

# Agenda



## Governance and Audit Committee

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Date: Thursday, 27 May 2021

Time: 5.00 pm

Venue: Microsoft Teams Live Event

To: Councillors Mr J Baker (Chair), H Thomas, M Whitcutt, G Giles, P Hourahine, R White, R Mogford, J Jordan, R Hayat and H Townsend

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Item	Wards Affected
1	<u>Apologies for Absence</u>
2	<u>Declarations of Interest</u>
3	<u>Minutes of the Last Meeting</u> (Pages 3 - 8)
4	<u>Appointment of Chairman</u>
5	<u>Treasury Management Year End Report 2020/21</u> (Pages 9 - 24)
6	<u>Audit Committee - Changes to Terms of Reference</u> (Pages 25 - 38)
7	<u>Corporate Risk Register Quarter 4</u> (Pages 39 - 94)
8	<u>Annual Governance Statement (draft statement)</u> (Pages 95 - 132)
9	<u>Audit Wales Annual Report on Grants Works 2020-21- Draft</u> (Pages 133 - 148)
10	<u>Internal Audit Annual Report 2020/21</u> (Pages 149 - 166)
11	<u>Internal Audit Annual Plan 2021/22</u> (Pages 167 - 184)
12	<u>SO24/Waiving of Contract Sos: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract Sos (Quarter 4, Jan to March)</u> (Pages 185 - 212)
13	<u>Draft Work Programme</u> (Pages 213 - 216)

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Date of Issue: Thursday, 20 May 2021

- 14 Date of Next Meeting  
29 July 2021 at 5pm
- 15 Part 2 Exempt or Confidential Items  
**Not for publication as consideration of the report involves the likely disclosure of exempt information as defined in schedule 12 A of the Local Government Act 1972 (as amended) and the exemption outweighs the public interest in disclosure.**
- 16 Audit Wales Cyber Security Report (Pages 217 - 246)
- 17 Live Event  
[Please click here to view the live event](#)



# Minutes

## Audit Committee

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Date: 25 March 2021

Time: 5.00 pm

Present: Mr J Baker (Chair) Councillors H Thomas, M Whitcutt, K Thomas, P Hourahine, R White and J Jordan

In Attendance: Andrew Wathan (Chief Internal Auditor), Emma Archer (Music Support Service Manager), Sarah Morgan (Chief Education Officer), Andrew Powles (Deputy Chief Education Officer), Rhys Cornwall (Head of People and Business Change), Dona Palmer (Audit Manager), Paul Flint (Performance and Research Business Partner), Ramim Kahn (Audit Wales), Anthony Veale (Audit Wales), Pamela Tasker (Governance Support Officer), Ellie Howard (Graduate Trainee).

Apologies: None

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### 1 **Declarations of Interest**

None

### 2 **Minutes of the Last Meeting**

The minutes of the previous meeting were agreed as a true and accurate record.

### 3 **Call in the Chief Education Officer, Deputy Chief Education Officer & Head of Gwent Music re the Internal Audit Unsatisfactory Opinion on Gwent Music**

Andrew Wathan, Chief Internal Auditor, presented this item, explaining that an unsatisfactory opinion on Gwent Music had been issued in the previous year. After receiving this, the Education Management team then provided a paper in terms of the progress against the action plan, which is considered a very detailed account. The Music Support Service Manager has made a concerted effort to address these concerns. Members still wanted further information with regards to the musical instrument use (e.g. loaning in and out etc.), which is why the item has been brought for review at this meeting.

The Deputy Chief Education Officer, Andrew Powles, explained that the service was furloughed from April to September 2020. In September, the staff returned and the first priority of senior managers was to address the audit concerns. Following this, the service was furloughed again, but the senior managers remained working to continue addressing these concerns. In March, Internal Audit carried out an interim follow up review. This demonstrated satisfactory progress and that the audit process was being taken very seriously.

The Music Support Service Manager, Emma Archer, commented that a number of the actions from the initial audit have now been completed satisfactorily. Covid-19 has posed

significant difficulties to some of these actions due to school sites not being open or not allowing access for visitors. The focus has mostly been on moving forward on the stock check. 94% of the instruments on the asset register have been checked (5048 instruments). Out of 154 schools, all but 29 schools have been stock checked. There will therefore be some remaining instruments which need to be updated on the asset register.

Discussions included the following:

- Members thanked the team for the update and recognised the difficulty posed by Covid-19. It was questioned why there is such a long time between stock checks. Is there a systematic difficulty with doing this?
  - The Music Support Service Manager responded to explain that it is a time consuming process. The stock is constantly moving under normal circumstances, so the best time to do a stock check is normally over the holiday period. With over 5000 instruments, this is a significant piece of work. Moving forward, the service would need a different way of working- the new software being introduced will have more automation in it, which will stream the automation side. The service may need to revisit the process of the physical handing out and handing back of instruments. This currently relies on peripatetic self-employed staff to undertake this. The service may have to be more restricted in the future as to how we hand over loans in the future.
  - Members responded, wanting to ensure that students can access instruments still and that a new way of working doesn't make this more difficult. Would there be a way to 'barcode' the instruments to be scanned in and out?
  - The Music Support Service Manager explained that one of the improvements in the new software incorporates a scanning in and out system.
- The Chair commented that the Audit Committee don't want to create bureaucracy for the sake of it. The basic premise to be monitored is that if a student is given an instrument, potentially there could be a loss of asset. Could a negative assurance approach be taken? I.e. students/parents have a duty to tell the service if the asset is returned, and if contact is not made, the service has a right to request payment. This would help to reduce bureaucracy, whilst still retaining control.
  - The Music Support Service Manager explained that the process that was in place currently/historically was a paper driven form. Moving forward, the improvements are moving to a digital platform, meaning the parent's sign up to the T's&C's of the loan, see the details of the instrument, requirements of the loan etc. on the portal or app. The whole process should be a lot more automated and streamlined now.
  - The Chief Internal Auditor expressed that the concern from an audit perspective is to safeguard the assets of the Authority, so a more streamlined way of controlling this would always be advocated, to ensure that appropriate controls are in place.
- Members asked whether, of the 5000 instruments identified, are all of these related back to the initial purchase on the system, and if new instruments are purchased are they also uploaded into the system?
  - The Music Support Service Manager replied that, in 2016, all this information was transferred over to the new system using an access file. New purchases are therefore automatically added. Part of the process has been to review all of the data transferred in 2016. Going forward, the purchases are automatically logged on the system.

- The Chief Internal Auditor mentioned that previously, there had been issues identified with instruments being on loan for much longer than reasonable, is this now being tracked?
  - The Music Support Service Manager explained that this was due to an error in recording rather than the instruments actually being out on loan for a long period. Now all of these have been tracked. There are only 280 live loans currently. The service is currently operating at less than 10% of normal pupils. Aside from this, there are six outstanding loans, but these are to university students who have had their loans approved as they assist the service.
- The Chair enquired whether any instruments not identified had to be written off?
  - The Music Support Service Manager explained that there are 900 records which the service haven't been able to confirm. However, this is likely to include duplication of some instruments, for example, brass and wind instruments are easy to track, but string instruments are harder to identify. The service will seek approval from the Chief Education Officer to write-off the final number of instruments once this number is established.
- The Chief Internal Auditor questioned whether the service is confident that all the instruments have now been recorded.
  - The Music Support Service Manager was confident that all instruments have been recorded, apart from those in the 29 schools which are not allowing access.
- Members asked if the financial responsibility is quantified, particularly for instruments where we are not sure of their location.
  - The Music Support Service Manager replied that insurance has been taken out on all the instruments that are in location. There is a full asset list with valuations which has been approved by the brokers. The vast majority of instruments are for students, so there is a recognised amount of wear and tear and general damage to the assets which would be expected. The vast majority of instruments are 7 years or older.
  - Members asked if the audit report reflects this.
  - The Chief Internal Auditor explained that the interim follow up audit was still underway so we are awaiting the results of this. Internal Audit is hoping to do a full follow up audit later in the year once everything is back in motion.

**Agreed:**

The Audit Committee noted the report and commended the improvements made by the Gwent Music Service. The Committee acknowledged the forthcoming follow up audit due to take place later this year.

**4 Corporate Risk Register (Quarter 3)**

The Chair clarified that this item is about reviewing the process of the risk register, rather than the actual financial risks themselves.

The Head of People and Business Change, Rhys Cornwall, presented this item. At the end of Quarter 3, the Council had 52 risks in total, 18 of which were recorded and monitored in the corporate risk register. Now, 1 of these risks has been closed, and 5 have had a change in their risk rating. The demand on the ALN and SEN team has an increase in risk rating, as well as Newport Council's Property Estate risk. The 'Brexit' risk has reduced, the Education Out Of County placements have a reduced risk, and the Schools' finance/cost pressures risk has reduced.

At the last Audit Committee meeting, the risk matrix was raised, and it was expressed that the committee wanted this to be more sophisticated. There won't be a change to this at this meeting as this is Q3, but these will be taken forward as part of the annual review of the corporate risk policy.

Discussions included the following:

- Members asked if the risks of financial pressures on schools be broken down into primary and secondary. This might better highlight the figures.
  - The Head of People and Business Change replied that he would take this back to the relevant Heads of Service.
  
- Members commented, in reference to page 35 of the report, that there are continually changing circumstances in the risk register. How frequently is the risk measurement level updated, as the risk level constantly changes?
  - The Head of People and Business Change explained that, within each service area, a whole range of risks are being dealt with, many of which are dealt with on a day-to-day basis. The formal review and update takes place on a quarterly basis. This risk rating represents a snapshot in time from that quarter. It is a constantly moving process, but as part of the governance process this reflects a snapshot of the information.
  - The Performance and Research Business Partner, Paul Flint, added that the management information hub is used to record all of the risks from service areas. Officers can use this system to update their own risk scores. All service area risks are then considered, to ensure that the risk rating is correct and reflects the right score. Management will then consider risks that either need to be escalated or closed. In Q3, an example of when this happened was the housing risk, where two risks which were amalgamated to reflect the true level of risk in the service area.
  
- Members asked if we assess risk across other councils, and if so does this have an impact on the risk rating in our own Council?
  - The Head of People and Business Change replied using the example of cyber security. The Council will consider what is happening in other areas, innovative practice, risk they have etc. However, regardless of those issues, that does not lessen or increase our own personal risk. With cyber security, we are ahead of the curve in Newport, but it is still a significant risk. We do look at other LAs, but this doesn't impact upon our own risks.
  - Members agreed that individual LAs will identify vulnerabilities, this can have an effect on other places but this is still mostly held within the LA itself.

**Agreed:**

Audit Committee considered the contents of this report and assessed the risk management arrangements for the Authority, providing any additional commentary/ recommendations to Cabinet.

**5 Audit Wales Annual Audit Plan 2021**

A representative from Audit Wales, Ramim Khan, presented this audit plan. This sets out the work from the performance and financial audit side. A few highlights from the plan were briefly presented.

Exhibit 1, page 90 of the agenda pack, which summarises financial risks that have been identified. There are a few risks arising from Covid-19, e.g. business grants, investment assets etc. These will be monitored throughout the audit.

Exhibit 3, page 95 of agenda pack, similar to financial audit, this relates to performance. The local audit work was flagged. Further discussions will take place to determine what the local work will be.

Exhibit 6 is a timetable of when the work is planning to take place.

Discussion included the following:

- The Chair asked if we are sticking to the original timetable.
  - The Representative from Audit Wales replied to say that the financial audit is scheduled at the end of September, to give the maximum amount of time for everyone to complete the work needed.
  
- Members asked if any penalties will be imposed on the Council if there are delays in submission due to Covid-19.
  - The Representative from Audit Wales explained that if a deadline is going to be missed, the Council need to publish this on their website. However, a penalty would not be imposed.
  - The Chair commented that we need to ensure that we are meeting this deadline and taking it seriously.

**Agreed:**

That the report be noted and approved by the Council's Audit Committee. The extended deadline of the end of September was acknowledged, and the committee agreed it would be prudent to make every effort to meet this deadline.

**6 Annual Audit Summary 2020**

The Representative from Audit Wales explained that the annual audit summary summarises the work that has been completed. There is no real new information to note, this simply replaces what was previously the audit letter and the annual report.

There were no questions from the Committee.

**Agreed:**

That the report be noted and approved by the Council's Audit Committee.

**7 Internal Audit Unsatisfactory Audit Opinions (6 monthly report)**

The Chief Internal Auditor explained that this is one of the regular reports brought to Audit Committee. This is an update to demonstrate improvement of audit opinions year on year. It is not recommended as a result of this to call in any Head of Service at this time. There has only been one *Unsatisfactory* opinion issued by Internal Audit since the last report.

The Chief Internal Auditor ran through the pattern of audit opinions issued over the past several years.

During 2018/19- 48 audit opinions were issued, 10 of which were *Unsatisfactory*. 6 of these are now rated as *Reasonable*, and there are still some ongoing pieces of work.

During 2019/20- 32 audit opinions were issued, 6 of which were *Unsatisfactory*; most of these are yet to be followed up.

During 2020/21 (until December 2020)- 12 audit opinions have been issued, 1 was deemed *Unsatisfactory* (The Newport City Dogs Home).

The key issues have been outlined in the report.

The Chair duly noted all of these issues raised. No further questions from the Committee.

**Agreed:**

The Committee noted and approved the report.

**8 Draft Work Programme**

The Chair explained that a similar timetable to that presented previously is planned for the forthcoming year.

The Chief Internal Auditor explained that this will be reviewed in the interim and updated as appropriate.

**Agreed:**

The Committee endorsed the draft work programme.

# Report

## Governance and Audit Committee

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### Part 1

Date: 27 May 2021

Item: 5

**Subject** Report on Treasury Management covering the Financial Year 2020/21

**Purpose** This report is to inform the Committee of treasury activities undertaken for the financial year ending 31 March 2021.

**Author** Head of Finance / Assistant Head of Finance

**Ward** All

**Summary** In line with the agreed Treasury Management Strategy, 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 and longer-term borrowing will increase to fund new commitments in the current capital programme as well as the impact of reduced capacity for 'internal borrowing'.

During the financial year the Council's net borrowing decreased by £25.4m from £153.8m at 31 March 2020 to £128.4m at 31 March 2021.

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

**Proposal** That Audit Committee:

1. Note and provide comment on the Annual Report on Treasury Management for the Financial Year 2020/21.
2. Note and provide comment that 2020/21 Prudential Indicators for Treasury Management were in line with those set by Council in February 2020.

**Action by** Head of Finance / Assistant Head of Finance

**Timetable** Immediate

This report was prepared after consultation with:

- Treasury Advisors
- Head of Finance

**Signed**

## Background

1. 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 annual report after the end of each financial year.
2. Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Authority's legal obligation to have regard to the CIPFA Code.
3. The Authority both borrows and invests and as such is 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.
4. The 2020/21 Treasury Management Strategy was approved by the Council as part of the Capital Strategy in February 2020 and can be viewed via the following link

<https://democracy.newport.gov.uk/documents/s17728/06%20Council%20Report%20Capital%20Strategy%20and%20Treasury%20Strategy%202020.pdf?LLL=0>

5. This report presents the following information:
  - details of capital financing, borrowing, debt rescheduling and investment transactions
  - reports on the risk implications of treasury decisions and transactions
  - details the outturn position on treasury management transactions in 2020/2021
  - confirms compliance with treasury limits set and Prudential code

## BORROWING STRATEGY / ACTIVITY

### Short and Long Term Borrowing

1. Whilst the Council has significant long-term borrowing requirements, the Council's current strategy of funding capital expenditure utilises 'internal borrowing' rather than undertaking new borrowing where it can i.e. we defer taking out new long term borrowing and fund capital expenditure from the Council's net cash resources rather than investing them – which it has because of its 'cash-backed' reserves and, to a lesser extent, day to day positive cash-flows, for as long as we can. The Council may undertake borrowing early if, there is the need for future borrowing and it feels it can minimise risk of future interest rate rises while providing value for money, this will be in line with advice from our treasury advisors.

By using this strategy the Council can also minimise cash holding at a time when counterparty risk remains relatively high, especially with the current economic implications during Covid-19. 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.

At 31 March, the level of internal borrowing was about £107m, mainly in relation to the Council's level of cash backed reserves. At current rates, this saves about £2.4m in interest costs annually compared to physically borrowing this level of cash. As the Council spends its reserves over the medium to long term (PFI reserves, Capital reserves, Invest to Save reserves in particular), then the internal borrowing will have to be replaced with actual external borrowing and this interest cost will be incurred.

2. 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.
3. As shown in Appendix B, as at 31 March 2021 the level of borrowing has decreased by £13.1m to £153.2m. This decrease is in relation to the short term borrowing the Council undertook at the end of March 20 to support the cash flow of providing grants to businesses in response to the Covid-19 pandemic. This was reimbursed by Welsh Government and subsequently the borrowing was repaid in June 2020. In March 21 the Authority undertook borrowing on a short term basis in order to cover normal day to day cash flow activities.
4. A minimal amount of new long-term borrowing was required to be taken out in the second half of the financial year totalling £94k. This borrowing was from Salix which was interest free and was linked to a specific energy efficiency project. With current estimates there is the potential that an additional long-term borrowing will be required in the second half of next financial year.
5. 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.
6. Overall there has been a decrease in net borrowing of £25.4m during the 2020/21 financial year to £128.4m. This is partly due to the level of investments increasing by £12.3m to £24.8, (including £19.8m held on very short-term periods).

