFICANT
1.03	<p>The contract in respect of a £75,000 loan agreement with the Charles Williams Charity was not signed by the Chair of Governors. There was no minuted resolution of the Governing Body agreeing to enter into a loan agreement for this amount.</p>
1.04	<p>For the period reviewed, banking was not being made promptly following income being received by the School.</p>
1.05	<p>For the period examined, where high amounts of cash income were received, this was not verified by 2 members of staff. No cash handover procedures were in place.</p>
1.06	<p>At the time of the review, the School safe was unsuitable to store large amounts of cash. School staff were unaware of the insurance limit and income was being regularly stored within the School safe in excess of this limit (£250 cash).</p>
1.07	<p>At the time of the review, the key for the safe within the infant building could not be located. The Headteacher did not have independent access to the School safe.</p>
1.08	<p>At the time of the review, there was no evidence to confirm that the School's Lettings Policy and Fees &amp; Charges had been reviewed and agreed by the Governing Body on an annual basis. Charges were not made for all hires of the School premises to recover costs. It was not documented when a hire was agreed to be free of charge, the reasons why and that this had been approved by the Governing Body.</p>
1.09	<p>At the time of the review, the lettings agreement with the after-school club had not been reviewed annually.</p>
2.04	<p>For the period reviewed, the security of the School procurement cards had been compromised. The cards had been used by persons other than the authorised cardholder. Transactions had not always been reviewed by the supervisor and receipts were not held on file in support of all purchases made.</p>
2.05	<p>For the period examined, purchase orders were not being raised for all purchases made and some invoices were paid via the non-order facility. Where purchase orders were raised they were not always raised in advance of the invoice being received.</p>
2.06	<p>For the sample examined, evidence of obtaining value for money / quotations was not always available for the purchases made between £3,000 and £25,000 and when applicable Excepted Contracts forms were not completed. There was no evidence to support that value for money had been achieved for purchases of less than £3,000 in value.</p>
2.07	<p>Invoices had been authorised by the Headteacher following input onto SIMS / payments being made.</p>

Ref.	SIGNIFICANT
2.08	For the sample examined, delivery notes were not always available to support the receipt of goods / services by the School; where delivery notes were available they were not signed and dated to confirm the goods / services had been satisfactorily received.
2.09	Petty cash reimbursement claims were processed at the same time from different periods, suggesting that the School staff were using other income received as petty cash and not banking intact. Fuel was purchased using petty cash. Disbursement logs were not completed and claims were authorised retrospectively by the Headteacher.
3.03	At the time of the review, 2 volunteers had been working at the School for more than 3 years without DBS checks completed or holding a valid Risk Assessment. For the sample of new starters examined, the Safer Recruitment in Schools policy / guidance was not always followed.
3.04	For the sample examined, overtime claims were not fully completed, always signed by the employee, authorised by the Headteacher / Deputy Headteacher and there was not always confirmation that an independent person had verified the input onto the iTrent HR & Payroll system. 2 minor underpayments were identified to have been made to teaching staff.
3.05	For the sample of Self-Certification / Return to Work discussion forms examined, the management action taken was not always in strict accordance with the Management of Attendance (MoA) Policy and adequate reasons were not provided as to why the action taken was appropriate. Where MoA Interviews / Hearings had been selected as the appropriate action, these had not always taken place.
3.06	At the time of the review, the review of driving at work documentation was not sufficient, had not been conducted on an annual basis for all staff and those who drove fleet vehicles / transported young people did not have their licence reviewed every 6 months.
4.03	A management committee had not been established to oversee the School Private Fund. The Fund Constitution document had not been agreed and appeared to have been written prior to the audit visit.
4.04	A number of inappropriate payments totalling £1,494.20 had been made using the School Private Fund.
4.05	For the period examined, £2,089 of expenditure without supporting receipts was identified within the School Private Fund.
4.06	Two subsistence payments had been made to staff using the School Private Fund.
4.07	For the period examined, payments (£608.53) were being made out of School Private Fund cash received, therefore the School were not banking intact.
4.08	Where high amounts of cash income were collected, there was no evidence to support that this was counted and verified by 2 members of staff.
4.09	For the period reviewed, appropriate summaries / documentation was not available to support income collected into the School Private Fund.
4.10	During the period reviewed, banking was not conducted promptly and high levels of cash was transported / banked by a single person.
4.11	Income was not always being stored within the School Safe. Banking was made at the end of the School Summer Holidays by a member of teaching staff and no supporting income records were available to support the amount collected.
4.12	For the 2015/16 and 2016/17 academic years, monthly School Private Fund reconciliations had not been independently reviewed. Monthly reconciliations were not always completed promptly at the end of each month.

Ref.	SIGNIFICANT
5.04	At the time of the review, the School's inventory record was not adequate and did not detail all required information. A number of high value items were recorded as missing / not seen.
5.05	At the time of the review, the School did not have a policy for the disposal of assets. We were informed a number of disposals had been made since amalgamation but none of these were documented.
5.06	At the time of the review, portable electrical equipment had not been security marked as belonging to the School / NCC.
5.07	At the time of the review, IT equipment loaned to members of staff was not documented.
5.08	For the period reviewed, the minibus monitoring records did not meet legal requirements and there were discrepancies between the mileages claimed.
6.04	For the period reviewed, the Headteacher's virement and spend limits were not reviewed on an annual basis. Virements had not always been authorised by the Headteacher / Chair of Governors.
7.05	For the period reviewed, minutes of the Governing Bodies sub-committees were not submitted to the EAS Governor Support team for inclusion on the Governing Body minute file. Minutes of the Finance Sub-Committee were not dated when they were signed by the Chair and meetings did not take place at least termly.
7.06	At the time of the review, a register of declared business interest's form was not held for all Governors and staff at the School.
7.07	At the time of the review, there was no evidence to support that statutory policies had been reviewed / approved by the Governing Body.