## **INVESTMENTS ACTIVITY / POSITION**

7. The Council's strategies in this area of Treasury Management are (i) to be a short term and relatively low value investor, consistent with the pursuit of an 'internal borrowing strategy' and (ii) investment priorities should follow the priorities of security, liquidity and yield, in that order.
8. All investments are currently 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 31 March 2021 £15m was placed with various local authorities, at an average rate of 0.24%, and £9.8m with banks and building societies. The maximum maturity date of any of these investments held was 19 April 2020.

Included within the investment figure of £24.8m on the 31 March 2021, of which £19.8m is held on very short-term.

9. The Council does not hold any long-term (more than 364 days) treasury investments as at 31 March 2021.
10. Due to the pandemic the Authority kept more cash available at very short notice than is normal to cover any unexpected calls on cash flow. Currently there is not much demand for very short term investment within the market place, with very unattractive (minimal) interest rates being offered, and a potential for negative interest rates remaining a possibility into medium term. So it remains sensible to utilise excess cash balances to avoid further borrowing rather than investing those resources, given the minimal returns that investments are providing.
11. January 2018 saw 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. So whilst it is anticipated that investment levels will reduce, there will always be a need to demonstrate an investment balance of at least £10million.

## **IMPACT OF COVID-19 PANDEMIC**

12. Since the early days of the pandemic the Council has been monitoring the impact on cash flow closely. Throughout 2021 the Authority received a significant amount of Welsh Government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. £70.8m was received throughout the financial year and temporarily invested in short-dated, liquid instruments such as call accounts and invested with other Local Authorities. In addition to the business grants, the Council has seen an increase in Covid related expenditure, a reduction in income across services, and a decrease in the collection of Council Tax and Non-Domestic Rates (NDR) and the Council has also implemented the NDR Relief Scheme for retail, leisure and hospitality businesses who received 100% relief.
13. All of the above would have had a significant impact on cash flow, however aside from the beginning of the year when the additional short-term borrowing was required, WG have mitigated the impact by reimbursing increased expenditure through the hardship fund and through loss of income claims. WG have also repaid the business grants in a timely manner, and front-loaded a significant portion of the Revenue Support Grant payments to the Council into April, as well as providing a grant to support the cash flow of the 100% rate reliefs. This has certainly assisted with cash flow and the Council was only required to take out short term borrowing in March 2021 to cover usual day to day treasury management activities. In addition slippage on the capital budget and net revenue underspend has also assisted with cashflow and delayed the need to borrow long term within 2020/21
14. As part of the 2020/21 budget setting process a proposal was included to generate more interest receivable income The council is required as part of regulatory framework to have to have at least £10m investment balance in order to retain its classification as 'professional clients'. The Council currently invests its funds over short-term, low-risk instruments such as other local authorities and central government and because of the low risk nature of these – income from these are also very low. As part the MTFP and the 2020/21 Treasury Management Strategy the Council would undertake larger, long-term investments in riskier financial instruments such as pooled funds, and other instruments. Essentially, investments in stock market and property funds in order to generate more income. Whilst the Council put in place the necessary processes in order to start using pooled funds such as CCLA, following the pandemic CCLA actually stopped all new investments for the first few months of the financial year. Due to the market volatility as a result of Covid-19 it was felt that it was not prudent to begin investing in more riskier financial funds, especially as the full impact of Covid-19 could not be quantified. However, this will be something that we will look to begin in 2021/22

## **NON-TREASURY INVESTMENTS**

15. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in the Investment Guidance issued by Ministry of Housing, Communities and Local Government's (MHCLG) and Welsh Government, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The Authority also held such investments in:

- directly owned property such as office and commercial units of £10.8m
- loans to local businesses and landlords £4.7m
- shareholding in subsidiaries £0.3m

These investments generated £1m of investment income for the Authority after taking account of direct costs.

## OTHER YEAR-END TREASURY MATTERS

### Economic background and Counter Party Update

16. Appendix A outlines the underlying economic environment during 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 treasury investments, and the investments that it currently undertakes is mainly with other local authorities which are deemed very secure, therefore the risk is currently 'low'. 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-.

### Compliance with Prudential Indicators approved by Council

18. 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 2020/21, set in February 2020 as part of the Treasury Management Strategy. Details of treasury-related Prudential Indicators can be found in Appendix B.

### PWLB new lending terms

19. Members will be aware that the PWLB increased interest rates on loans in the autumn of 2019 following concerns about the level of Local Government debt, in particular for commercial activities
20. A consultation was held this year, with the PWLB response published in November 2020. From 26th November the interest rates on PWLB loans was reduced from 1.8% to 0.8%, provided that authorities can confirm that they are not involved in "debt for yield" activity within the next two financial years. It will also restrict authorities from accessing the PWLB to buy commercial assets primarily for yield. To be able to access the lower rates Authorities will be required to submit detailed capital expenditure plans with confirmation from the Section 151 Officer on the purpose of the capital expenditure.
21. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that Authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.

### 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 available for investment will also alleviate the risk.	Members, Head of Finance, Treasury staff, based on advice from treasury advisors

Interest Rates moving adversely against expectations	Low	Low	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
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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 Governments 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 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 in relation to Treasury activities and all Treasury Indicators met.

Provide any comments necessary to Cabinet on the contents of the report.

**Comments of Chief Financial Officer**

Decisions made on treasury matters will be made with a view to comply with the Treasury Management Strategy, Prudential Indicators, taking advice, where needed, from our Treasury Advisers.

**Comments of Monitoring Officer**

There are no legal issues arising from the report. All borrowing and investments undertaken during the year were in accordance with the Council’s Treasury Management Strategy and within agreed limits.

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

There are no direct HR implications associated with the report.

The Council is required to approve a treasury management annual report at the end of each financial year. The Well-being of Future Generations Act requires public bodies to balance short-term needs with the needs to safeguard the ability to also meet long-term needs. As stated in this report, the Council continues to be both a short-term investor of cash and borrower to manage day-to-day cash flows but current forecasts indicate that in future temporary borrowing will continue to be required and longer-term borrowing will increase to fund the capital programme, which is currently also supplemented through a reduced investment strategy. This annual report align with the well-being goal of a Prosperous Wales.

**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**

This report is a backwards looking report of the treasury management activities of the Council. It shows that we followed the treasury management strategy and the compliance with prudential code and treasury management indicators. This links into the long-term objectives of the authorities and ensures that the council's activities are carried out in an affordable, prudent and sustainable manner.

## **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 to Council February 2020: Capital Strategy and Treasury Strategy.  
Report to Council - Mid Year Treasury Management Monitoring Report

Dated: 7<sup>th</sup> May 2021

## APPENDIX A - Arlingclose - Treasury Advisors Perspective

### External Context

**Economic background:** The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime. Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31<sup>st</sup> March.

A Brexit trade deal was agreed with only days to spare before the 11pm 31<sup>st</sup> December 2020 deadline having been agreed with the European Union on Christmas Eve.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have help protect more than 11 million jobs.

Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).

After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over \$5 trillion. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46<sup>th</sup> US president after defeating Donald Trump.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

**Financial markets:** Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of

technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.

Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%).

German bund yields continue to remain negative across most maturities.

**Credit review:** After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading around 33 and 34bps while Nationwide Building Society was 43bps.

Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank to A- and revised Barclay's outlook to stable (from negative) while Moody's downgraded HSBC's Baseline Credit Assessment to baa3 whilst affirming the long-term rating at A1.

The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

## Appendix B - 2020-21 Treasury Activities

### Local Context

On 31<sup>st</sup> March 2020, the Authority had net borrowing of £128.4m arising from its revenue and capital income and expenditure. 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

	31.3.21 Actual £m
General Fund CFR	281
Less: *Other debt liabilities	41
<b>Borrowing CFR</b>	<b>240</b>
Less: Usable reserves	(107)
Less: Working capital inc. non-treasury investments	4
<b>Net borrowing</b>	<b>129</b>

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

Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Authority pursued its strategy of keeping 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 at 31st March 2021 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.20 Balance £m	Movement £m	30.9.21 Balance £m	30.9.21 Rate %
Long-term borrowing	150.6	(3.0)	147.6	3.6
Short-term borrowing	-	5.6	5.6	0.1
Cash and cash equivalents	15.7	(15.7)	-	-
<b>Total borrowing</b>	<b>166.3</b>	<b>(13.1)</b>	<b>153.2</b>	<b>3.7</b>
Long-term investments	0	-	-	-
Short-term investments	0	(5.0)	(5.0)	0.0
Cash and cash equivalents	(12.5)	(7.3)	(19.8)	0.2
<b>Total investments</b>	<b>(12.5)</b>	<b>(12.3)</b>	<b>(24.8)</b>	<b>0.2</b>
<b>Net borrowing</b>	<b>153.8</b>	<b>(25.4)</b>	<b>128.4</b>	<b>3.9</b>

The table above shows significant movement in both the borrowing and investment levels of the Council, however overall the NET borrowing position for the Council has decreased by £25.4m.

### Borrowing Update

In November 2020 the PWLB published its response to the consultation on 'Future Lending Terms'. From 26<sup>th</sup> November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or

next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.

Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that Authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.

Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.

The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the PWLB borrowing rate.

### **Borrowing Strategy during the year**

At 31st March 2021 the Authority held £153.2m of loans, a decrease of £13.1m from 31st March 2020, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in Table 3 below.

**Table 3: Borrowing Position**

	31.3.20 Balance £m	Net Movement £m	31.3.21 Balance £m	31.3.21 Weighted Average Rate %	31.3.21 Weighted Average Maturity (years)
Public Works Loan Board	105.7	(3.7)	102.0	3.8	19.0
Banks (LOBO)	30.0	-	30.0	4.4	33.2
Banks (fixed-term)	5.0	-	5.0	3.8	56.9
Local authorities (long-term)	-	-	-	-	-
Local authorities (short-term)	15.0	(10.0)	5.0	0.1	-
Other inc. WG loans	9.9	0.7	10.6	-	0.5
Accrued interest	0.7	(0.1)	0.6		
<b>Total borrowing</b>	<b>166.3</b>	<b>(13.1)</b>	<b>153.2</b>	<b>3.6</b>	<b>22.3</b>

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

In keeping with these objectives, no new borrowing was undertaken. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

With short-term interest rates remaining much lower than long-term rates and temporary investments earning Bank Rate or lower, the Authority considered it to be more cost effective in the near term to use internal resources or borrowed rolling temporary / short-term loans instead, as per our Treasury Management Strategy. The net movement in temporary / short-term loans is shown in table 3 above.

LOBO loans: 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 year.

### Other Debt Activity

After £0.8m repayment of prior years' Private Finance Initiative and finance leases liabilities, total debt other than borrowing stood at £41.5m on 31st March 2021, taking total debt to £194.7m.

### Treasury Investment Activity

Throughout 2021 the Authority received a significant amount of Welsh Government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. £70.8m was received, temporarily invested in short-dated, liquid instruments such as call accounts and invested with other Local Authorities. £70.3m was disbursed by the end of March.

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £24.78m and £65.8m million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.20		31.03.21	31.03.21	31.03.21
	Balance	Movement	Balance	Income Return	Weighted average maturity
	£m	£m	£m	%	Years
Banks & building societies (unsecured)	-	9.8	9.8	0.1	-
Government (incl. local authorities)	12.5	2.5	15.0	0.3	-
<b>Total investments</b>	<b>12.5</b>	<b>12.3</b>	<b>24.8</b>	<b>0.4</b>	<b>-</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 treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Continued downward pressure on short-dated cash rate brought net returns on sterling low volatility net asset value money market funds (LVNAV MMFs) close to zero even after some managers have temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.

Deposit rates with the Debt Management Account Deposit Facility (DMADF) have continued to fall and are now largely around zero.

The net return on Money Market Funds net of fees, which had fallen after Bank Rate was cut to 0.1% in March, are now at or very close to zero; fund management companies have temporarily lowered or waived fees to avoid negative net returns.

In the Treasury Management Strategy it was agreed that the Authority will move into higher risk/higher yield investments such as pooled funds. However, this has been delayed while the Authority reviewed its risk appetite. While an increased income target had been included in the 2020/21 budget, due to the current economic uncertainty surrounding Covid-19, the Authority has invested into secure institutions such as local authorities and Central Government.

In November 2019 the Welsh Government published new Statutory Guidance on Local Government Investments to be effective from the 2020/21 financial year. This involves a complete re-write along the lines of the guidance issued last year by the Ministry of Housing, Communities and Local Government (MHCLG) for local authorities in England.

The definition of investments is widened to include “all of the financial and non-financial assets a local authority has invested money into primarily or partially for the purpose of generating a surplus including investment property” providing it has been made using the power to invest contained in the Local Government Act 2003. In addition, loans to wholly-owned companies or associates, to a joint venture, or to a third party count as investments, irrespective of the purpose or legal power used.

### Non-Treasury Investments

The definition of investments in CIPFA’s revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in the Investment Guidance issued by Ministry of Housing, Communities and Local Government’s (MHCLG) and Welsh Government, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The Authority also held such investments in:

- directly owned property such as office and commercial units of £10.8m
- loans to local businesses and landlords £4.7m
- shareholding in subsidiaries £0.3m

These investments generated £1m of investment income for the Authority after taking account of direct costs.

### Compliance

The Head of Finance reports that all treasury management activities undertaken during the year 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.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	H1 Maximum	31.03.21 Actual	2020/20 Operational Boundary	2020/21 Authorised Limit	Complied? Yes/No
Borrowing	192.8	153.2	230	240	✓
PFI and Finance Leases	42	41.5	43	43	✓
<b>Total debt</b>	<b>234.8</b>	<b>194.7</b>	<b>273</b>	<b>283</b>	✓

Table 8: Investment Limits

	Cash limit
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
Any group of pooled funds under the same management	£10m per manager

Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£2m per country
Registered providers and registered social landlords	£5m in total
Unsecured investments with building societies	£5m in total
Money market funds	£10m in total
Real estate investment trusts	£10m in total

Above table only shows limits where the Council have invested money in during the year, excluding the UK Central Government.

### 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 the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	31.3.21 Actual	2020/21 Limit	Complied?
Upper limit on fixed interest rate exposure	100%	100%	✓
Upper limit on variable interest rate exposure	0	50%	✓

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

	31.03.21 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	5%	60%	0%	✓
12 months and within 24 months	3%	40%	0%	✓
24 months and within 5 years	18%	40%	0%	✓
5 years and within 10 years	7%	40%	0%	✓
10 years and within 20 years	18%	30%	0%	✓
20 years and within 30 years	15%	20%	0%	✓
30 years and within 40 years	20%	20%	0%	✓
40 years and within 50 years	8%	20%	0%	✓
50 years and above	7%	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 a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2019/20	2020/21	2021/22
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	10	10	10
Complied?	✓	✓	✓

### Other

**CIPFA consultations:** In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee’s recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year.

In the Prudential Code the key area being addressed is the statement that “local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed”. Other proposed changes include the sustainability of capital expenditure in accordance with an authority’s corporate objectives, i.e. recognising climate, diversity and innovation, commercial investment being proportionate to budgets, expanding the capital strategy section on commercial activities, replacing the “gross debt and the CFR” with the liability benchmark as a graphical prudential indicator.

Proposed changes to the Treasury Management Code include requiring job specifications and “knowledge and skills” schedules for treasury management roles to be included in the Treasury Management Practices (TMP) document and formally reviewed, a specific treasury management committee for MiFID II professional clients and a new TMP 13 on Environmental, Social and Governance Risk Management.

**IFRS 16:** The implementation of the new IFRS 16 Leases accounting standard has been delayed for a further year until 2022/23.

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# Report

## Governance and Audit Committee

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### Part 1

Date: 27 May 2021

Item: 6

**Subject** **Audit Committee – changes to title and terms of reference**

**Purpose** To advise Committee about the changes to the title and terms of reference of Audit Committee made by the Local Government & Elections (Wales) Act 2021 and to recommend to Council that the relevant parts of the Constitution are amended accordingly.

**Author** Head of Law and Regulation

**Ward** All Wards

**Summary** Sections 115-118 of the Local Government (Wales) Measure 2011 extend the role of Audit Committees and re-name them Governance and Audit Committees. In addition to their existing functions, Audit Committees will be required to scrutinise the Council's governance and performance arrangements, considering and making recommendations about the Council's self-assessment report, and its response to panel performance assessment and special inspection reports. Lay membership requirements will also be strengthened, so that one third of members would be required to be lay members.

These changes came into effects as from 1<sup>st</sup> April 2021 and, therefore, amendments will need to be made to the current terms of reference within the Council's constitution to reflect the legislative requirements. The provisions relating to the appointment of additional lay members and the performance self-assessment arrangements will need to be implemented from May 2022.