**f) Agency / Overtime – Refuse (incl. Follow-up)**

- Previously reported

10. In **2017/18**, up to 30 September 2017, 22 audit opinions had been issued; 2 were deemed to be *Unsatisfactory*, none were *Unsound*; a summary of the significant issues follows the table:

	Revised Opinion / Date of follow up	Current Status
Llanwern High School	Unsatisfactory	Draft (August 2017)
Cemeteries	Unsatisfactory	Draft (August 2017)

a) Llanwern High School

Ref.	CRITICAL
1.04	For the period reviewed, the treatment of VAT on invoices raised by the School was sometimes incorrect and resulted in vatable services not being charged appropriately.

Ref.	SIGNIFICANT
1.05	For the period examined, Income Returns had not been independently certified by the Headteacher / designated senior officer. Paying-in counterfoils had not been reviewed to confirm that bankings had taken place.
1.06	For the period examined, where high amounts of income had been received there was no evidence to confirm that this had been reconciled by 2 members of staff.
1.07	At the time of the review, invoices were being raised by the School in excess of £200 without going through the Corporate Debtors system.
1.08	At the time of the review, the School had a high amount of outstanding debt from previous financial years. There was no evidence that this had been regularly chased up or referred to legal for further action.
1.09	At the time of the review, the School did not have a formal licence agreement established for the hire of the School building to the University of South Wales and the Education Achievement Service.
2.06	For the sample reviewed, not all purchase orders had been signed by an authorised signatory of the School. The Headteacher confirmed that the signature on 4/5 purchase orders was not his own.
2.07	At the time of the review, the School did not have a copy of the contract / Service Level Agreement with Computer World Wales for the provision of IT services at the School.
2.08	For the sample examined, evidence of obtaining value for money / quotations was not always available for the purchases made. A formal tender was not completed for one purchase examined and when applicable Excepted Contracts forms were not completed.
2.09	At the time of the review, the School did not have a list of all contracts entered into by the School.
2.10	For the sample examined, invoices had not always been authorised for payment by the Headteacher / designated senior officer.
2.11	For the sample examined delivery notes were not always available to support the receipt of goods / services by the School.
2.12	For the sample of Procurement Card transactions it was identified that: <ul style="list-style-type: none"> <li>• The Transaction Log was not completed in respect of purchasing card transactions;</li> <li>• VAT receipts were not always held and a number of transactions had failed to be reviewed by the Cardholder; and</li> <li>• A number of purchases were not made through the creditors system or the Corporate Capita travel system.</li> </ul>
2.13	At the time of the review, the Schools Petty Cash Account was un-reconcilable. Inappropriate payments had been made and the required paperwork had not been completed.
3.05	Overtime claim forms were not fully completed, signed by the employee, or certified for payment by the Headteacher / designated senior member of staff. There was no evidence to confirm that the input of additional hours onto the HR & Payroll system had been independently reviewed prior to payment.
3.07	For the Travel & Subsistence forms examined it was identified that: <ul style="list-style-type: none"> <li>• Travel &amp; Subsistence forms were not fully completed;</li> </ul>

Ref.	SIGNIFICANT
	<ul style="list-style-type: none"> <li>Supporting VAT receipts preceding the date of the first journey were not always attached;</li> <li>The shortest route was not always claimed by employees;</li> <li>Home to Work mileage was incorrectly claimed; and</li> <li>Hire cars were not used for journeys (return) over 70 miles.</li> </ul>
3.08	For the period examined, there was no evidence to confirm that driving licences had been checked for staff on an annual basis. There was also no record to confirm that all minibus drivers had had their licence checked every 6 months.
4.03	For the period reviewed, a daily record of SPF income received was not being completed. Receipts were not issued or an appropriate summary of income received was not being maintained.
4.04	At the time of the review, monthly reconciliations of the School Private Fund account were not completed and reviewed by the Headteacher / an independent officer.
4.05	At the time of the review, the School Private Fund account for 2015/16 had not been independently audited.
5.05	At the time of the review, the School did not have an inventory of assets.
5.06	At the time of the review, not all portable electrical equipment had been security marked as belonging to the School / NCC.
5.07	At the time of the review, IT equipment loaned to members of staff was not documented.
5.08	Observations from the Auditors during the school visit identified several information security risks relating to personal and sensitive information.
5.09	For the period reviewed, the records in support of the School's minibus were not fully completed and the statutory daily defects check sheets were not always being completed.
5.10	At the time of the review, the School did not have a contents insurance policy or an insurance provision within the budget plan.

#### b) Cemeteries

Ref.	CRITICAL
1.05	At the time of the review, appropriate risk assessments were not in place. Members of Cemeteries staff have not undertaken appropriate Health & Safety Management training.

Ref.	SIGNIFICANT
1.06	For the sample of Notice of Internment forms examined, these were not completed in full or date stamped when received. The date and method of payment was not recorded onto the forms.
1.07	For the sample of grave re-openings examined, the declaration for the reopening of graves on the Notice of Internment was not always completed in full and did not state the applicant's relationship to the grave owner.
1.08	For the sample examined and where appropriate, statutory paperwork i.e. a Certificate for Burial or Cremation, Coroners Order for Burial or a Certificate of Cremation was not held for each burial.