**Proposal** **To note the report and recommend to Council that:-**

**(a) Audit Committee is re-named Governance and Audit Committee;**

**(b) The terms of reference of the Governance and Audit Committee is changed to include additional responsibility for,**

- **reviewing performance assessment**
- **review and assess the authority's ability to handle complaints effectively;**
- **make reports and recommendations in relation to the authority's ability to handle complaints effectively**

**Action by** Head of Law and Regulation

**Timetable** Immediate

This report was prepared after consultation with:

- Chief Officers
- Head of Finance
- Head of People and Business Change

## Background

1. The Local Government & Elections (Wales) Act 2021 (“the Act”) received Royal Assent on 20<sup>th</sup> January 2021 and the various sections of the new legislation will be brought into force on a phased basis through a series of commencement orders, with secondary legislation and guidance provided by Welsh Government.
2. Sections 115-118 of the Act amend the Local Government (Wales) Measure 2011 to extend the role of Audit Committees and to re-name them Governance and Audit Committees. In addition to their existing functions, Audit Committees will be required to scrutinise the Council’s governance and performance arrangements, considering and making recommendations about the Council’s self-assessment report, and its response to panel performance assessment and special inspection reports. Lay membership requirements will also be strengthened, so that one third of members would be required to be lay members. The Chair would also be required to be a lay member.
3. The Council will continue to determine other details of its Governance and Audit Committees as appropriate, including the size of the committee and the frequency with which it meets.
4. Audit Committee provide important checks and balances to the Council’s governance arrangements, as required by the 2011 Measure. The Council has a statutory duty to establish an Audit Committee to review and scrutinise its financial affairs, risk management, internal control and corporate governance arrangements.
5. Although Audit Committee is a committee of the Council, in order to provide effective scrutiny, they are required to be independent from the Executive. Under the Measure, at least one member is required to be a ‘lay member’, a financially competent, independent member who is not an officer or member of the Council. Currently, the Council only has the statutory minimum of one lay member, who is also the independent Chair of Audit Committee. However, the Act will increase the requirement for additional lay membership to bring an extended range of skills, perspectives, and experiences, in order to strengthen the scrutiny that an Audit Committee can provide.
6. The purpose of the new legislation is to expand the functions of the Governance and Audit Committee to strengthen corporate governance and assurance and increase the lay membership to strengthen their ability to provide robust and independent scrutiny.
7. The additional powers relating to performance arrangements, considering and making recommendations about the Council’s self-assessment report, and any response to panel performance assessment and special inspection reports, relate to the new provisions introduced by the Act for performance self-assessment. These provisions will replace the continuous improvement requirements set out in the Local Government Wales Measure 2009 and the need for Annual Improvement Reports and Audit certificates of compliance. The new stream-lined approach to performance assessment will require the Council to produce an annual self-assessment report and undertake a peer review by an independent panel. Governance and Audit and Performance Scrutiny Committees will have a role to play in the annual performance self-assessment process. The first self-assessment reports will have to be produced for 2022/23.

## Commencement

8. Section 115 of the Act was brought into force by Commencement Order No.2 with effect from **1<sup>st</sup> April 2021**. As from that date, the following changes have been introduced
  - (a) Audit Committees are re-named Governance and Audit Committees;
  - (b) The statutory terms of reference of Governance and Audit Committees (under the 2011 Measure) are amended to include

- (i) reviewing performance assessment
  - (ii) review and assess the authority's ability to handle complaints effectively;
  - (iii) make reports and recommendations in relation to the authority's ability to handle complaints effectively
9. The remaining sections of the Act relating to membership and proceedings of the Governance and Audit Committee will be brought into force with effect from **5<sup>th</sup> May 2022**, following the next local government elections. By that time,
- (a) the Chair of the Governance and Audit Committee must be a lay member;
  - (b) One third of the members of the Governance and Audit Committee must be lay persons
  - (c) The Deputy Chair must not be a member of the Council's Executive or an assistant to its executive

## Changes to Constitution

10. The current terms of reference of Audit Committee, as set out in Part 3 of the Council's Constitution are attached at [Appendix 1](#) to this report.
11. It is recommended that the terms of reference are amended to rename the Committee "Governance and Audit Committee" and to include the additional responsibilities set out in section 115 of the Act in relation to reviewing performance assessment, reviewing and assessing the Council's ability to handle complaints effectively and making reports and recommendations. The proposed amended terms of reference are set out in [Appendix 2](#). No further amendments are required to comply with the legislation and the current allocation of additional functions by the Council is considered to be sufficient for the purposes of adequate controls and independent oversight.
12. The membership of the new Governance and Audit Committee will also need to be reviewed in due course, and prior to May 2022. The Committee currently comprises 9 members, including 1 lay representative and 8 elected members (politically balanced). There is only one lay member of the Committee, who acts as the independent Chair. The Chair must be appointed by the Committee itself. The statutory guidance recommends that councils follow a public recruitment exercise, similar to that used to appoint members of standards committees, to recruit their lay members. It is recommended that a lay member should not be appointed for more than two full terms of a local authority. Any lay member with voting rights is subject to the provisions of the authority's Code of Conduct for Members.
13. The current Chair will have served two terms of office by May 2022 and, therefore, a recruitment process will need to be undertaken to appoint a replacement. In addition, at least one-third of the Committee will need to be lay members. If the membership remains at 9 members, then that will require three lay members, including the Chair, and therefore additional independent members will also have to be recruited. The remaining 6 seats will then have to be allocated to the political groups in proportion to their representation on the new council.
14. The Act will also require the appointment of a Deputy Chair of Governance and Audit Committee. The Deputy Chair does not need to be a lay member but cannot be a member of the Council's executive. Again, it will be for the Committee to make the appointment. If it is an elected member, then no senior salary will be payable.
15. The WLGA are developing revised role descriptions for the Chair, Deputy Chair and members of Governance and Audit Committees, and copies are attached at [Appendix 3](#). The Committee and Council have previously agreed to adopt these role descriptions for elected and co-opted members of the authority and it is recommended that these revised role descriptions are adopted and included within the new Constitution, once they are finalised.

## **Financial Summary**

16. The only financial implications for the Council are the additional costs of paying the extra 2 lay members for their allowances. Lay Chairs are entitled to a daily attendance allowance of £268 (£134 for a half-day meeting) and other lay members an attendance allowance of £210 (£105 for a half day meeting). Based on the current number of meetings, this would amount to an additional cost of approximately £2,400, which would be met from the members' allowances budget. There would be one-off costs of recruitment, but the Council would be required to advertise and recruit for a new lay Chair in any event and, therefore, any additional costs would be marginal

## **Risks**

17. Failure to adopt the legislative changes would leave the Council open to challenge in terms of its governance processes.

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

18. The principles of good corporate governance, which underpin these legislative changes, are enshrined in the Council's well-being plan and objectives under the Well-being of Future Generations (Wales) Act.

## **Proposal**

19. That Standards Committee note the report and recommend to Council that:-
  - (a) Audit Committee is re-named Governance and Audit Committee;
  - (b) The terms of reference of the Governance and Audit Committee is changed to include additional responsibility for,
    - reviewing performance assessment
    - review and assess the authority's ability to handle complaints effectively;
    - make reports and recommendations in relation to the authority's ability to handle complaints effectively

## **Comments of Chief Financial Officer**

The financial implications are set out above.

## **Comments of Monitoring Officer**

Included in the report.

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

There are no specific staffing implications or policy implications.

## **Background Papers**

None.

Dated: 22<sup>nd</sup> April 2021

## **Appendix 1**

### **Constitution**

#### **Part 3: Responsibility for Functions**

#### **Appendix 1: Terms of Reference**

##### **4. Audit Committee**

The Local Government (Wales) Measure 2011 (The Measure) requires the local authority to appoint an audit committee. The Measure prescribes the functions of the audit committee as:

- (a) Reviewing and scrutinising the authority's financial affairs;
- (b) Making reports and recommendations in relation to the Council's financial affairs
- (c) Reviewing and assessing the risk management, internal control and corporate governance arrangements of the authority
- (d) Making reports and recommendations to the authority on the adequacy and effectiveness of those arrangements
- (e) Oversee the council's internal and external audit arrangements and
- (f) Review the financial statements prepared by the authority

##### **4.1 Terms of Reference**

To exercise the following functions and take the following resolved decisions, under delegated powers:

- (a) To appoint the Chair of the Audit Committee
- (b) To receive and approve the Council's Annual Statement of Accounts in accordance with the Accounts and Audit Regulations
- (c) To receive and approve the Annual Internal Audit Report from the Chief Internal Auditor
- (d) To receive and approve the Annual Internal Audit Plan
- (e) To review and approve the annual programme for internal audits, the audit priorities and effectiveness of the programme in providing adequate assurance in respect of the Council's main business risks
- (f) To review and monitor the effectiveness of the Council's system of internal control and the proper administration of its financial affairs, including corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
- (g) To engage with external auditors and inspection agencies and other relevant bodies to ensure that there are effective relationships between external and internal audit.

To exercise the following functions and make recommendations, where appropriate

- (h) To monitor and oversee the implementation and outcomes of the internal audit programme and, where necessary, review and make recommendations regarding unsatisfactory audit reports
- (i) To review the adequacy of the Council's internal audit resources and to make recommendations, where necessary
- (j) To seek assurances on the adequacy of Cabinet, Cabinet Member and/or management responses to internal audit advice, findings and recommendations and monitor implementation and compliance with agreed action plans
- (k) To consider the Annual Audit and Inspection Letter, make any recommendations to Cabinet and to monitor the Council's response to individual risks or areas of concern identified in the Letter
- (l) To consider the Annual Report on Treasury Management and Prudential Indicators and make recommendations to Council
- (m) To receive and consider inspection reports from external regulators and inspectors and to make recommendations and, where necessary, monitor implementation and compliance with agreed action plans
- (n) To monitor and review decisions to waive Contracts Standing Orders and urgent executive decisions taken without consultation and to make recommendations where appropriate.
- (o) To make recommendations to the Head of Finance and Monitoring Officer in relation to the Financial Procedures and Regulations set out in the Council's Constitution
- (p) To recommend to the Council the appointment of further lay members, where appropriate

## **Appendix 2**

### **Proposed New Terms of Reference**

#### **4. Governance and Audit Committee**

The Local Government (Wales) Measure 2011 (The Measure) (as amended by the Local government & Elections (Wales) Act 2021) requires the Council to appoint a Governance and Audit Committee. The Measure (as amended) prescribes the functions of the Governance and Audit Committee as:

- (a) Reviewing and scrutinising the authority's financial affairs;
- (b) Making reports and recommendations in relation to the authority's financial affairs
- (c) Reviewing and assessing the risk management, internal control, performance assessment and corporate governance arrangements of the authority
- (d) Making reports and recommendations to the authority on the adequacy and effectiveness of those arrangements
- (e) review and assess the authority's ability to handle complaints effectively
- (f) make reports and recommendations in relation to the authority's ability to handle complaints effectively
- (g) Oversee the council's internal and external audit arrangements and
- (h) Review the financial statements prepared by the authority

#### **4.1 Terms of Reference**

To exercise the following functions and take the following resolved decisions, under delegated powers:

- (i) To appoint the Chair and Deputy Chair of the Governance and Audit Committee
- (j) To receive and approve the Council's Annual Statement of Accounts in accordance with the Accounts and Audit Regulations
- (k) To receive and approve the Annual Internal Audit Report from the Chief Internal Auditor
- (l) To receive and approve the Annual Internal Audit Plan
- (m) To review and approve the annual programme for internal audits, the audit priorities and effectiveness of the programme in providing adequate assurance in respect of the Council's main business risks
- (n) To review and monitor the effectiveness of the Council's system of internal control and the proper administration of its financial affairs, including corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
- (o) To engage with external auditors and inspection agencies and other relevant bodies to ensure that there are effective relationships between external and internal audit.

To exercise the following functions and make recommendations, where appropriate

- (p) To monitor and oversee the implementation and outcomes of the internal audit programme and, where necessary, review and make recommendations regarding unsatisfactory audit reports
- (q) To review the adequacy of the Council's internal audit resources and to make recommendations, where necessary
- (r) To seek assurances on the adequacy of Cabinet, Cabinet Member and/or management responses to internal audit advice, findings and recommendations and monitor implementation and compliance with agreed action plans
- (s) To consider the Annual Audit and Inspection Letter, make any recommendations to Cabinet and to monitor the Council's response to individual risks or areas of concern identified in the Letter
- (t) To consider the Annual Report on Treasury Management and Prudential Indicators and make recommendations to Council
- (u) To receive and consider inspection reports from external regulators and inspectors and to make recommendations and, where necessary, monitor implementation and compliance with agreed action plans
- (v) To monitor and review decisions to waive Contracts Standing Orders and urgent executive decisions taken without consultation and to make recommendations where appropriate.
- (w) To make recommendations to the Head of Finance and Monitoring Officer in relation to the Financial Procedures and Regulations set out in the Council's Constitution
- (x) To recommend to the Council the appointment of further lay members, where appropriate

## **Appendix 3**

### **Draft WLGA Chair of Governance and Audit Committee Role Description 2021**

#### **1. Accountabilities**

To Full Council

#### **2. Role Purpose and Activity**

##### **Providing leadership and direction**

- To demonstrate independence, integrity, and impartiality in decision making according to legal, constitutional and policy requirements
- To provide confident and effective management of meetings to facilitate inclusivity, participation and clear decision making
- To comply with the authority's Code of Conduct
- To work according to the Terms of Reference for the Committee
- To work with senior officers of the authority including the Chief Financial Officer and Head of Internal Audit (or equivalent), to agree the forward work programme and to set agendas for the Committee.
- To work with other members of the authority to ensure that the work of the Committee is communicated to and aligns with that of the Cabinet, Standards and Scrutiny functions whilst maintaining appropriate independence.
- To promote the role of the committee within the authority.
- To report as required to Council
- To participate in and contribute to training and development required for the role
- To support committee members to develop the skills required for the role.
- To lead the committee in responding to any recommendations made by the Auditor General for Wales

##### **Leading the Committee in its role in reviewing and scrutinising the authority's financial affairs**

- Make reports and recommendations in relation to the authority's financial affairs
- Oversee the authority's internal and external audit arrangements
- Work with internal and external auditors
- Review the financial statements prepared by the authority and approve them when powers are delegated including making relevant reports and recommendations

##### **Leading the Committee in its role in contributing to the effective performance of the authority**

- Review the draft report of the authority's annual self-assessment. Make recommendations for changes to the conclusions or actions that the authority intends to take
- Make recommendations in response to the draft report of the authority's Panel Assessment (commissioned once per term **from May 2022**)
- Review and assess the authority's ability to handle complaints effectively.
- Make reports and recommendations to the authority about the authority's ability to handle complaints effectively.

##### **Leading the Committee in its role in Reviewing and assessing the Governance, Risk Management and Control of the authority**

- Review and assess the risk management, internal control, and corporate governance arrangements of the authority
- Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements
- Review and assess the financial risks associated with corporate governance, and be satisfied that the authority's assurance statements including the annual governance statement reflect the risk environment and any activities required to improve it

### **3. Values**

To be committed to the values of the council and the following values in public office:

Openness and transparency

Honesty and integrity

Tolerance and respect

Equality and fairness

Appreciation of cultural differences

Sustainability

## **Draft WLGA Governance and Audit Committee Member Role Description 2021**

### **1 Accountabilities**

To Full Council  
To the Chair of the Committee

### **2. Role purpose and activity**

#### **Participating in meetings of the committee and making decisions**

- To demonstrate independence, integrity, and impartiality in decision making according to legal, constitutional and policy requirements.
- To have regard to the requirements of the Chair of the Committee and the professional advice of senior officers of the authority including the Chief Financial Officer and Head of Internal Audit (or equivalent)
- To Comply with the authority's Code of Conduct
- To work according to the Terms of Reference for the Committee
- To contribute to the development of the forward work programme for the Committee.
- To promote the role of the committee within the authority
- To report as required to Council
- To respond to any recommendations made by the Auditor General for Wales
- To participate in any training and development required for the role

#### **Contributing to the work of the Committee in its role in:**

##### **Reviewing and scrutinising the authority's financial affairs**

- Make reports and recommendations in relation to the authority's financial affairs
- Oversee the authority's internal and external audit arrangements
- Work with internal and external auditors
- Review the financial statements prepared by the authority and approve them when powers are delegated including making relevant reports and recommendations.

##### **Contributing to the effective performance of the authority**

- Review the draft report of the authority's annual self-assessment and make recommendations for changes to the conclusions or actions that the authority intends to take
- Make recommendations in response to the draft report of the authority's Panel Assessment (commissioned once per term **from May 2022**)
- Review and assess the authority's ability to handle complaints effectively.
- Make reports and recommendations in relation to the authority's ability to handle complaints effectively.