Ref.	SIGNIFICANT
1.09	At the time of the review, staff had not attended information security training. Employees responsible for cash handling / banking had not attended Financial Regulations training for a number of years and there was no record of staff attending refresher training for the use of plant machinery.
1.10	For the period reviewed, the costs of Public Health Funerals were not being registered in probate / intestate as Bona Vacantia.
2.03	At the time of the review, the weekly record of income received did not detail all income due to the service. The record was not fully reconciled to Paye.net and payments received.
2.04	For the period reviewed, daily cash ups / reconciliations were not being completed.
2.05	For the sample of Paye.net receipts examined, these covered multiple invoices. The details of which invoices the receipts related to were not recorded leading to a difficulty in reconciling the payments received.
2.06	For the period reviewed, invoices raised by the service were not being raised through the Civica Debtors system.
2.07	For the period reviewed, there were periods of no cash banking. Only limited search fee income had been received / banked.
2.08	At the time of the review, not all charges currently levied matched to those approved by Cabinet. Some fees were incorrectly calculated resulting in lost income and unfair charging.
3.05	At the time of the review, the Public Health Funeral Contract had not been retendered for a number of years.
3.06	For the sample of purchases examined, the gateway process had not always been followed correctly and the approval to proceed / obtain quotes was granted following quotes being already requested / received. Evidence of market testing for purchases under £4k was not demonstrated.
4.02	For the period reviewed, it was confirmed that monitoring records were not completed for vehicles used by the Cemeteries Service and the statutory daily vehicle check sheets were not being completed.
4.03	At the time of the review, there was no evidence to confirm that the required annual Gas Safety / PAT inspections had taken place at the Cemeteries Lodges rented by employees. Newport Norse could not provide an inventory of fixtures and fittings.
4.04	During the previous 12 months, a number of security incidents have occurred at St Woolos Cemetery. These have not been fully reported in line with the Information Security Incident Reporting Policy.
4.05	At the time of the review, neither the Green Services Manager nor the Superintendent Registrar had access to the Vehicle Tracker system. Vehicles were not being taken to Telford St. Depot each evening despite a management instruction to do this. On occasions, vehicles were taken home overnight and appeared to be used for private purposes. Not all vehicles had a tracker.
4.06	At the time of the review, an inventory of assets was not held for the Cemeteries Lodge. The 'Tool Inventory' did not contain all assets, the required details or approximate replacement values.
5.03	At the time of the review, hours of work for staff based at the Cemeteries was not documented.
5.04	For the sample examined, overtime hours worked could not be confirmed and the timesheets did not state the reason for the additional hours claimed. 2 members of staff received an additional payment of at least ½ hour each day.
5.05	For the sample examined, Self-Certification & Return to Work Discussion Forms were not fully completed and the management action taken was not in accordance with the Management of Attendance Policy. There was 1 unreported sickness absence identified.

Ref.	SIGNIFICANT
5.06	At the time of the review, 6 monthly inspections of employees driving documentation were not being completed. It was identified that employee's private vehicles were being used for work related purposes without the appropriate documentation being submitted.
5.07	At the time of the review, Flexi Tracker spreadsheets were not correctly completed, high levels of flexi was being accrued and they were not saved to the shared computer drive.

11. Internal Audit will continue to cover the service areas and specific sections identified in the 2017/18 operational plan and will endeavour to revisit any areas which have been given an unsatisfactory or unsound audit opinion within a twelve month timescale.
12. Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and have agreed to do this by incorporating their comments within the audit reports and taking on board the agreed management actions.
13. Internal Audit are continuing to raise the awareness of financial regulations and contract standing orders within the Council by delivering seminars to all service areas; during recent years this training has been further targeted towards areas that have had unsatisfactory audit opinions.
14. Where managers are compliant with Council policies and procedures and sound financial management can be demonstrated then audit reviews should result in an improved audit opinion being given. If, as a result, improvements are made to internal controls then greater assurance can be given by Internal Audit to the Audit Committee, the Leader and the Chief Executive on the overall effectiveness of all the Council's internal controls.

### **Financial Summary, Risks and Links to Council Policies and Priorities**

15. No direct financial implications for this report.
16. One of the key objectives of an audit report is to outline compliance against expected controls within a system, an establishment or the duration of a project or contract. The report should give management assurance that there are adequate controls in place to enable the system to run effectively, efficiently and economically. If adequate controls are not in place then there is greater exposure to the risk of fraud, theft, corruption or even waste.
17. Newport Internal Audit reports outline strengths of the system under review along with any weaknesses in internal control. The reports are discussed with operational management where the issues identified are agreed. The operational manager will then add his / her action plans to the report which will address the agreed issue and mitigate any further risk.
18. Reduced audit staff reduces the audit coverage across service areas which provides reduced assurance to management.
19. Risk table – N/A for this report
20. Giving management assurance on systems in operation gives them confidence that there is sound financial management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. Better service provision, looking after the public pound makes our City a better place to live for all our citizens



- To make our city a better place to live for all our citizens
- To be good at what we do
- To work hard to provide what our citizens tell us they need

#### **Options Considered / Available. Preferred choice and reasons**

21. Not applicable

#### **Comments of Chief Financial Officer**

22. This report is compiled on behalf of the Head of Finance. Areas of unsatisfactory / unsound audit opinions are a concern and in particular for 2017/18, those affecting significant amount of money in overtime/on-call arrangements. But having highlighted issues, it is expected that local managers implement appropriate improvements as soon as they can. Further on-going unsatisfactory / unsound opinions are then of even more concern and the Committee will need to come to a view, having made enquiries of the Chief Internal Auditor, what, if any further action may be required. For example, they may request that the relevant Head of Service and service manager come to a future meeting to explain the lack of progress and what changes they have planned and timescales.