##### **Reviewing and assessing the Governance, Risk Management and Control of the authority**

- Review and assess the risk management, internal control, and corporate governance arrangements of the authority
- Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements
- Review and Assess the financial risks associated with corporate governance, and be satisfied that the authority's assurance statements, including the annual governance statement, reflects the risk environment and any activities required to improve it

### **3. Values**

To be committed to the values of the Council and the following values in public office:

Openness and transparency  
Honesty and integrity  
Tolerance and respect  
Equality and fairness  
Appreciation of cultural differences  
Sustainability

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# Report

## Governance and Audit Committee

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### Part 1

Date: 27 May 2021

Item No: 7

### **Subject** Quarter 4 2020/21 Corporate Risk Register Update

**Purpose** To present an update of the Corporate Risk Register for the end of quarter 4 (1<sup>st</sup> January to 31<sup>st</sup> March 2021).

**Author** Head of People and Business Change

**Ward** All

**Summary** The Council's Corporate Risk Register monitors those risks that may prevent the Council from achieving its Corporate Plan or delivering services to its communities and service users in Newport.

At the end of quarter 4, the Council had 46 risks across its eight service areas. Eighteen of the 46 risks were recorded in the Council's Corporate Risk Register and considered to have a significant impact on the achievement of the Council's objectives and statutory obligations. At the end of quarter four, there were no risks closed or escalated from the service area risk registers. Overall, there were 11 Severe risks (risk scores 15 to 25); 4 Major risks (risk scores 7 to 14); 2 Moderate risks (risk scores 4 to 6) and 1 Low Risk (1 to 3) that are outlined in the report.

The role of the Governance and Audit Committee is to review and monitor the corporate governance and risk management arrangements in place, with comments and recommendations of the Committee on risk process considered by Cabinet.

**Proposal** The Governance and Audit Committee is asked to consider the contents of this report and assess the risk management arrangements for the Authority, providing any additional commentary and/or recommendations to Cabinet.

**Action by** Corporate Management Team and Heads of Service

**Timetable** Immediate

This report was prepared after consultation with:

- Corporate Management Team

**Signed**

## **Background**

The Wellbeing of Future Generations (Wales) Act 2015, requires Newport City Council to set Wellbeing Objectives in its Corporate Plan 2017-22. With any Corporate Plan there will be risks that may prevent the Council from achieving its objectives. The Council's Risk Management Policy and Corporate Risk Register enables the Council to effectively identify, manage and monitor those risks to ensure that the Council realises its Plan and ensure service delivery is provided to its communities and citizens. In July 2020 the new Risk Management Policy for 2020-22 was approved by the leader of the Council. This policy is attached as part of the background papers of this report for reference.

In February 2021, the Local Government and Elections Bill received Royal Assent and changes the role and responsibilities of the Council's Governance and Audit Committee in relation to the performance and governance arrangements of authority and other constitutional changes. In April 2021, the Council's Democratic Services agreed to update the terms of reference of the Governance and Audit Committee to reflect these changes in the Act. The role and responsibilities of the Governance and Audit Committee remains the same in the review and assessment of the Council's corporate governance and risk management arrangements in place with comments and recommendations of the Committee on risk process considered by Cabinet.

The Council has set up a working group to review and implement the new legislative requirements over the next year.

## **Covid-19 / Brexit, Newport City Council Response**

Throughout the last year, Newport City Council has continued to focus on supporting front-line services, protecting lives and minimising the spread of Covid-19. As part of the Council's Civil Contingencies arrangements, the Council's Gold Command group consisting of Heads of Service and Chief Executive to monitor the situation; and to manage emerging operational / community risks. This group also links into the wider Strategic Coordination Group and Welsh Government structures and these arrangements remain in place at the time of this report.

Similarly, the Council has continued to monitor the situation in the Brexit Trade negotiations between the UK Government and European Union. The Brexit risk score presented in this report reflects the position at the time (31<sup>st</sup> March 2021).

## **Risk Management Process**

In Newport City Council risks that may prevent or impact on the delivery of our services is continuously monitored and managed at all levels of the organisation. The following diagram below summarises how risks are continuously managed in Newport City Council.

There are many different sources of risks, such as civil contingencies, health & safety, service delivery and projects throughout the organisation where risks to the delivery of the Corporate Plan, or services might be identified and included on the Council's risk register. New risks identified to be included on the register have to be assessed and evaluated to determine their risk scores (Inherent / Residual / Target), existing controls that are in place and where further mitigating controls are required to respond and reduce the overall impact of the risk to the Council. To assess risk scores Newport City Council uses a standard 5x5 matrix that is commonly adopted across Welsh and English local authorities. Appendix 1 of this report shows a heat map of the Council's corporate risks using this matrix.



All risks identified have to be initially agreed by the Head of Service. If the residual risk score is 15 or above or if the Head of Service considers the risk to have an impact on the delivery of services / achievement of objectives in Council, it is escalated to the Council's Corporate Management Team (CMT) to determine whether it is included on the Council's Corporate Risk Register or if the risk should be managed by the relevant service area(s).

All risks are recorded in the Council's 'Management Information Hub'. Every quarter, risk owners, and risk action owners are required to assess and provide an update on the risk score and mitigating actions in place. Any risk that has escalated to 15 or above is automatically escalated and requires the Directors team to consider whether it should be included on the Corporate risk register or if they are satisfied that the responsible owner and mitigating actions are effective to be managed within the service area / team.

As risk mitigating actions are completed and the risk is reduced to meet the target risk score, an assessment will be undertaken by the risk owner to determine whether the risk is closed and if the risk mitigation actions have been sufficient to mitigate the overall risk. For risks on the Corporate Risk Register this responsibility would fall onto the Risk Owner and CMT to determine if the risk can be closed.

## Quarter Four risk update

Service areas' have aligned the objectives and actions in the 2020/21 service plans with the [Council's Strategic Recovery Aims](#). Service areas also continue to consider any new and/or emerging risks that are impacting on the delivery of their services.

At the end of quarter four (to 31<sup>st</sup> March 2021), service areas had recorded 46 risks (including Corporate Risks) recorded in their risk registers. Six Service Area risks were closed.

Service Area	Q4 Risks	Risk Scores Increased since Q3	Risk Scores Decreased since Q3	No Change since Q3	New Risks (Since Q3)	Closed Risks (Since Q3)
Adult & Community Service	3	0	1	2	0	0
Children & Young People Service	3	0	0	3	0	1
City Services	6	1	0	5	0	1
Education	6	2	1	4	0	2
Finance	6	0	2	4	0	1
Law & Regulation	3	0	0	3	0	0

Service Area	Q4 Risks	Risk Scores Increased since Q3	Risk Scores Decreased since Q3	No Change since Q3	New Risks (Since Q3)	Closed Risks (Since Q3)
People & Business Change	12	1	5	6	0	0
Regeneration, Investment & Housing	7	0	3	4	0	1
<b>Total</b>	<b>46</b>	<b>3</b>	<b>12</b>	<b>31</b>	<b>0</b>	<b>6</b>

### Closed Service Area Risks

Six service area risks were closed at the end of quarter four with a summary provided below:

Service Area	Risk	Risk Description	Risk Score (as at Q4 20/21)	Target Risk Score	Commentary
<b>Children &amp; Young People Services</b>	Liability claims made against Children Services.	Historical claims made against Newport Council resulting in an increase in financial provision.	4	9	This risk score has remained at 4 for two consecutive periods and is being managed as business as usual. This risk will be subject to regular monitoring by Children Services.
<b>City Services</b>	Bids to Welsh Government (WG) for grant funding for Active Travel initiatives are unsuccessful	WG rejects applications for active travel funding and are unable to deliver the Council's Active Travel Strategy.	1	4	WG have committed to Active Travel funding for the next 3 to 5 years. This risk has remained below target for three consecutive periods.
<b>Education Services</b>	Pressure on secondary school places	Projected increase in the population of Newport will place pressure on secondary school provision.	6	6	As part of the Service Plan 2021/22, both risks will be amalgamated into one risk covering the 'Provision and planning of school places across all sectors'.
	Provision of school places	Projected increase in Newport's population will increase the number of school age children placing pressure on school places	6	4	
<b>Finance</b>	Procurement risk of non-compliance procurement taking place	Service areas not complying with the Council's Financial Regulations and Contract Standing Orders.	4	5	This risk has remained at 4 in the last year. The Council has adopted the new Procurement policy and processes are in place to continuously monitor and report on procurement

Service Area	Risk	Risk Description	Risk Score (as at Q4 20/21)	Target Risk Score	Commentary
					spending in the Council.
<b>Regeneration Investment &amp; Housing</b>	Failure to secure match funding for the Transporter Bridge redevelopment	The Council is unable to obtain necessary match funding from the Heritage Lottery Fund to deliver the Visitor Centre and maintenance of the bridge.	1	8	The Council has received the necessary Heritage Lottery Funding to deliver the project.

#### **Corporate Risk Register Update (Quarter 4)**

The role of the Corporate Management Team (CMT) is to determine whether the risk should be included on the Corporate Risk Register for monitoring or if the risk should remain in the service area(s) as a result of sufficient management action being undertaken to manage the overall risk.

Of the 46 risks, there are 18 risks that are recorded and monitored in the corporate risk register. Eleven risks did not change score between quarter 3 and quarter 4. Two risk scores had increased and three risk scores had decreased. There was also one risk that was escalated to the Corporate Risk Register (subject to CMT approval). These risks are:

- COVID-19 Pandemic Outbreak (Cross-cutting, led by People & Business Change)
- Stability of Social Services Providers (Adult & Community Services)
- Highways Network (City Services)
- Educational Out of County Placements (Education Services)
- Pressure on Adult & Community Services (Adult & Community Services)
- Ash Die Back Disease (City Services)
- Pressure on the delivery of Children Services (Children & Young People Services)
- Demand for Additional Learning Needs (ALN) and Special Educational Needs (SEN) support (Education Services)
- Balancing the Council's Medium Term budget (Finance Services)
- Schools Finance / Cost Pressures (Education Services / Finance Services)
- Cyber Security (People & Business Change)
- Pressure on Housing & Homelessness Service (Regeneration, Investment & Housing)
- Brexit – Trade Agreement (Cross Cutting, led by People & Business Change)
- City Centre Security and Safety (City Services / People & Business Change)
- In year financial management (Finance Services)
- Climate Change (Cross Cutting, led by Regeneration, Investment & Housing)
- Newport Council's Property Estate (Regeneration, Investment & Housing)
- Safeguarding (Cross Cutting, led by Children & Young People Services).

#### **Change in direction of risk score (Quarter Four)**

Risk	Service Area Cabinet Member	Q3 Risk Score	Q4 Risk Score	Commentary
<b>Brexit</b>	Corporate (People & Business Change lead) Leader of the Council	12	8	Brexit related issues and mitigating actions are reported monthly to Cabinet currently.

Risk	Service Area Cabinet Member	Q3 Risk Score	Q4 Risk Score	Commentary
<b>In Year Financial Management</b>	Finance Services Leader of the Council	6	3	Anticipated outturn suggest significant surplus position at the end of the financial year.
<b>Covid 19 Pandemic Outbreak</b>	Corporate (People & Business Change lead) Leader of the Council	25	20	The risk score has decreased to 20 at the end of quarter 4 due to the successful roll out of the vaccination programme and easing of lock down restrictions. Front line Council services continue to operate normally. However, there remains small clusters across the community, which are being managed through the Test Trace and Protect teams. The Council's Covid Recovery Group (Gold) continues to regularly meet and monitor the situation. Monthly Cabinet reports are continue to be presented providing an overview of the Council's Covid response.
<b>Newport Council's Property Estate</b>	Regeneration, Investment & Housing Cabinet Member for Assets	12	16	The risk score has increased to reflect the recent issues identified with St Andrew's Junior School in Q4 of 2020/21. However, the risk is currently being mitigated and managed utilising the Capital Maintenance Programme as well as regular monitoring. Conditions surveys continue to be undertaken across the remainder of the estate and are used to inform the allocation and priority of capital spend. We continue to work closely with other service areas, including Education to identify and secure all available sources of funding, including Welsh Government funding, for ongoing maintenance and improvements especially identifying ways of making our operational estates more energy efficient to help reach the authority's priority to be Carbon Neutral by 2030.
<b>Educational Out of County (OOC) Placements</b>	Education Cabinet Member for Education and Skills	9	12	Through the commissioning of local providers such as Newport Live, Catch 22 and Sporting Chance we have been able to access local specialist provisions which has reduced the need for specialist out of County provisions. However our special Schools Maes Ebbw and Ysgol Bryn Derw are full which increases the risk of OOC placements for complex needs pupils in the future. Extension options are being considered to ensure there are more spaces available for pupils with complex needs. Mastodon C has also been commissioned to create data projections for future specialist provision needs.

**Appendix 2** of this report is the Council's Corporate Risk Register.

### 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?
The Council does not achieve its objectives as corporate level risks are not adequately managed and monitored.	M	L	Risk Management Strategy has been adopted and mechanisms are in place to identify, manage and escalate emerging and new risks / mitigation strategies.  Audit Committee oversight of risk management process.	Directors, Heads of Service and Performance Team

\*Taking account of proposed mitigation measures

### Links to Council Policies and Priorities

Corporate Plan 2017-22  
Strategic Recovery Aims  
Service Plans 2020/21

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

### Options Available and considered

1. To consider the contents of this report and assessment of the risk management arrangements for the Authority, providing any additional commentary and/or recommendations to Cabinet.
2. To request further information or reject the contents of the risk register

### Preferred Option and Why

1. Option 1 is the preferred option with recommendations raised by the Audit Committee to be considered and reported to Cabinet and Officers in accordance with the Council's Constitution.

### 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.

It is noted that overall, the corporate risk register is showing increasing scores in a number of areas at this point compared to earlier in the financial year which may require Cabinet to consider funding, either as one-off when we consider uses for any 2020/21 revenue budget underspending or for consideration in ongoing funding through the Council's revenue and/or capital budgets, dependant on how those risks will be mitigated/managed.

Risks that result in financial pressures will be reflected in established ongoing monitoring and MTFP arrangements.

### Comments of Monitoring Officer

There are no specific legal issues arising from the report. As part of the Council's risk management strategy, the corporate risk register identifies those high-level risks that could impact upon the Council's ability to deliver its corporate plan objectives and essential public services. Although Audit Committee are

responsible for reviewing and assessing the Council's risk management, internal control and corporate governance arrangements, the identification of corporate risks within the risk register and monitoring the effectiveness of the mitigation measures are matters for Cabinet.

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

Risk Management in the Council is a key area to implementing Wellbeing of Future Generations Act (Wales) 2015 and also provides assurance over our control and governance arrangements in the Council. As the report has highlighted, Covid 19 has had a significant impact on the delivery of Council services which have been managed through the Council's business continuity arrangements. As the Council is moving towards recovery and operating in a 'new normal' emerging opportunities and risks will have an impact on how we deliver services both in the short and long term. Having an effective risk management system and culture will be important for the Council's Cabinet and senior officers to make evidence based decisions.

## **Comments of Cabinet Member**

The Chair of Cabinet has been consulted and has agreed that this report goes forward to Audit Committee for consideration with Audit Committee comments and recommendations reported back to Cabinet in the next quarters update.

This quarter four Corporate Risk Register will be reported to the Council's Cabinet on 2<sup>nd</sup> June 2021.

## **Local issues**

None.

## **Scrutiny Committees**

Not Applicable. Audit Committee have a role in reviewing and assessing the risk management arrangements of the Authority.

## **Equalities Impact Assessment**

Not applicable.

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

Not applicable.

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

Under the Wellbeing of Future Generations Act (Wales) 2015 and its 5 ways of working principles this report supports:

Long Term – Having effective risk management arrangements will ensure that the opportunities and risks that will emerge consider the long term impact on service users and communities.

Preventative – Identifying opportunities and risks will ensure the Council is able to implement necessary mitigations to prevent or minimise their impact on Council services and service users.

Collaborative – The management of risk is undertaken throughout the Council and officers collaborate together within service areas, Corporate Management Team and the Council's Cabinet to ensure decisions are made in a timely manner and are evidence based.

Involvement – The Council's Risk Management process involves officers across the Council's service areas and Cabinet Members.

Integration – Risk Management is being integrated throughout the Council and supports the integrated Planning, Performance and Risk Management Framework. The Framework ensures that planning activities consider the opportunities and risks to their implementation and overall supports the delivery of the Council's Corporate Plan and legislative duties.

## **Crime and Disorder Act 1998**

Not applicable.

## **Consultation**

As above, the Risk Register is considered by Audit Committee and Cabinet.

## **Background Papers**

Risk Management Policy 2020-22 v1

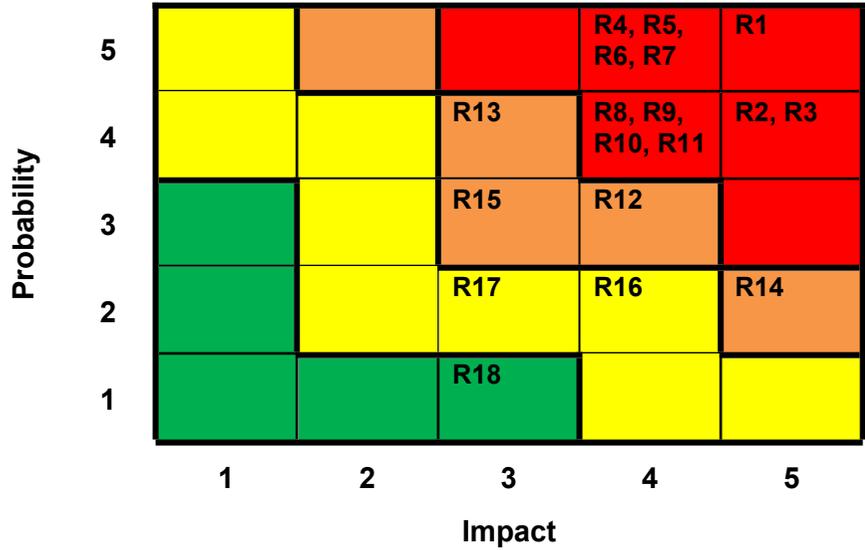
Q4 Risk Cabinet Report, June 2021

Covid Strategic Recovery Aims

Dated: 20<sup>th</sup> May 2021

**Appendix 1 - Quarter 4 Corporate Risk Heat Map**

**Corporate Risk Heat Map Key (Quarter 4 2020/21)**



<b>R1</b> – Stability of Social Services Providers	<b>R10</b> – Pressure on Housing & Homelessness Service
<b>R2</b> – Covid-19 Outbreak	<b>R11</b> - Newport Council’s Property Estate
<b>R3</b> – Highways Network	<b>R12</b> – Schools Finance / Cost Pressures
<b>R4</b> – Pressure on Adult & Community Services	<b>R13</b> – Educational Out of County Placements
<b>R5</b> – Ash Die Back Disease	<b>R14</b> – City Centre Security and Safety
<b>R6</b> – Pressure on the delivery of Children Services	<b>R15</b> – Climate Change
<b>R7</b> – Demand for ALN and SEN support	<b>R16</b> – Brexit & Trade Agreement
<b>R8</b> – Balancing the Council’s Medium Term Budget	<b>R17</b> – Safeguarding
<b>R9</b> - Cyber Security	<b>R18</b> - In year financial management

**Risk Score Profile between Quarter 1 2020/21 and Quarter 4 2020/21**

Risk Reference	Risk	Lead Cabinet Member(s) *	Risk Score Quarter 1 2019/20	Risk Score Quarter 2 2020/21	Risk Score Quarter 3 2020/21	(Current) Quarter 4 2020/21	Target Risk Score
R1	Stability of Social Services Providers	Cabinet Member for Social Services	25	25	25	25	6
R2	COVID-19 Pandemic Outbreak	Leader of the Council /Cabinet	25	25	25	20	6
R3	Highways Network	Deputy Leader and Cabinet Member for City Services and Member Development	20	20	20	20	9
R4	Pressure on Adult & Community Services	Cabinet Member for Social Services	20	20	20	20	10
R5	Ash Die Back Disease	Deputy Leader & Cabinet Member for City Services & Member Development	20	20	20	20	6
R6	Pressure on the delivery of Children Services	Cabinet Member for Social Services	20	20	20	20	6
R7	Demand for ALN and SEN support	Cabinet Member for Education and Skills	16	12	16	16	6
R8	Balancing the Council's Medium Term budget	Leader of the Council / Cabinet	16	16	16	16	10
R9	Cyber Security	Cabinet Member for Community & Resources	16	16	16	16	10
R10	Pressure on Housing and Homelessness Service	Leader of the Council	16	16	16	16	6
R11	Newport Council's Property Estate	Cabinet Member for Assets	8	8	12	16	9
R12	Schools Finance / Cost Pressures	Leader of the Council /Cabinet Member for Education and Skills	16	16	12	12	6

Risk Reference	Risk	Lead Cabinet Member(s) *	Risk Score Quarter 1 2019/20	Risk Score Quarter 2 2020/21	Risk Score Quarter 3 2020/21	(Current) Quarter 4 2020/21	Target Risk Score
R13	<b>Educational Out of County Placements</b>	Cabinet Member for Education and Skills	16	12	9	12	5
R14	<b>City Centre Security and Safety</b>	Deputy Leader and Cabinet Member for City Services and Member Development	10	10	10	10	8
R15	<b>Climate Change</b>	Cabinet Member for Sustainable Development	9	9	9	9	10
R16	<b>Brexit &amp; Trade Agreement</b>	Leader of the Council / Cabinet	12	16	12	8	10
R17	<b>Safeguarding</b>	Cabinet Member for Social Services	6	6	6	6	4
R18	<b>In year financial management</b>	Leader of the Council / Cabinet	9	6	6	3	6

### Glossary

This document provides an explanation of terminology used in this report and supporting documents.

**Risk Appetite** – the amount of risk that Newport City Council is willing to seek or accept in the pursuit of the Council's long term objectives.

**Inherent Risk Score** – The level of risk in the absence of any existing controls and management action taken to alter the risk’s impact or probability of occurring.

**Residual Risk Score** – The level of risk where risk responses i.e. existing controls or risk mitigation actions have been taken to manage the risk’s impact and probability.

**Target Risk Score** – The level of risk (risk score) that Newport City Council is willing to accept / tolerate in managing the risk. This is set in line with the Council’s overall risk appetite.

**Risk Mitigation Action** – Actions identified by the Risk Owner to respond to the risk and reduce the impact and probability of the risk of occurring.

**Risk Mitigation Action (Red Progress Score)** – Significant issue(s) have been identified with the action which could impact on the ability of the action meeting its completion date. Immediate action / response is required resolve its status.

**Risk Mitigation Action (Amber Progress Score)** – issue(s) have been identified that could have a negative impact on the action achieving its completion date. Appropriate line manager(s) should be informed and where necessary action taken.

**Risk Mitigation Action (Green Progress Score)** – The action is on course for delivering to the agreed completion date and within the agreed tolerances.

#### **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 3.

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

## Impact Matrix

Score	Description	Impact Measures						
		Strategic / Policy	Operational / Business Continuity	Financial	Governance / Legal / Regulatory	Health & Safety	Reputational	Project Delivery / Savings / Benefits
5	<b>Severe</b>	Failure of a key strategic objective	Serious organisational / service failure that has direct impact on stakeholders including vulnerable groups.  Service disruption over 5+ days.	<u><b>Corporate / Project</b></u>  Unplanned and/or additional expenditure disturbance.  Capital > £1M Revenue >£1M	Legislative / Regulatory breach resulting in multiple litigation / legal action taken on the Council (linked to Financial / Reputational Impacts).	Multiple major irreversible injuries or deaths of staff, students or members of public.  (Linked to Financial / Reputational Impacts)	Severe and persistent National media coverage. Adverse central government response, involving (threat of) removal of delegated powers. Officer(s) and / or Members forced to Resign.	Project status is over 12 months from anticipated implementation date.  Project(s) do not deliver the major benefits / savings identified in business case.  This is linked to Financial / Strategic / Reputational Impacts
4	<b>Major</b>	Severe constraint on achievement of a key strategic objective	Loss of an important service(s) for a short period that could impact on stakeholders.  Service disruption between 3-5 days.	<u><b>Corporate / Project</b></u>  Unplanned and/or additional expenditure disturbance. Capital > £0.5M - £1.0M Revenue >£0.5M-£1M	Serious legislative breach resulting in intervention, sanctions and legal action. (Linked to Financial / Reputational Impacts)	Major irreversible injury or death of staff, student or member of public. (Linked to Financial / Reputational Impacts)	Adverse publicity in professional / municipal press, affecting perception / standing in professional /local government community  Adverse local and social media publicity of a significant and persistent nature.	Project status is 6 to 12 months over from anticipated implementation date.  Project(s) do not deliver major benefits / savings identified in business case.  This is linked to Financial / Strategic / Reputational Impacts
3	<b>Moderate</b>	Noticeable constraint on achievement of a key	Loss and/or intermittent disruption	<u><b>Corporate / Project</b></u>	Significant legislative breach resulting in investigation.	Major reversible injury to staff, student or member of	Adverse local publicity /	Project status is 1 to 6 months over from

Score	Description	Impact Measures						
		Strategic / Policy	Operational / Business Continuity	Financial	Governance / Legal / Regulatory	Health & Safety	Reputational	Project Delivery / Savings / Benefits
		strategic objective / Service Plan objective.	of a service between 2-3 days.	Unplanned and/or additional expenditure disturbance.  Capital = £0.25M - £0.5M Revenue = £0.25M to £0.5M Revenue = £0.25M to £0.5M	(Linked to Financial / Reputational Impacts)	public. Not life threatening.  (Linked to Financial / Reputational Impacts)	local public opinion including social media. Statutory prosecution of a non-serious nature.	anticipated implementation date.  There is significant reduction on delivery of benefits / savings identified in business case.  This is linked to Financial / Strategic / Reputational impacts.
Page 53 2	Low	Constraint on achievement of Service Plan objective that does not impact on Corporate Strategy	Brief disruption of service that has a minor impact on the delivery of a service.  Service disruption 1 day.	<u>Corporate / Project</u>  Unplanned and/or additional expenditure disturbance.  Capital = £0.1M - £0.25M Revenue = £0.1M – £0.25M	Moderate impact leading to warning and recommendations.	Some minor reversible injuries.  (Linked to Financial / Reputational Impacts)	Contained within Directorate Complaint from individual / small group, of arguable merit	Project status is 1 to 4 weeks over from anticipated implementation date.  There is minor reduction on delivery of benefits / savings identified in business case.  This is linked to Financial / Strategic / Reputational impacts.
1	Very Low	Constraint on achievement of Service / Team Plan objective	Minor disruption of a non-critical service.	<u>Corporate / Project</u>  Unplanned and/or additional expenditure disturbance.  Capital < £100k	No reprimand, sanction or legal action.	Some superficial injuries.  (Linked to Financial / Reputational Impacts)	Isolated complaint(s) that are managed through the corporate complaints process and service area.	Project status is 1 week over from anticipated implementation date.  There is insignificant / no impact on delivery of

Score	Description	Impact Measures						
		Strategic / Policy	Operational / Business Continuity	Financial	Governance / Legal / Regulatory	Health & Safety	Reputational	Project Delivery / Savings / Benefits
				Revenue <£100k		Reputational Impacts)		<p>benefits / savings identified in business case.</p> <p>This is linked to Financial / Strategic / Reputational impacts.</p>

## Probability

Score	Probability	Criteria
5	<b>Very likely</b> 75% +	<p><b>Systematic Risks</b> – Local evidence indicating <b>very high</b> probability of occurrence if no action / controls are in place. Risk is highly likely to occur daily, weekly, monthly, quarterly.</p> <p><b>Emerging Risks</b> – National and Global evidence indicating <b>very high</b> probability of occurrence on local communities if no action / controls are taken. Risks are highly likely to occur within the next 5 years.</p>
4	<b>Likely</b> 51-75%	<p><b>Systematic Risks</b> – Local evidence indicating <b>high</b> probability occur in most circumstances with near misses regularly encountered e.g. once or twice a year.</p> <p><b>Emerging Risks</b> – National and Global evidence indicating <b>high</b> probability of occurrence on local communities if no action / controls are taken. Risks are likely to occur within the next 5-10 years.</p>
3	<b>Possible</b> 26-50%	<p><b>Systematic Risks</b> – Local evidence indicating <b>distinct</b> possibility with circumstances regularly encountered and near misses experienced every 1-3 years.</p> <p><b>Emerging Risks</b> – National and Global evidence indicating <b>distinct</b> probability of occurrence on local communities if no action / controls are taken. Risks are likely to occur within the next 10-15 years.</p>
2	<b>Unlikely</b> 6-25%	<p><b>Systematic Risks</b> – Local evidence indicating <b>low</b> to infrequent near misses experienced every 3 + years.</p> <p><b>Emerging Risks</b> – National evidence indicating <b>low</b> probability of occurrence on local communities if no action / controls are taken. Risks are likely to occur within the next 16-25 years.</p>
1	<b>Very Unlikely</b>	<p><b>Systematic Risks</b> – Local evidence indicating risk has rarely / never happened or in exceptional circumstances.</p> <p><b>Emerging Risks</b> – National evidence indicating very low probability of occurrence on local communities if no action / controls are taken. Risks are likely to occur within the next 16-25 years.</p>

**Systematic Risks** – Risks that are known or are becoming part of social, cultural, economic and environmental systems that govern our lives.

**Emerging Risks** – Risks that are further away, less defined and early stage of being known about.

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# Corporate Risk Register

## 2020/21 Quarter 4 Update



# Ash Die Back Disease

Short Description	Ash Die back disease will affect tree population in Newport. The disease has already been identified in Newport and could kill the majority of Ash trees in the authority. The impact of no action will be significant numbers of tree failures that could see an increase in the number of people harmed by trees and property claims.
Risk Owner	Joanne Gossage
Overseeing Officer	Head of Streetscene and City Services
Lead Cabinet Member(s)	Deputy Leader & Cabinet Member for City Services & Member Development
Linked Theme	Theme : Thriving City
Linked Corporate Objective	<ul style="list-style-type: none"> <li>WBO 2. Economic Growth &amp; Regeneration</li> <li>WBO 4. Cohesive &amp; Sustainable Communities</li> </ul>

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Ash Die Back Disease

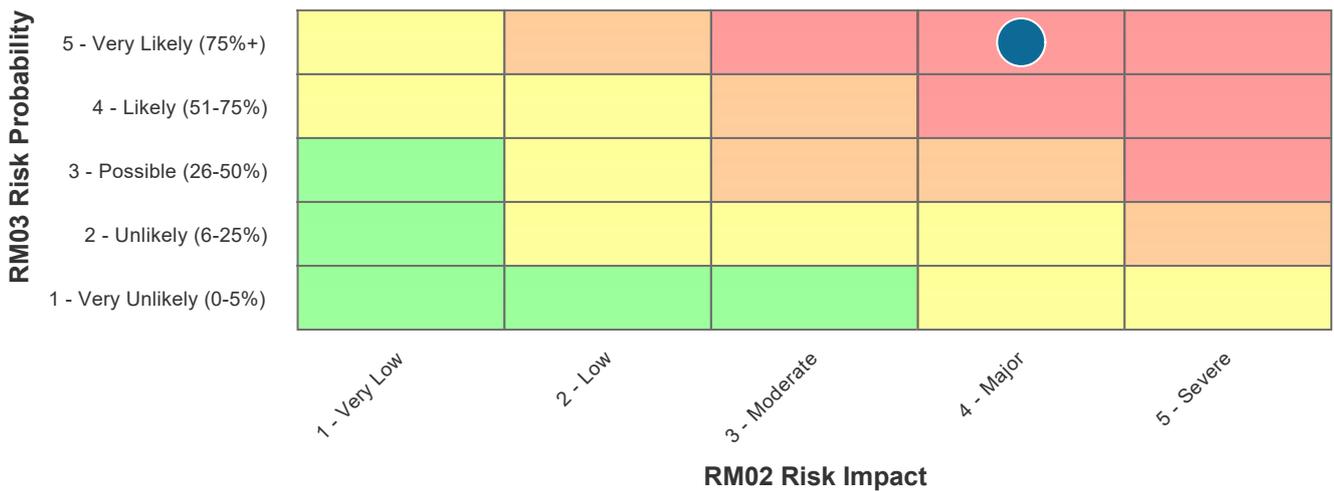
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Inherent Risk Score

6

Target Risk Score



## Direction of Risk

DoR	Comment
Ash Die Back Disease	➔ Ongoing works both for surveying of disease tree stock and undertaking reactive tree removal works. Further works completed along A48 and SDR roads in Q4. Replacement tree planting began in Caerleon road.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Improve Green & Open Spaces for Amenity & Leisure	Improvement to community green and open spaces for amenity and leisure.	100%	✔
<input checked="" type="checkbox"/> Increase & Improve Newport's Urban Tree Coverage	Increase and improve Newport's urban tree coverage.	60%	★
<input checked="" type="checkbox"/> Undertake works removing Ash trees owned by NCC	To undertake works removing diseased Ash trees that are owned by NCC.	60%	★

# Balancing the Council's Medium Term Budget

Short Description	To meet the Council's requirement of reducing the gap between Council spend and Budget allocation over the next 3-5 years
Risk Owner	Owen James
Overseeing Officer	<ul style="list-style-type: none"> <li>■ Chief Executive</li> <li>■ Head of Finance</li> </ul>
Lead Cabinet Member(s)	Leader of the Council & Cabinet Member for Economic Growth & Investment
Linked Theme	<ul style="list-style-type: none"> <li>■ Theme : Aspirational People</li> <li>■ Theme : Modernised Council</li> <li>■ Theme : Thriving City</li> <li>■ Theme: Resilient Communities (Community)</li> <li>■ Theme: Resilient Communities (Social Care)</li> </ul>
Linked Corporate Objective	<ul style="list-style-type: none"> <li>■ WBO 1. Skills, Education &amp; Employment</li> <li>■ WBO 2. Economic Growth &amp; Regeneration</li> <li>■ WBO 3. Healthy, Independent &amp; Resilient</li> <li>■ WBO 4. Cohesive &amp; Sustainable Communities</li> </ul>