#### **Comments of Monitoring Officer / Head of Law & Regulation**

23. There are no legal implications. The report has been prepared in accordance with the Council's internal audit procedures and the Performance Management framework.

#### **Comments of Head of People and Business Change**

24. There are no direct Human Resources issues arising from this report. Internal Audit provide a critical function within the Council to provide assurance on financial systems and monitoring and to highlight weaknesses so that issues can be identified and addressed.

#### **Local Issues and Consultation**

25. Not applicable

**INTERNAL AUDIT SERVICES**


**Progress of reports following call-in to Audit Committee as a result of 2 consecutive unfavourable audit opinions:**

<b>Review</b>	<b>Service Area</b>	<b>Status since Head of Service and Cabinet Member attended Audit Committee</b>
Ysgol Gymraeg Casnewydd  (Nov 2011)	Education Services	Reasonable (March 2013) Unsatisfactory (April 2016) Good (March 2017) - Draft
Recruitment & Selection  (July 2012)	People & Transformation	Good (Feb 2014)

## INTERNAL AUDIT SERVICES – OPINIONS

- The Internal Audit team has revised the audit opinions in line with the level of assurance obtained from undertaking the audit work, that appropriate controls, governance arrangements and risk management are in place.
- The Internal Audit team introduced a new report format during 2015/16 where the Audit Opinion has been colour coded based on a traffic light system and the report only contains key issues which need to be addressed.

### AUDIT OPINIONS 2017/18:

	GOOD	Well controlled with no critical risks identified which require addressing; substantial level of assurance.	Green
	REASONABLE	Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.	Yellow
	UNSATISFACTORY	<b>Not well controlled; unacceptable level of risk; changes required urgently; poor level of assurance.</b>	Amber
	UNSOUND	Poorly controlled; major risks exists; fundamental improvements required with immediate effect.	Red

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# Report

## Audit Committee

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### Part 1

Date: 23 January 2018

Item No: 11

**Subject** Anti fraud, bribery and corruption policy statement

**Purpose** To receive, consider and add any further comments or recommendations to the revised Anti fraud, bribery and corruption policy statement before passing to Cabinet for formal approval.

**Author** Chief Internal Auditor

**Ward** General

**Summary** It is important for the Council to have an up to date and relevant Anti fraud, bribery and corruption policy statement in order to deter such activity within the organisation and with our partner organisations, to deal with any allegations appropriately and to strengthen overall governance arrangements. This is the first revision of this statement for a number of years.

**Proposal** 1) The report be noted and endorsed by the Council's Audit Committee and recommended it be formally approved by Cabinet.

**Action by** The Audit Committee

**Timetable** Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People and Business Change
- 
- 

**Signed**

## Background

1. In line with good practice the Council should have an approved Anti fraud, bribery and corruption policy statement in place which should be reviewed and updated periodically. This is the first review for a number of years; the revised policy statement is shown at Appendix A.
2. Newport City Council is one of the largest organisations in the City. It controls millions of pounds of public money and takes seriously the high expectations of the public and the degree of public scrutiny to which the Council's affairs are subject.
3. Good corporate governance requires that the Authority must demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (Members and officers) and outside the Council. In addition there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. The intention is to encourage a culture of deterring fraud and corruption whilst sending a very clear message that if such activity is identified it will be dealt with firmly, consistently and appropriately.
4. This policy statement embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such action occurs, provides key contacts to report suspected fraud or corruption to along with the responsibilities of key officers, Members and employees. It incorporates The Fraud Act 2006 which defines fraud through three key offences, provides a definition of corruption and also outlines The Bribery Act 2010 where there are four key offences.
5. The maximum sentence is 10 years imprisonment when found guilty of Fraud and or Bribery, with the potential of an unlimited fine when found guilty of Bribery.

## Financial Summary

6. There are no financial issues related to this report.

## Risks

- 7.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Fraud & Corruption could occur	M	M	<p>Revised and updated Anti fraud, bribery and corruption policy to be formally approved by Cabinet.</p> <p>Raise awareness of this policy statement on the Council's intranet and public website.</p>	<p>Members</p> <p>Employees</p> <p>Head of Finance</p> <p>Chief Internal Auditor</p> <p>Operational Managers</p>


\* Taking account of proposed mitigation measures

**Links to Council Policies and Priorities**

8. Giving management assurance on systems in operation gives them confidence that there is sound financial management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. Looking after the public pound and delivering improved service provision makes our City a better place to live for all our citizens.
  - To make our city a better place to live for all our citizens
  - To be good at what we do
  - To work hard to provide what our citizens tell us they need

**Options Available**

9. This is a review and update of a policy statement report therefore there are no specific alternative options; the Audit Committee either agree to endorse it and recommend that it is formally approved by Cabinet, or they don't. The Internal Audit team aims to provide assurance around the adequacy of the Council's internal control environment to ensure the public pound is spent wisely and appropriately and that fraud, theft and corruption is minimised.
10. The Audit Committee is asked to endorse this policy statement and recommend that it is formally approved by Cabinet, making observations and recommendations, as necessary.

**Preferred Option and Why**

11. N/A

**Comments of Chief Financial Officer**

12. I can confirm that I have been consulted and have no additional comments.

**Comments of Monitoring Officer**

13. There are no legal implications.

**Staffing Implications: Comments of Head of People and Business Change**

14. There are no specific HR issues arising as a result of the report. Clearly the work of the audit team is critical in giving assurance that the work of the Council is being undertaken within the set policies and procedures.