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Balancing the Council's Medium Term Budget

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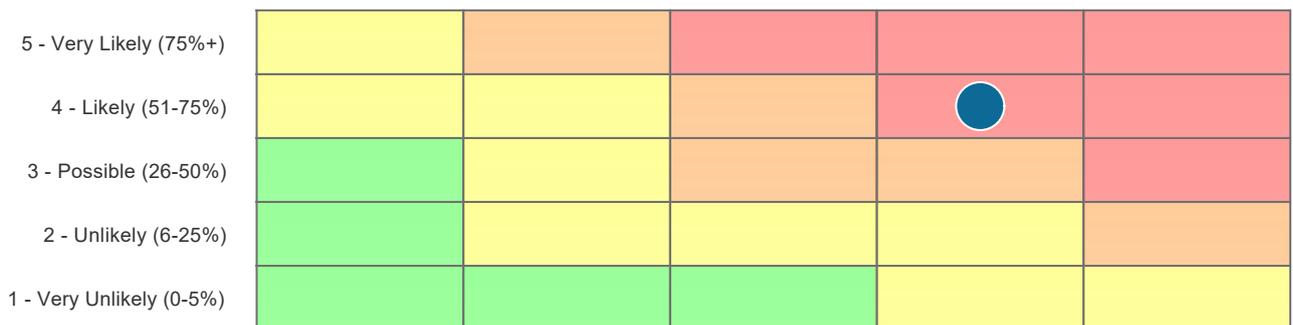
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10

Inherent Risk Score

Target Risk Score

RM03 Risk Probability



1 - Very Low

2 - Low

3 - Moderate

4 - Major

5 - Severe

RM02 Risk Impact

## Direction of Risk

	DoR	Comment
Balancing the Council's Medium Term Budget	➡	Risk will remain unless 4 year budget setting adopted.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Agree the Service Areas finance Response & Recovery to Covid-19 Impact	Meet with Heads of Service to agree the impact on the individual service areas on the impact of their response and recovery of the Covid-19 impact, alongside the "business as usual" forecasts to be including within monitoring.	100%	✔
<input checked="" type="checkbox"/> Balancing the 2021-22 budget gap	The Council are required to set a balanced budget in each year. Currently there is a budget gap for 2021-22 that needs to be balanced.	100%	✔
<input checked="" type="checkbox"/> SLT and CMT to identify savings to reduce the budget gap over the medium term	Senior Leadership Team and Corporate Management Team to identify savings to reduce the budget gap circa £30million over the medium term.	100%	★

# Brexit

Short Description	The UK Government (UKG) and EU have now entered into the transition phase to negotiate a trade agreement by 31st December 2020. Should the UKG fail to secure a deal, the UK will fall back onto World Trade Organisation (WTO) arrangements which could impact on the cost and supply of goods / services and could impact on the economy and business arrangements. Also concerns around EU citizens living in the UK.
Risk Owner	Rhys Cornwall
Overseeing Officer	Chief Executive
Lead Cabinet Member(s)	Leader of the Council & Cabinet Member for Economic Growth & Investment
Linked Theme	
Linked Corporate Objective	<ul style="list-style-type: none"> <li>■ SRA 2. Supporting the Environment &amp; the Economy</li> <li>■ WBO 1. Skills, Education &amp; Employment</li> <li>■ WBO 2. Economic Growth &amp; Regeneration</li> <li>■ WBO 3. Healthy, Independent &amp; Resilient</li> <li>■ WBO 4. Cohesive &amp; Sustainable Communities</li> </ul>

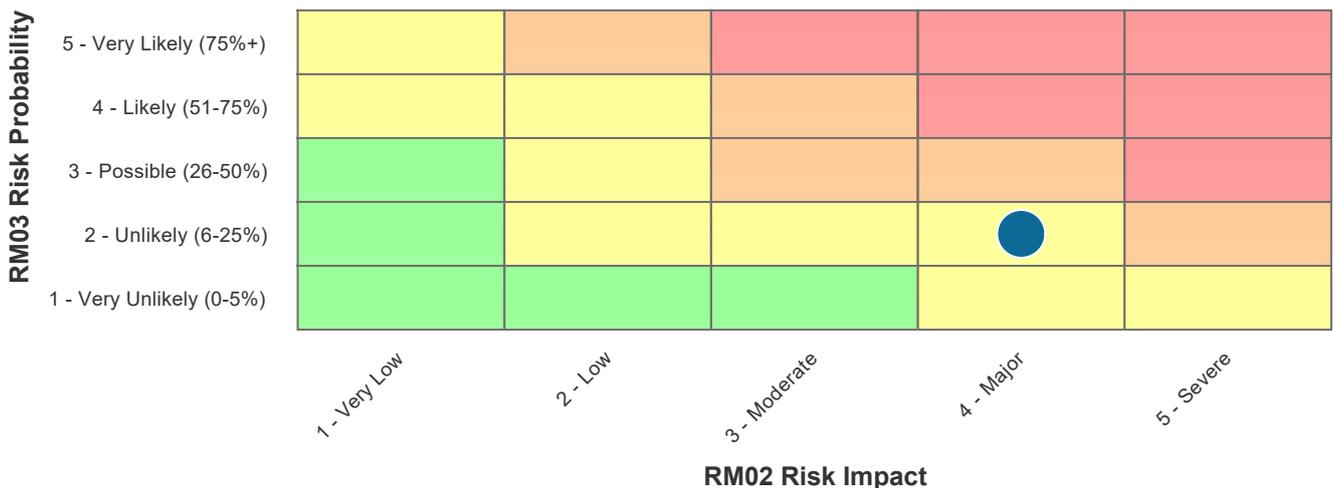
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Brexit

31 MAR 21

16  
 Inherent Risk Score

10  
 Target Risk Score



## Direction of Risk

DoR	Comment
✔	Brexit issues and mitigating actions reported monthly to Cabinet currently.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Civil Contingencies - Arrangements to escalate and report on Brexit	Civil Contingencies - To provide regular updates to the Council and Brexit Task & Finish Group on Regional and National wide Brexit preparations. Regular updates from the Gwent Local Resilience Forum which includes local authorities, Police, Fire, Health as well as Welsh Government, Welsh Local Government Association (WLGA) and other strategic group updates will be included as part of this process.	100%	✔
<input checked="" type="checkbox"/> Contribute towards Welsh Government's Nation of Sanctuary Plan.	To develop an Integration Strategy for Newport, focusing on our approach to asylum seekers, refugees and migrants and contributing to Welsh Government's Nation of Sanctuary Plan.	50%	●
<input checked="" type="checkbox"/> Ensure Resources are Utilised for Increase in Import & Export Regulatory Duties Due to Brexit	Ensure that available resources are utilised to prepare the Service for increased export and import regulatory duties as a result of Brexit.	100%	✔
<input checked="" type="checkbox"/> Finance - Forecasting and monitoring of finance impact on service areas 2020/21.	To monitor the Council's finances (revenue and capital) in relation to any impacts on service areas from the Brexit Trade arrangements in 2020/21.	100%	✔
<input checked="" type="checkbox"/> Finance - Monitoring of impact on Finance and Supplies & Services	Finance - The Council will closely monitor its financial position as part of its annual budget setting process and Medium Term Financial Planning. For Council activities and services which are European Union (EU) funded there is ongoing discussions with the Welsh Government to put in arrangements after 2021. The Council will be liaising with its strategic partners (Newport Norse / Shared Resource Service (SRS) / Newport Live) to assess the impact on its supplies and services. Also across the Council, service areas are being asked to identify their high risk / key contracts and to obtain the necessary assurances of any Brexit impact which could affect the availability and cost of supplies or services. "	100%	✔
<input checked="" type="checkbox"/> Support the Council's Brexit Task and Finish Group	Support the Council's Brexit Task and Finish Group in making preparations for post European Union arrangements for the Council and Newport.	100%	✔

# City Centre Security & Safety

Short Description	Significant incidents of deliberate acts that pose hazards to people in surrounding areas; structural damage; business continuity; damage/disruption to infrastructure and utilities; and reputational and economic impact.
Risk Owner	Rhys Cornwall
Overseeing Officer	Strategic Director - Place
Lead Cabinet Member(s)	Deputy Leader & Cabinet Member for City Services & Member Development
Linked Theme	Theme : Thriving City
Linked Corporate Objective	<ul style="list-style-type: none"> <li>WBO 2. Economic Growth &amp; Regeneration</li> <li>SRA 2. Supporting the Environment &amp; the Economy</li> </ul>

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City Centre Security & Safety

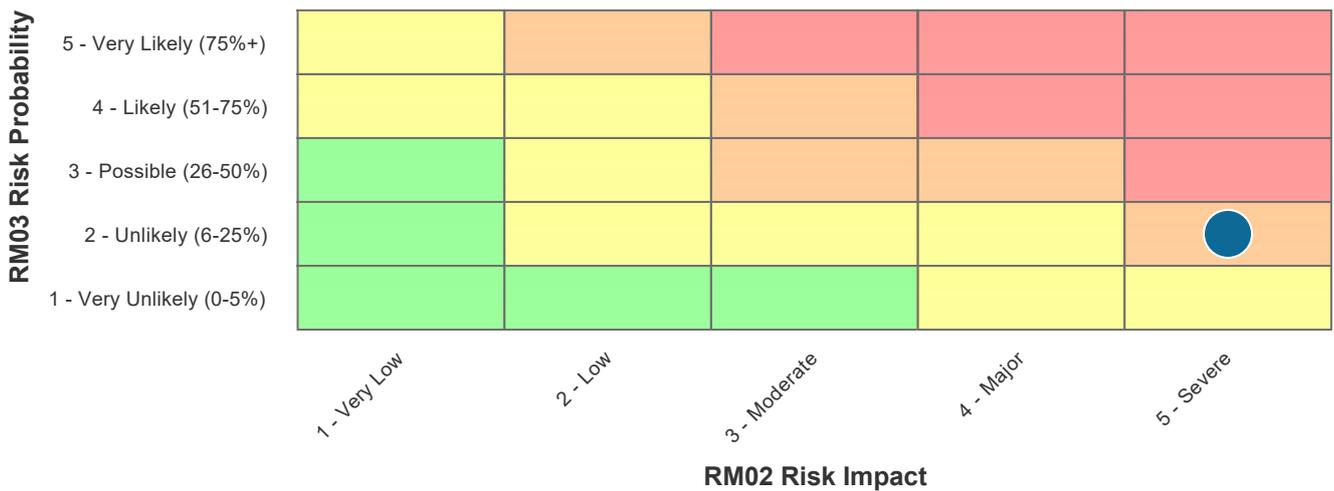
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8

Inherent Risk Score

Target Risk Score



## Direction of Risk

	DoR	Comment
City Centre Security & Safety	➔	The risk score remains the same as lockdown measures continue to be in place.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> City Centre Training to Businesses	Training for those businesses operating within the city centre that may be affected by significant incidents – Gwent Police will lead on the training with the use of NCC channels to promote and raise initial awareness of the scheme.	20%	●
<input checked="" type="checkbox"/> Co-ordinated evac arrangements	Co-ordinated evacuation arrangements for the city centre – NCC will be working with all partner organisations such as the emergency services and private business within the city centre to construct a co-ordinated evacuation system.	0%	●
<input checked="" type="checkbox"/> Identify Funding Source for Hostile Vehicle Mitigation	Identify funding source to deliver the required Hostile Vehicle Mitigation.	0%	●
<input checked="" type="checkbox"/> Recommence Vehicle Mitigation Project	Recommence project following temporary cessation due to funding uncertainties and COVID 19 impact.	10%	●
<input checked="" type="checkbox"/> Secure Vehicle / Pedestrian Separation	Secure vehicle access and pedestrian separation. – City Services are currently working on a plan to identify what mitigation measures can be put in place around the city centre to protect densely populated areas.	100%	★

# Climate Change

Short Description	Scientific evidence indicates that the global climate is warming and is changing the environment that we live in Wales and in Newport. The cause of this change is through emissions produced by industry, vehicles, households and businesses. Newport has 11 Air Quality Management Areas which monitor air quality and since they were in place we have been in breach.
Risk Owner	Ross Cudlipp
Overseeing Officer	Chief Executive
Lead Cabinet Member(s)	Cabinet Member for Sustainable Development
Linked Theme	<ul style="list-style-type: none"> <li>■ Theme : Modernised Council</li> <li>■ Theme: Resilient Communities (Community)</li> <li>■ Theme : Thriving City</li> </ul>
Linked Corporate Objective	<ul style="list-style-type: none"> <li>■ WBO 2. Economic Growth &amp; Regeneration</li> <li>■ WBO 3. Healthy, Independent &amp; Resilient</li> </ul>

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Climate Change

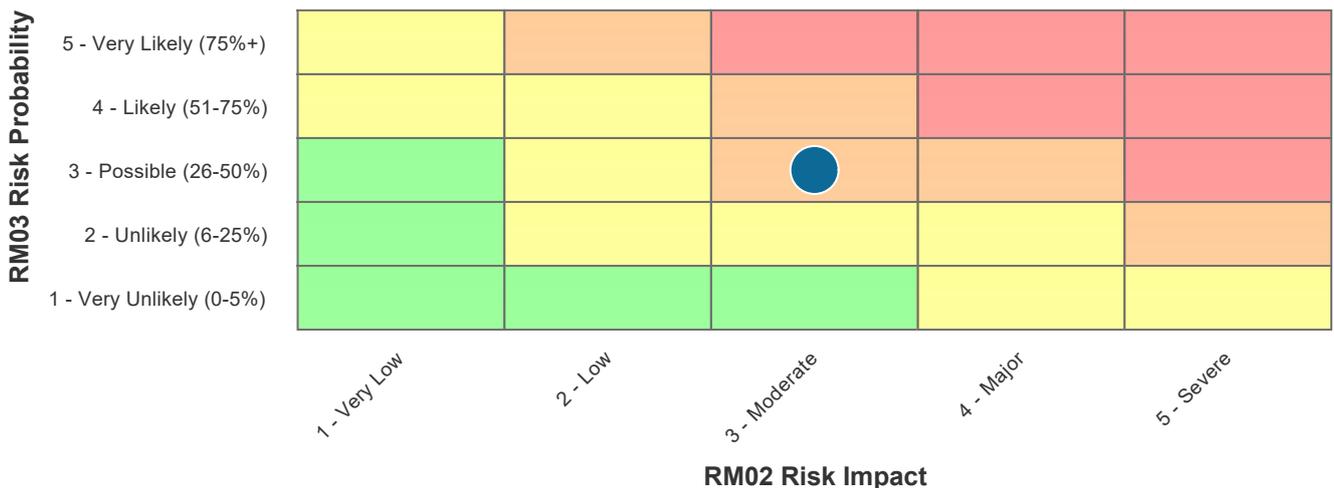
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Inherent Risk Score

Target Risk Score



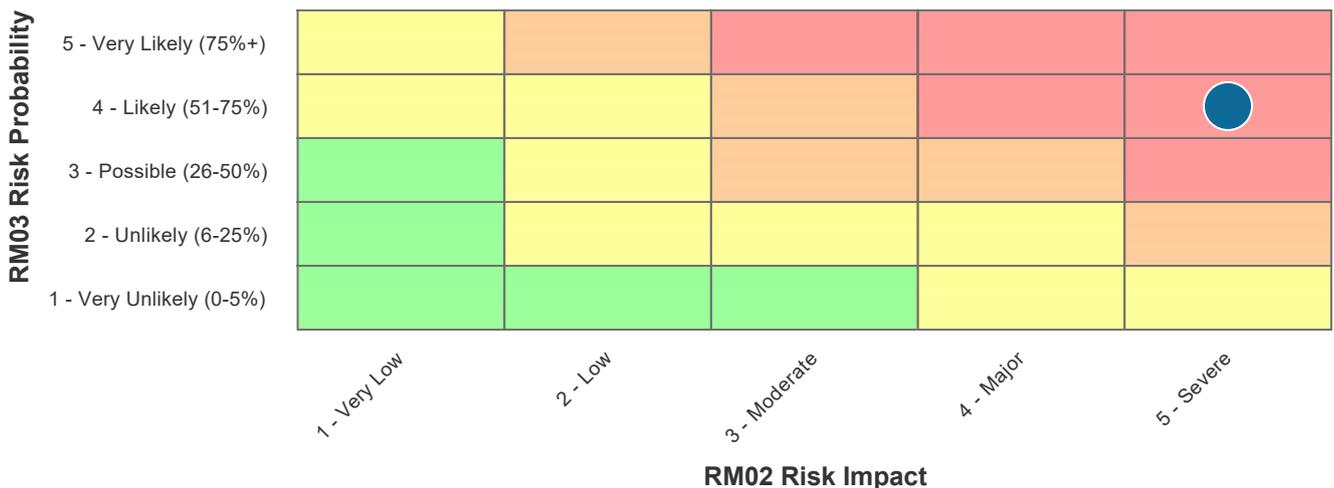
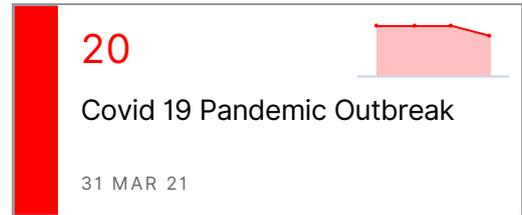
## Direction of Risk

Climate Change	DoR	Comment
	➡	Risk level has not changed since the last quarter. Changes in legislation and physical effects on the city will be monitored.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Begin to use zero emission vehicles and active travel to deliver services	Begin to use zero emission vehicles and active travel to deliver services	15%	●
<input checked="" type="checkbox"/> Collaborate with Partners to Develop Carbon Reduction Opportunities	Collaborate with external partners to develop internal and external carbon reduction opportunities	14%	★
<input checked="" type="checkbox"/> Develop & Promote the Installation of Community Energy	Continue to develop and promote the installation of community energy in the city	100%	✔
<input checked="" type="checkbox"/> Develop a Climate Strategy	Develop a Climate Strategy for Newport City Council.	25%	★
<input checked="" type="checkbox"/> Develop a Long Term Fleet Strategy	Development of a long term Fleet Strategy that will support the Council's Carbon Management Plan to be net carbon neutral.	70%	★
<input checked="" type="checkbox"/> Develop Localised Air Quality Management Plans	Local Air Quality Management - develop localised plans under the Council's Sustainable Travel Strategy to meet statutory requirements for Action Plans. Actions to be generated by the Sustainable Travel Group.	20%	●
<input checked="" type="checkbox"/> Improve the Energy Efficiency of the Estate	Develop a programme to improve the energy efficiency of the estate.	100%	✔
<input checked="" type="checkbox"/> Investigate Opportunities to Improve Domestic Energy Efficiency and Relieve Fuel Poverty	Investigate opportunities to improve domestic energy efficiency and relieve fuel poverty in Newport.	100%	✔
<input checked="" type="checkbox"/> Review Carbon Management Plan	Undertake the first Carbon Management Plan review.	100%	✔
<input checked="" type="checkbox"/> Review Public Transport Access for Proposed Housing Developments	Review proposed housing developments for access to public transport.	100%	✔
<input checked="" type="checkbox"/> Undertake & Deliver Active Travel Projects	Undertake and deliver Active Travel projects across Newport agreed as part of the local transport fund allocation.	100%	✔
<input checked="" type="checkbox"/> Undertake actions to discharge duties under Active Travel Act	Undertake actions to discharge duties placed on local authorities under the Active Travel Act including publishing and promoting the integrated network map.	100%	✔

# Covid 19 Pandemic Outbreak

Short Description	The Corona Virus (COVID 19) pandemic has put at risk the operational ability of the Council to deliver its services, support vulnerable people across Newport and the economic impact to the local and wider economy. Potential mitigations carried out in line with the Chief Medical Officer's advice and Welsh/UK Government guidance.
Risk Owner	Rhys Cornwall
Overseeing Officer	Chief Executive
Lead Cabinet Member(s)	Leader of the Council & Cabinet Member for Economic Growth & Investment
Linked Theme	
Linked Corporate Objective	<ul style="list-style-type: none"> <li>■ WBO 1. Skills, Education &amp; Employment</li> <li>■ WBO 2. Economic Growth &amp; Regeneration</li> <li>■ WBO 3. Healthy, Independent &amp; Resilient</li> <li>■ WBO 4. Cohesive &amp; Sustainable Communities</li> <li>■ SRA 1. Supporting Education and Employment</li> <li>■ SRA 2. Supporting the Environment &amp; the Economy</li> <li>■ SRA 3. Supporting Health &amp; Well-being of Citizens</li> <li>■ SRA 4. Supporting Citizens post Covid-19</li> </ul>



## Direction of Risk

DoR	Comment
Covid 19 Pandemic Outbreak	<div style="text-align: center;">  </div> <p>The risk score has decreased to 20 at the end of quarter 4 due to the successful roll out of the vaccination programme and easing of lock down restrictions. Front line Council services continue to operate normally. However, there remains small clusters across the community which are being managed through the Test Trace and Protect teams. The Council's Covid Recovery Group (Gold) continues to regularly meet and monitor the situation. Monthly Cabinet reports are continue to be presented providing an overview of the Council's Covid response.</p>

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Covid 19 Business Continuity Arrangements (Platinum and Gold)	Implementation and maintaining Business continuity (Platinum / Gold) arrangements for the Council.	100%	
<input checked="" type="checkbox"/> Develop a Community Impact Assessment	Develop a community impact assessment to understand the impact that Covid 19 pandemic and resultant lockdown has had on Newport's Communities	100%	
<input checked="" type="checkbox"/> Health & Safety Arrangements for front line staff	Health & Safety / protection activities are increased to prevent the spread of the virus across Council assets and buildings, staff and citizens.	100%	
<input checked="" type="checkbox"/> Implementation of Covid 19 Human Resources procedures	Implementation of Human Resource procedures to support staff, agency / contractors and volunteers.	100%	

# Cyber Security

Short Description	Management and security of the Council's ICT systems to protect personal and sensitive data from theft and loss whilst also maintaining business continuity and integrity of our systems.
Risk Owner	Rhys Cornwall
Overseeing Officer	Chief Executive
Lead Cabinet Member(s)	Cabinet Member for Community and Resources
Linked Theme	Theme : Modernised Council
Linked Corporate Objective	

## 16

Cyber Security

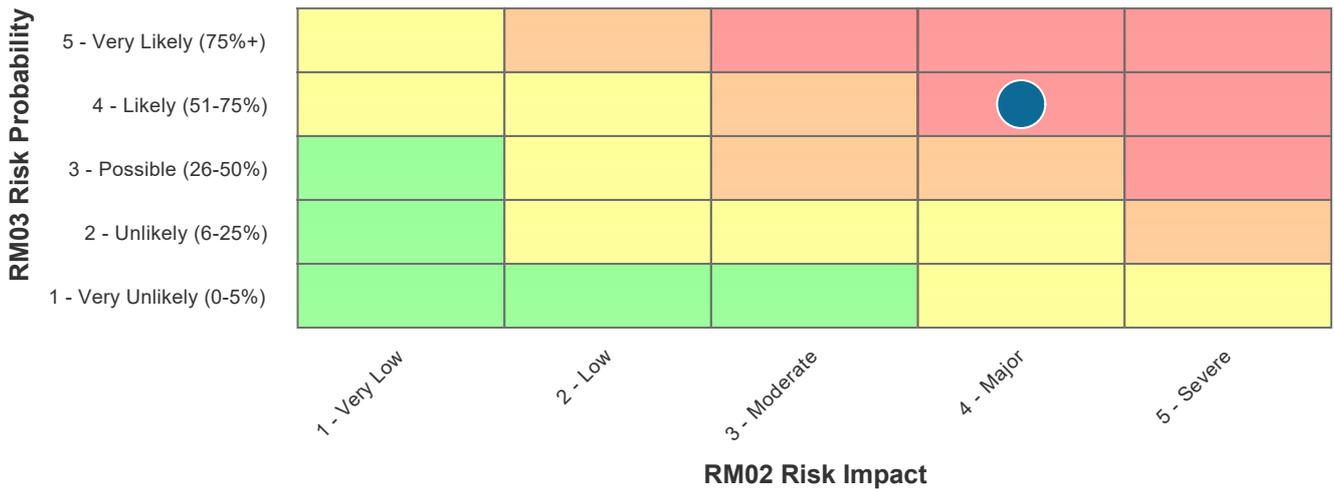
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10

Inherent Risk Score

Target Risk Score



## Direction of Risk

DoR	Comment
Cyber Security	➔ This remains a significant risk given the environment especially given the increased risk of home working. This has been reduced by the implementation of a ransomware containment solution.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Cyber Security awareness and communications	Deliver regular cyber security updates and communications to staff through the staff Intranet and fortnightly / monthly newsletters.	100%	✔
<input checked="" type="checkbox"/> Implementation of a Policy Management System	To explore and purchase a Policy Management System that will ensure staff across the business undertake necessary training before being able to access IT systems.	40%	★
<input checked="" type="checkbox"/> Implementation of Ransomware software	To explore and purchase Ransomware software to mitigate against potential ransomware attacks by preventing mass encryption of IT systems.	100%	✔
<input checked="" type="checkbox"/> SRS / NCC Business Continuity & Disaster Recovery	Disaster Recovery and business continuity processes between the Council and SRS will be reviewed and updated. These processes will be subject to regular testing with findings and recommendations fed back to the Council's Information Governance Group to ensure the necessary action(s) are completed.	50%	★

# Demand for ALN and SEN support

Short Description	Funding to cover Additional Learning Needs (ALN) and Special Education Needs (SEN) provision across the city is insufficient and does not meet the demand of increasing need.
Risk Owner	Katy Rees
Overseeing Officer	Chief Education Officer
Lead Cabinet Member(s)	Cabinet Member for Education and Skills
Linked Theme	Theme : Aspirational People
Linked Corporate Objective	<ul style="list-style-type: none"> <li>■ WBO 1. Skills, Education &amp; Employment</li> <li>■ WBO 3. Healthy, Independent &amp; Resilient</li> <li>■ SRA 1. Supporting Education and Employment</li> </ul>

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Demand for ALN and SEN support

31 MAR 21

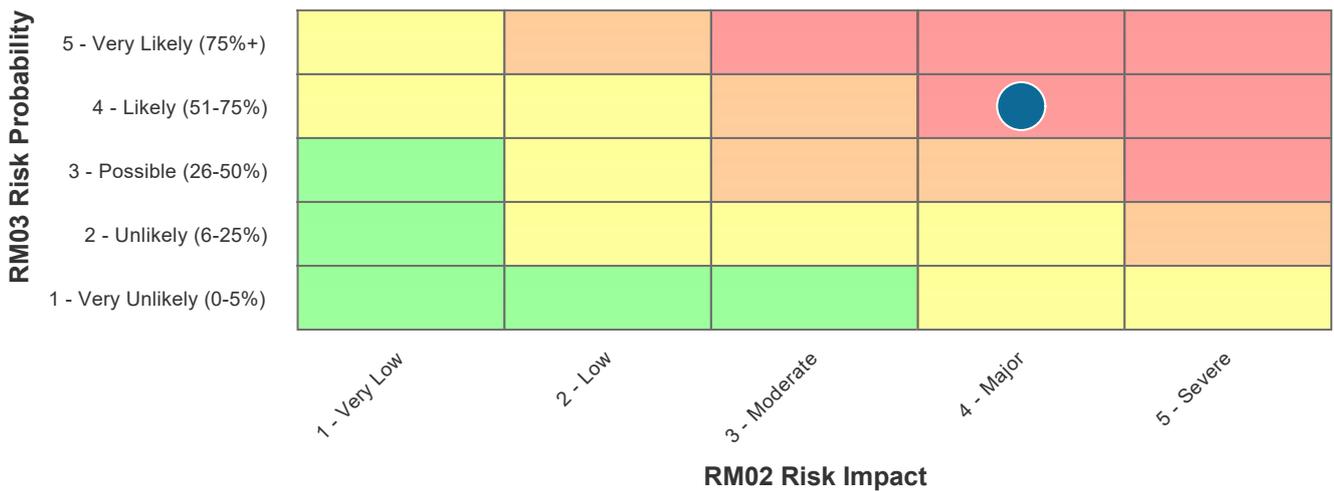


# 20

Inherent Risk Score

# 6

Target Risk Score



## Direction of Risk

DoR	Comment
Demand for ALN and SEN support	<p>➔ Pupils have returned to School with varying ALN needs due to lack of experiential learning, social experiences and also pupils with complex ALN who were highlighted through the Statutory Assessment processes last year. There is a pressure on Schools to develop inclusive classrooms to support a range of ALN needs. Currently the Inclusion Enrichment Team does not have the capacity to offer preventative, capacity building support to Schools. The expectation of the ALN Code 2021 is that all Schools will provide Additional Learning provision for pupils from September 2021. There is a need to review the ALN funding formula for Schools to ensure they are adequately resourced to provide the ALN support expected and to develop a comprehensive LA preventative team to ensure Schools have specialist advice and support needed and also Schools provisions are effectively monitored.</p> <p>Consideration was given to increase the score, due to the agreement of the business case to increase the Inclusion team utilising the reoccurring ALN grant. Therefore the risk score remains the same for the end of Quarter 4.</p>

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Create a sustainable model of delivery for children with ALN provided with timely intervention	In liaison with finance, partners and schools create a sustainable model of delivery to ensure children with ALN are provided with timely intervention within a prescribed budget without year on year fluctuation.	30%	▲
<input checked="" type="checkbox"/> Develop and implement a joint ALN and Admissions process	To develop and implement a joint ALN and Admissions process regarding allocation of school placements based on parental preference to safeguard and minimise appeals processes.	75%	●
<input checked="" type="checkbox"/> Estyn Rec 5 - Ensure Appropriate Welsh Medium Provision is in Place for ALN Pupils	(Estyn Rec 5) Ensure that Welsh Medium (WM) provision is established to support pupils with Additional Learning Needs	75%	★
<input checked="" type="checkbox"/> Implementation of the Additional Learning Needs (ALN) and Educational Tribunal Act 2018.	To further the implementation of the Additional Learning Needs (ALN) and Educational Tribunal Act 2018.	50%	●
<input checked="" type="checkbox"/> Review availability of provision for all pupils with Additional Learning Needs.	Review with relevant regional partners what provision is available and required to ensure all pupils with ALN have the opportunities to return to study up to age 25.	50%	●
<input checked="" type="checkbox"/> Review the staffing resources to implement the demands of ALN & Educational Tribunal Act.	To review the staffing resources needed to implement the demands of the Additional Learning Needs (ALN) and Educational Tribunal Act 2018.	50%	●
<input checked="" type="checkbox"/> Work with partners to embed Learn Well Plan	(Estyn Rec 2) Work with partners to embed the priorities of the Learn Well Plan which focuses on improving the attainment of vulnerable groups.	50%	★

# Educational Out of County Placements

Short Description	Limited access to Newport City Council (NCC) provision for pupils who require complex and specialist placements which results on a reliance on Out of County (OOC) placements both day and residential.
Risk Owner	Katy Rees
Overseeing Officer	Chief Education Officer
Lead Cabinet Member(s)	Cabinet Member for Education and Skills
Linked Theme	Theme : Aspirational People
Linked Corporate Objective	<ul style="list-style-type: none"> <li>WBO 1. Skills, Education &amp; Employment</li> <li>SRA 1. Supporting Education and Employment</li> </ul>

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**Educational Out of County Placements**

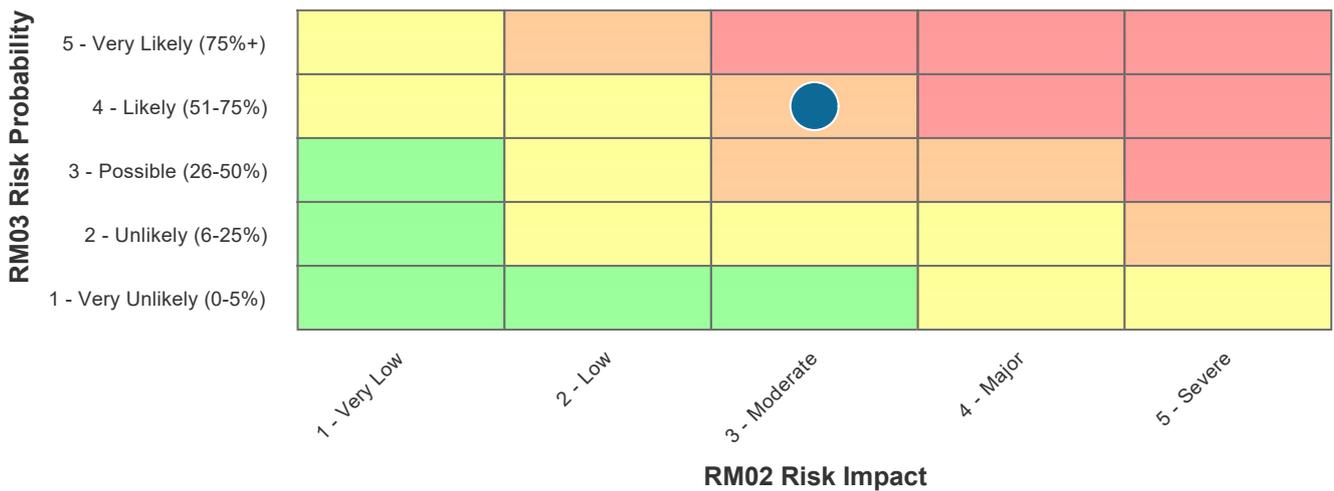
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5