**Comments of Cabinet Member**

15. N/A

**Local issues**

16. N/A

**Consultation**

17. N/A

**Background Papers**

18. N/A

Dated:





# **ANTI FRAUD, BRIBERY & CORRUPTION STRATEGY POLICY STATEMENT**

Version: Audit Committee January 2018  
Date: 31<sup>st</sup> December 2017  
Author: Andrew Wathan, Chief Internal Auditor

## 1. Introduction

1.1 Good Corporate Governance requires that the Authority must demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (Members and employees) and outside the Council. In addition there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. This policy statement, however, will not compromise the Council's Strategic Equality Plan and Objectives, the requirements of the Human Rights Act 1998 or the Council's Regulation of Investigatory Powers Act (RIPA) Policy.

1.2 This policy statement embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such action occurs. For ease of understanding it is separated into five areas as below:-

Culture	Section 3
Prevention	Section 4
Deterrence	Section 5
Detection and Investigation	Section 6
Training	Section 7

1.3 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies including:

- Public Services Ombudsman for Wales
- Wales Audit Office
- Central Government Departments and Parliamentary Commissions
- Her Majesty's Revenue & Customs
- The Department of Work & Pensions
- National Assembly and Welsh Government

## 2. What is Fraud and Corruption ?

### Fraud

2.1. The Fraud Act 2006 defines fraud through three key offences:

- **Fraud by false representation** – where a person dishonestly makes a false representation and intends by making the representation, to make a gain for himself or another or to cause or expose the risk of loss to another;
- **Fraud by failing to disclose information** – where a person has dishonestly failed to disclose to another person information which he is under a legal duty to disclose; and intends by failing to do so, to make a gain for himself or another; or to cause or expose another to the risk of loss; and
- **Fraud by abuse of position** – where a person occupies a position in which he is expected to safeguard or not to act against the financial interests of another; dishonestly abuses that position with the intention to make a gain for himself or another or to cause or expose the risk of loss to another.

2.2. It also creates new offences:

- Obtaining services dishonestly
- Possessing, making and supplying articles for use in frauds
- Fraudulent trading applicable to non- corporate traders.

2.3. The maximum sentence is 10 years imprisonment.

2.4. The Act largely replaces the laws relating to obtaining property by deception, obtaining a pecuniary advantage and other offences that were created under the Theft Act 1978.

## Corruption

2.5. There is no universally accepted definition of corruption, although the World Bank defines it as '*offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party*'.

2.6. Corruption is often associated with the act of bribery. The Bribery Act 2010 identifies the criminal offence of bribery and identifies four key offences:

- **Bribing another person** - A person commits an offence by offering, promising or giving a financial or other advantage to another person, directly or through an intermediary: intending that advantage to induce a person to perform improperly a Function or to reward a person for so doing (whether or not it is the same person to whom the advantage is offered) or knowing or believing that accepting the advantage would itself be improper performance of a Function;
- **Being bribed** - A person commits this offence by requesting, agreeing to receive or accepting a financial or other advantage, directly or through a third party, for his or her own or someone else's benefit: that person intends that, as a consequence, there is improper performance of a Function (whether as a reward, in anticipation of or as a consequence of the request, agreement or acceptance). The request, agreement or acceptance itself may be the improper performance of a Function;
- **Bribery of a Foreign Public Figure** – This offence will be committed if a person offers or gives a financial or other advantage to a foreign public official with the intention of influencing the foreign public official and obtaining or retaining business, where the foreign public official was neither permitted nor required by written law to be so influenced; and
- **Failing to prevent Bribery** - A company is "strictly liable" for any bribe paid by a person performing services on its behalf, unless the organisation proves that adequate anti-bribery procedures were in place.

2.7. The maximum penalty for the offences is 10 years' imprisonment and/or an unlimited fine. For the "failure to prevent" offence, the fine alone applies.

2.8. The Bribery Act 2010 replaces the fragmented and complex offences at common law and in the Prevention of Corruption Acts 1889-1916.

### 3. Culture

- 3.1. The culture of the Council has always been one of openness and the core values of Courageous, Positive, Responsible support this. The culture therefore supports the opposition to fraud and corruption.
- 3.2. The prevention/detection of fraud, bribery and corruption and the protection of the public purse are responsibilities of everyone, both internal and external to the organisation. There is an expectation and requirement that all individuals and organisations associated with the Council will act with integrity and that elected Members and employees at all levels will lead by example. All aspects of this policy must be complied with and the Council will maintain a zero tolerance culture to fraud and corruption.
- 3.3. The Council's elected Members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status. The public also has a role to play in this process and should inform the Council if they feel that fraud/corruption may have occurred.
- 3.4. Concerns must be raised when members, employees or organisations associated with the Council reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:
- A criminal offence;
  - A failure to comply with a statutory or legal obligation;
  - Improper or unauthorised use of public or other official funds;
  - A miscarriage of justice;
  - Misconduct or malpractice;
  - Deliberate concealment of any of the above
- 3.5. Concerns must be raised, in the first instance, directly with the Supervisor / Line Manager / Business Unit Manager / Head Teacher / of Establishment or if necessary, anonymously (letter, telephone) and via other routes:-
- Chief Executive, Strategic Directors, Heads of Service, or the Council's Monitoring Officer, who will report such concerns to the Chief Internal Auditor;
  - Directly to the Chief Internal Auditor;
  - Where line management is suspected of fraud, directly to Head of Service or Chief Internal Auditor;
  - External Auditor, who depending upon the nature of the concern will liaise with the Chief Internal Auditor;
  - Trade Union Representative.
- 3.6. This can be done in the knowledge that such concerns will be treated in the strictest confidence and be properly investigated.
- 3.7. Council also has a **Whistleblowing Policy** to ensure the highest possible standards of openness probity and accountability. The Council will ensure that any allegations received in

any way, including by anonymous letters or telephone calls, will be taken seriously and investigated in an appropriate manner.

- 3.8. The Council will deal firmly with those who defraud the Council or who are corrupt, or where there has been financial malpractice, through the disciplinary process and / or referral to the police. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees / Members raising malicious allegations) may be dealt with as a disciplinary matter (employees) or through the Standards Committee (Members).
- 3.9. When fraud and corruption has occurred due to a breakdown in the Council's systems or procedures, Heads of Service will ensure that appropriate improvements in systems of control are implemented in order to prevent a re-occurrence.

## 4. Prevention

### Head of Finance

- 4.1. The Head of Finance will have overall responsibility for ensuring the effectiveness of the Authority's arrangements for the Anti Fraud, Bribery and Corruption policy, including compliance with the Fraud Act 2006 and the Bribery Act 2010.

### Elected Members

- 4.2. As elected representatives, all Members of the Council have a duty to the citizens of the City to protect the Council and public money from any acts of fraud, bribery and corruption. Members should refer any concerns to the Chief Executive.
- 4.3. This is done through the Anti Fraud, Bribery and Corruption Policy Statement, compliance with the Council's Code of Conduct for Members, the Council's Constitution, including Financial Regulations and Contract Standing Orders, and relevant legislation.
- 4.4. Elected Members sign to the effect that they have read and understood the Code of Conduct for Members when they take office. Conduct and ethical matters are specifically brought to the attention of Members during induction and include the declaration and registration of interests. The Head of Law and Regulation advises Members of new legislative or procedural requirements.

### Employees

#### The Role of the Head of Finance

- 4.5. The Head of Finance has been designated the statutory responsibilities of the Finance Director as defined by s151 of the Local Government Act 1972. These responsibilities outline that every local authority in England & Wales should:

*"make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs".*

- 4.6. Under the Head of Finance responsibilities, proper administration encompasses all aspects of local authority financial management including:

- Compliance with the statutory requirements for accounting and internal audit;
- Ensuring the Authority's responsibility for ensuring proper administration of its financial affairs;
- The proper exercise of a wide range of delegated powers both formal and informal;
- The responsibility for managing the financial affairs of the local authority in all its dealings; and
- The recognition of the fiduciary responsibility owed to local tax payers.

**4.7.** Under these statutory responsibilities the Head of Finance contributes to the Anti-Fraud, Bribery and Corruption framework of the Council.

### **The Role of Managers**

**4.8.** Managers at all levels are responsible for the communication and implementation of this strategy in their work area. They are also responsible for ensuring that their employees are aware of the Council's policies and procedures, the Council's Financial Regulations and Contract Standing Orders and that the requirements of each are being met in their everyday business activities. In addition, managers must make their employees aware of the requirements of the Employee Code of Conduct through the induction process.

**4.9.** Managers are expected to create an environment in which their officers feel able to approach them with any concerns they may have about suspected irregularities. Where they are unsure of the procedures they must refer to the information on the Intranet.

**4.10.** Special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll or the Revenues & Benefits computer system. Managers must ensure that relevant training is provided for all employees.

**4.11.** The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts and agency staff. The Council's formal recruitment procedure contains appropriate safeguards in the form of written references, the verification of qualifications held and employment history. As in other public bodies Disclosure and Barring Service (DBS) checks are undertaken for employees working with or who may have contact with children or vulnerable adults.

### **Responsibilities of Employees**

**4.12.** Each employee including agency and volunteer staff is governed in their work by the Council's Contract Standing Orders and Financial Regulations, Employee Code of Conduct and other policies on conduct (Health and Safety, E-mail and Internet Usage Policies and IT Security policy). Included in the Council policies are guidelines on gifts and hospitality, and codes of conduct associated with professional and personal conduct and conflict of interest. These are issued to all employees when they join the Council and are available to all on the Intranet.

**4.13.** Employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the Authority. These will be included in induction training and procedure manuals.

- 4.14.** Employees are expected always to be aware of the possibility that fraud, bribery, corruption and theft may exist in the workplace and be able to share their concerns with management. If for any reason, they feel unable to speak to their manager they must refer the matter to one of those named above in section 3.5.

### **Contractors and Third Party Organisations**

- 4.15.** There are joint ventures, partnerships and contracted work carried out on behalf of the Authority. As an organisation, it should be ensured that third party organisations should have a similar culture and approach as the authority in tackling anti-fraud, bribery and corruption.
- 4.16.** Members and officers should ensure that organisations have appropriate mechanisms in place to prevent, detect, deter and investigate where necessary any concerns raised in relation to fraud and corruption.
- 4.17.** Members and officers including officers working for contractors and third party organisations should be able to raise any concerns through the mechanisms identified in 3.5 above. The Council has a duty to notify the relevant organisations including government agencies and take action where appropriate to investigate any concerns raised.
- 4.18.** Where fraud, bribery or corruption is suspected within the activities of a contractor or partner organisation the matter should be referred as outlined in 3.5 above.

### **Conflicts of Interest**

- 4.19.** Both elected Members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

### **Official Guidance**

- 4.20.** In addition to Financial Regulations and Contract Standing Orders, service areas may have their own procedures to prevent and deter fraud. There may also be audit reports, which recommend methods to minimise risks and losses to the Authority. Managers and employees must be made aware of these various sources of guidance and alter their working practices accordingly.

### **Role of Internal Audit**

- 4.21.** Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud, bribery and corruption. Internal Audit investigates all employee cases of suspected financial irregularity, fraud or corruption, except Benefit fraud investigations (see below), in accordance with agreed procedures. Within the Financial Regulations in the Constitution, representatives of Internal Audit are empowered to:

- Enter at all reasonable times any Council premises or land;
- Have access to all records, documentation and correspondence relating to any financial and other transactions as considered necessary;
- Have access to records belonging to third parties such as contractors when required;
- Require and receive such explanations as are regarded necessary concerning any matter under examination;



- Require any employee of the Council to account for cash, stores or any other Council property under his/her control or possession;
- Liaise with management to recommend changes in procedures to reduce risks and prevent losses to the Authority.

### **The Role of the Senior Fraud Officer**

**4.22.** The Senior Fraud Officer is responsible for all of the Council Tax Benefit investigations, in accordance with legislation and agreed codes of conduct. In cases where employees are involved they will work with Internal Audit, Human Resources and appropriate senior management to ensure that correct procedures are followed and that this policy is adhered to.

### **The Role of the External Auditor**

**4.23.** Independent external audit is an essential safeguard of the stewardship of public money. The Wales Audit Office (including any associated third party external audit partners) are responsible for this through specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems and arrangements for preventing and detecting fraud, bribery and corruption. It is not the external auditors' function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Council's arrangements for preventing and detecting fraud and irregularities, and arrangements designed to limit the opportunity for corrupt practices.

**4.24.** Where external audit is required to undertake an investigation they will operate within legislation and their codes of conduct.

### **Co-operation with Others**

**4.25.** As appropriate, arrangements will be made to encourage the exchange of information between the Council and other agencies on national and local fraud and corruption activity in relation to local authorities. These include :

- Police
- Local Authority Financial Organisations
- Internal Auditor Networks
- Wales Audit Office
- Other councils
- Central and local government partners;
- National Anti-Fraud Network.
- National Fraud Initiative

### **The Role of the Public**

**4.26.** This policy, although primarily aimed at those within or associated with the Council, enables concerns raised by the public to be investigated, as appropriate, by the relevant person in a proper manner.



## 5. Deterrence

- 5.1. There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside and/or outside of the Council, and these include:
- Publicising the fact that the Council is firmly set against fraud and corruption and states this at every appropriate opportunity e.g. clause in contracts, statements on benefits claim forms, website, publications etc.
  - Acting robustly and decisively when fraud and corruption are suspected and proven e.g. the termination of contracts, dismissal, prosecution, reporting employee to their professional body etc.
  - Taking action to effect the maximum recoveries for the Council e.g. through agreement, court action, penalties, under Proceeds of Crime Act etc.
  - Having sound internal control systems, that still allow for innovation, but at the same time minimising the opportunity for fraud and corruption.
  - The operation and advertising of a Benefit Fraud Hotline and formal arrangements for whistleblowing.
  - Publicising instances of fraud/corruption and the resultant disciplinary/prosecution action for cases both within the Council and for other public organisations.

## 6. Detection and Investigation

- 6.1. Internal Audit plays an important role in the detection of fraud, bribery and corruption. Included in their strategic plan are reviews of system controls including financial controls and specific fraud and corruption tests and will make spot checks and unannounced visits.
- 6.2. In addition to Internal Audit, there are numerous systems and management controls in place to deter fraud and corruption but it is often the vigilance of employees and members of the public that aids detection. The Council's *Whistleblowing Policy* is intended to encourage and enable staff to raise their concerns.
- 6.3. In some cases frauds are discovered by chance or "tip-off" and arrangements are in place to enable such information to be properly dealt with.
- 6.4. The Council takes part in the National Fraud Initiative which is co-ordinated by Internal Audit.
- 6.5. All suspected irregularities are required to be reported (verbally or in writing) to one of the officers identified at 3.5. This is essential to the strategy and:
- Ensures the consistent treatment of information regarding fraud and corruption; and
  - Facilitates a proper and thorough investigation by an experienced audit team or appropriate officer, in accordance with agreed procedures.
- 6.6. This process will apply to all the following areas:
- a) fraud/corruption by elected Members;
  - b) internal fraud/corruption;
  - c) other fraud/corruption by Council employees;

- d) fraud by contractors and/or partnership employees;
- e) external fraud (the public)

- 6.7.** Cases under d) and e) where necessary would be referred to the external auditor or Police. Cases under (a) in respect to the Code of Conduct for Members will be referred to the Public Services Ombudsman for Wales in addition to the External Auditor and/or the Police. Cases under b) and c) may be dealt with under the Council's disciplinary procedures.
- 6.8.** Any decision to refer a matter to the Police will require the involvement of the Head of Finance, the Monitoring Officer, Chief Internal Auditor and the relevant Head of Service or, in the absence of any of these Officers, their nominated representatives. In these circumstances, it will be the responsibility of the Chief Internal Auditor to call a formal meeting of these officers to discuss the appropriate course of action. Any referral to the Police must be agreed by the relevant Head of Service.
- 6.9.** Depending on the nature of an allegation under b) to e), the Chief Internal Auditor will normally work closely with the Head of Service concerned to ensure that all allegations are thoroughly investigated and reported upon.
- 6.10.** The Council's Disciplinary Procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The processes as outlined in paragraph 3.8 will cover Members.
- 6.11.** A summary of matters identified and concluded concerning fraud or bribery will be reported to the Council's Audit Committee on an annual basis.
- 6.12.** Periodic risk assessments will be undertaken to evaluate the Authority's exposure to the risk of fraud and bribery and to highlight particular areas of risk within the Authority. This will be undertaken between Internal Audit and Risk management on an annual basis.

## **7. Awareness & Training**

- 7.1.** The Council recognises that the continuing success of this strategy and its general credibility will depend in part on the effectiveness of training and awareness for members and employees. The policy is an integral part of the induction programme.
- 7.2.** To facilitate this, the Council supports the provision of training programmes and circulation of relevant information to ensure that responsibilities and duties in this respect are regularly highlighted and reinforced. This includes the requirement for information to be provided to third parties providing services to and on behalf of the Council.
- 7.3.** Specialist training in fraud and corruption issues will also be given to appropriate staff involved in investigation work.
- 7.4.** Internal Audit will publicise the Anti-Fraud, Bribery and Corruption policy on the Intranet with other up to date advice and guidance on current issues and will facilitate fraud awareness training to staff as and when required.

## **8. Conclusion**

- 8.1.** The Council has always prided itself on setting and maintaining high standards and a culture of openness. This strategy fully supports the Council's desire to maintain an honest Authority, free from fraud and corruption.
- 8.2.** The Council has in place a network of systems and procedures to assist it in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with

any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation.

- 8.3.** The Council will maintain a continuous review of all these systems and procedures through Internal Audit.
- 8.4.** This policy statement will be reviewed on a regular basis, with a maximum of three years between each review.

December 2017

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# Report

## Audit Committee

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### Part 1

**Date:** 23 January 2018

**Item No:** 12

**Subject** **Work Programme**

**Purpose** To report the details of this Committee's work programme.

**Author** Overview and Scrutiny Officer

**Ward** General

**Summary** The purpose of a forward work programme is to help ensure Councillors achieve organisation and focus in the undertaking of enquiries through the Audit Committee function.

This report presents the current work programme to the Committee for information and details the items due to be considered at the Committee's next two meetings.

**Proposal** **The Committee is asked to endorse the proposed schedule for future meetings, confirm the list of people it would like to invite for each item, and indicate whether any additional information is required.**

**Action by** Audit Committee

**Timetable** Immediate

This report was prepared after consultation with:

- Head of Law and Regulation
- Head of Finance
- Head of People and Business Change

### Background

The purpose of a forward work programme is to help ensure Councillors achieve organisation and focus in the undertaking of enquiries through the Audit Committee function.

Attached at Appendix 1 is the forward work programme for this Committee. Below are the items scheduled to be presented at the Committee's next two meetings. Committee Members are asked to endorse this schedule, confirm the list of people they would like to invite for each item, and indicate whether any additional information or research is required.

## 23 January 2018

Internal Audit Plan – Progress (Quarter 3)
Treasury Management Report
Corporate Risk Register (Considered by Cabinet in Jan)
Regulatory Reports Summary ( 6 monthly report)
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Anti - Fraud, Bribery and Corruption Policy Statement
Referrals to Audit Committee

## 29 March 2018

Annual Audit outline for the 2017/18 Financial Audit
WAO Annual Report on Grants Works 2016-17
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3, October to December)
Annual Governance Statement (draft statement)
Member Development Self Evaluation Exercise
Referrals to Audit Committee

### Financial Summary

Please see comments from Chief Financial Officer below.

### Risks

If proper work programming procedures are not put in place, the organisation and prioritisation of the work programme is put at risk. The work of the Audit Committee could become disjointed from the work of the rest of the Council, which could undermine the positive contribution Audit Committee makes to service improvement.

This report is presented to each Committee every month in order to mitigate that risk. The specific risks associated with individual topics on the work programme will need to be addressed as part of the Committee's investigations.

### Comments of Chief Financial Officer

There will be financial consequences for some of the reviews undertaken. These will be commented upon as the reports are presented. The preparing and monitoring of the work programme is done by existing staff for which budget provision is available.

### Comments of Monitoring Officer

I have no comments, as there are no legal implications.

### Staffing Implications: Comments of Head of People and Business Change

There are no staffing implications within this report. Any staffing implications of the reviews in the work programme will need to be addressed in individual reports.

## **Background Papers**

None.

***(Audit Committee to meet every other month unless circumstances dictate otherwise)***

<b>30 May 2017</b>
Appointment of Chairperson
Internal Audit Annual Report 2016/17
Internal Audit Annual Plan 2017/18
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 4, Jan to March)
Treasury Management Year End Report 2016/17
Corporate Risk Register Update (considered by Cabinet in April)
Regulatory Reports
Audit Committee Self Evaluation Exercise
Referrals to Audit Committee

<b>26 June 2017</b>
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Annual Governance Statement
Draft Financial Accounts 2016/17
Referrals to Audit Committee

<b>25 September 2017</b>
Internal Audit Plan 2017/18 – Progress (Quarter 1)
Statement of Accounts 2016-17
Audit of Financial Statements Report 2016-17
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 1, April to June)
Corporate Risk Register Update (Considered by Cabinet in September)
Referrals to Audit Committee



<b>30 November 2017</b>
Internal Audit Plan 2017/18 – Progress (Quarter 2)
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 2, July to September)
Financial Accounts Memorandum 2016-17
Treasury Management Report (April to September)
Lessons Learned 2016/17
Report on Audit Committee Self Evaluation Exercise
Referrals to Audit Committee

<b>25 January 2018</b>
Internal Audit Plan – Progress (Quarter 3)
Treasury Management Report
Corporate Risk Register (Considered by Cabinet in Jan)
Regulatory Reports Summary ( 6 monthly report)
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Anti - Fraud, Bribery and Corruption Policy Statement
Referrals to Audit Committee

<b>29 March 2018</b>
Annual Audit outline for the 2017/18 Financial Audit
WAO Annual Report on Grants Works 2016-17
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3, October to December)
Annual Governance Statement (draft statement)
Member Development Self Evaluation Exercise
Referrals to Audit Committee

<b>Unallocated work</b>
Treasury Management Training – All Member Seminar was held on Wed, 11 October 2017 4-6pm
Issues Outstanding – Member Development Self Evaluation Exercise

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