Inherent Risk Score

Target Risk Score



## Direction of Risk

	DoR	Comment
Educational Out of County Placements	✘	Through the commissioning of local providers such as Newport Live, Catch 22 and Sporting Chance we have been able to access local specialist provisions which has reduced the need for specialist out of County provisions. However our special Schools Maes Ebbw and Ysgol Bryn Derw are full which increases the risk of OOC placements for complex needs pupils in the future. Extension options are being considered to ensure there are more spaces available for pupils with complex needs. Mastodon C has also been commissioned to create data projections for future specialist provision needs.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Create a sustainable model of delivery for children with ALN provided with timely intervention	In liaison with finance, partners and schools create a sustainable model of delivery to ensure children with ALN are provided with timely intervention within a prescribed budget without year on year fluctuation.	30%	▲
<input checked="" type="checkbox"/> Redevelop and extend provision within the city to accommodate a greater range of needs	To continue to redevelop and extend provision within the city to accommodate a greater range of needs, ensuring that pupils are placed where their learning is best supported which will reduce the need for Out of County placements.	50%	●

# Highways Networks

Short Description	Failure to recognise current levels of under investment in the whole life of the city's highway network assets in the medium to long term will continue to compound existing maintenance backlog figures.
Risk Owner	Paul Jones
Overseeing Officer	Chief Executive
Lead Cabinet Member(s)	Deputy Leader & Cabinet Member for City Services & Member Development
Linked Theme	Theme : Thriving City
Linked Corporate Objective	<ul style="list-style-type: none"> <li>■ WBO 2. Economic Growth &amp; Regeneration</li> <li>■ WBO 3. Healthy, Independent &amp; Resilient</li> <li>■ SRA 2. Supporting the Environment &amp; the Economy</li> <li>■ SRA 3. Supporting Health &amp; Well-being of Citizens</li> </ul>

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Highways Networks

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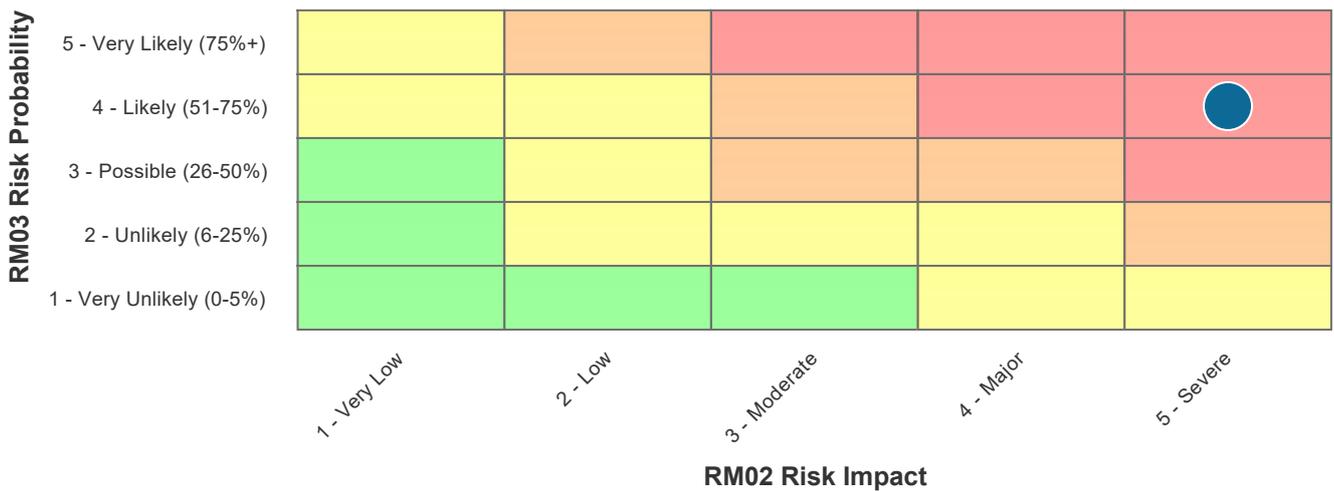


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Inherent Risk Score

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Target Risk Score



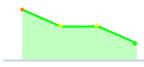
## Direction of Risk

Highways Networks	DoR	Comment
	➔	No change for the end of Quarter 3. The long term maintenance of the Highways infrastructure remains a high risk due to the backlog of work and the necessary funding (over £80 million) required.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Develop and implement the Council's Highways Asset Management Strategy / Plan	The Council is developing the Highways Asset Management Strategy and Highways Asset Management Plan. This plan will be implemented in 2019/20 and will enable the Council to actively manage its highways infrastructure. Implementation of the plan will enable the Council to undertake: risk based assessment and management of its infrastructure; calculating future funding requirements to maintain agreed levels of service; risk based evidence to identify and deliver improvements to assets identified below required standards.	100%	✔

# In Year Financial Management

Short Description	This relates to the in year management of budgets and risk profiling of service areas / activities that are forecasting end of year overspends.
Risk Owner	Owen James
Overseeing Officer	<ul style="list-style-type: none"> <li>Chief Executive</li> <li>Head of Finance</li> </ul>
Lead Cabinet Member(s)	Leader of the Council & Cabinet Member for Economic Growth & Investment
Linked Theme	
Linked Corporate Objective	<ul style="list-style-type: none"> <li>WBO 1. Skills, Education &amp; Employment</li> <li>WBO 2. Economic Growth &amp; Regeneration</li> <li>WBO 3. Healthy, Independent &amp; Resilient</li> <li>WBO 4. Cohesive &amp; Sustainable Communities</li> </ul>

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In Year Financial Management

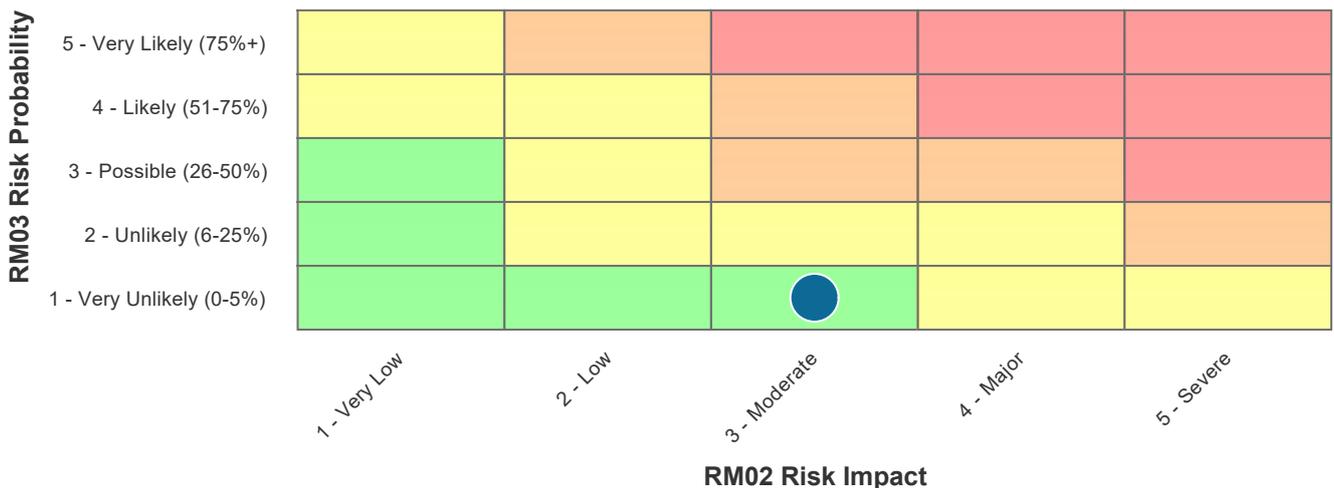
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Inherent Risk Score

Target Risk Score



## Direction of Risk

DoR	Comment
✔	Anticipated out turn suggest significant surplus position at the end of the financial year.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Agree the Service Areas finance Response & Recovery to Covid-19 Impact	Meet with Heads of Service to agree the impact on the individual service areas on the impact of their response and recovery of the Covid-19 impact, alongside the “business as usual” forecasts to be including within monitoring.	100%	✔
<input checked="" type="checkbox"/> All service areas to maintain robust financial management	All service areas to maintain robust financial management and understand the risks associated delivery of savings and achievability of the savings.	100%	✔
<input checked="" type="checkbox"/> Cabinet Member and Senior Officers to manage / mitigate any projects not achieving savings	There are currently £1.2m of undelivered savings for the 2020/21 and prior financial years. These are largely delayed due to covid-19 pandemic, however until they are delivered they will have an impact on the financial outturn and if ongoing a concern for the future years. Therefore focus needs to remain on delivering the savings.	84%	●
<input checked="" type="checkbox"/> Cabinet Member and Senior Officers to reduce overspending in Social Care	There continue to be overspends reported in Social Care in 2020/21, Cabinet Members and Senior Officers to address these.	50%	●
<input checked="" type="checkbox"/> Carry Out Capital Budget Workshop with Senior Officers	Carry out a capital workshop with Senior Officers to re-profile capital budgets in light of previous year’s slippage, and understand the demands on the capital programme and the long-term impact of these on the Capital Programme.	100%	✔

# Newport Council's Property Estate

Short Description	NCC has a significant property estate covering over 170 buildings (circa) such as the Civic Centre, Telford Depot, schools etc. The Council has to ensure the estate is maintained to required standards to enable access, safety, security and in the long term sustainable for staff and residents to use.
Risk Owner	Daniel Cooke
Overseeing Officer	<ul style="list-style-type: none"> <li>■ Chief Executive</li> <li>■ Head of People &amp; Business Change</li> <li>■ Head of Regeneration, Investment and Housing</li> </ul>
Lead Cabinet Member(s)	Cabinet Member for Assets
Linked Theme	Theme : Modernised Council
Linked Corporate Objective	<ul style="list-style-type: none"> <li>■ SRA 2. Supporting the Environment &amp; the Economy</li> <li>■ SRA 3. Supporting Health &amp; Well-being of Citizens</li> <li>■ WBO 2. Economic Growth &amp; Regeneration</li> <li>■ WBO 3. Healthy, Independent &amp; Resilient</li> </ul>

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Newport Council's Property Estate

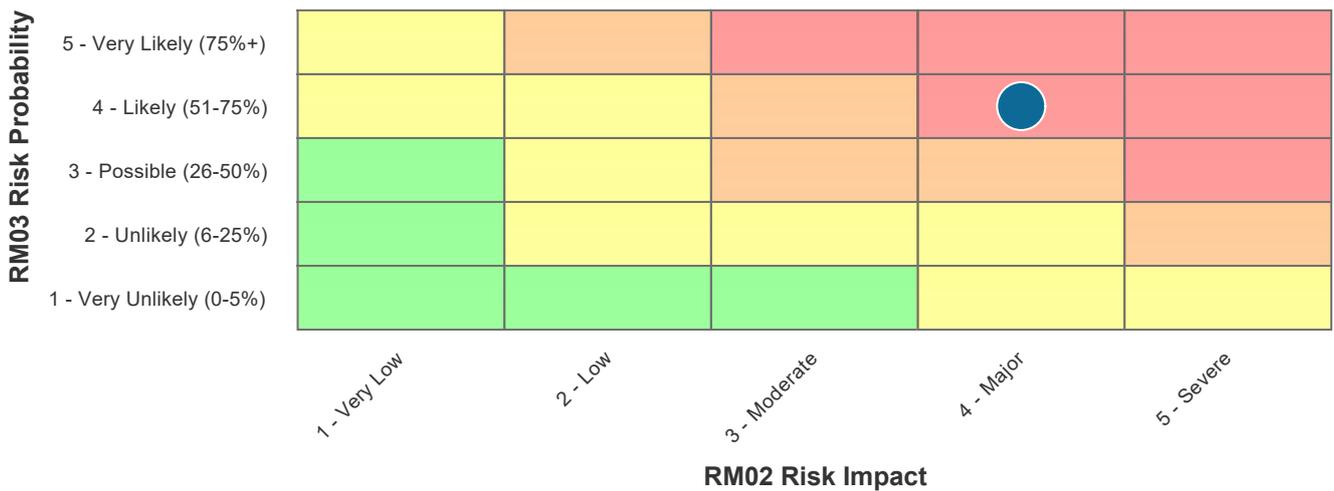
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9

Inherent Risk Score

Target Risk Score



## Direction of Risk

DoR	Comment
Newport Council's Property Estate	<p> The risk score has been increased in order to reflect the recent issues identified with St Andrew's Junior School in Q4 of 2020/21. However the risk is currently being mitigated and managed utilising the Capital Maintenance Programme as well as regular monitoring. Conditions surveys continue to be undertaken across the remainder of the estate and are used to inform the allocation and priority of capital spend. We continue to work closely with other service areas, including Education to identify and secure all available sources of funding, including Welsh Government funding, for ongoing maintenance and improvements especially identifying ways of making our operational estates more energy efficient to help reach the authority's priority to be Carbon Neutral by 2030.</p>

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Adhere to the Corporate Landlord Policy	Adherence to the Corporate Landlord Policy	100%	
<input checked="" type="checkbox"/> Create and Develop the Civic Centre Operational Groups	Create and develop the Civic Centre Operational Groups	100%	
<input checked="" type="checkbox"/> Delivery of the Annual Capital Maintenance Programme	The delivery of the Council's annual Capital maintenance programme to maintain and improve the Council's property estate.	100%	
<input checked="" type="checkbox"/> Develop a balanced strategy for the future of the Civic Centre	In response to financial, environmental, legal sustainability and social pressures we need to develop a balanced strategy for the future preservation and transformation of the Civic Centre.	50%	
<input checked="" type="checkbox"/> Develop The Civic Centre Maintenance Backlog Prioritisation Schedule	Develop and update a Civic Centre maintenance backlog prioritisation schedule.	100%	
<input checked="" type="checkbox"/> Ensure NCC Property & Assets Support the Corporate Plan	Ensure that the property and assets held by NCC sustain and support the corporate plan	100%	
<input checked="" type="checkbox"/> Ensure there are Accountable & Responsible Premise Managers in all NCC premises	Accountable and responsible Premise Managers in all NCC premises	75%	

# Pressure on Adult & Community Services

Short Description	There is increased pressure on Adult Services to deliver services to adults with complex and long lasting needs. With an increase in demand / volume of referrals and care packages the Council has seen an increase in costs whilst in the context of tightening budgets. There are also additional statutory requirements to safeguard adults in our care and prevent risk of harm, injury or a loss of life.
Risk Owner	Jenny Jenkins
Overseeing Officer	Head of Adult and Community Services
Lead Cabinet Member(s)	Cabinet Member for Social Services
Linked Theme	Theme: Resilient Communities (Social Care)
Linked Corporate Objective	<ul style="list-style-type: none"> <li>WBO 3. Healthy, Independent &amp; Resilient</li> <li>SRA 3. Supporting Health &amp; Well-being of Citizens</li> </ul>

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Pressure on Adult & Community Services

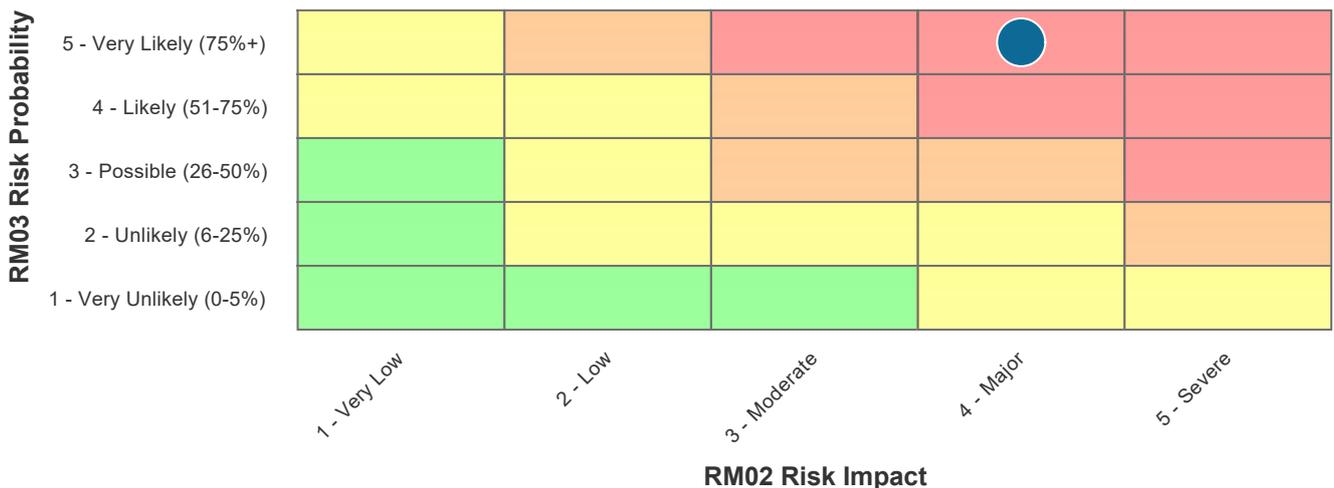
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Inherent Risk Score

# 10

Target Risk Score



## Direction of Risk

	DoR	Comment
Pressure on Adult & Community Services	➔	The Pandemic has created new risks for providers and the delivery of services. The full impact is not yet known but will continue to be monitored.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Continue to Develop First Contact as a Multi-Agency & Disciplinary Team	To continue to develop First Contact as a multi-agency, multi-disciplinary team effectively managing demand. This includes the integration of the Frailty service into the First Contact Team.	80%	★
<input checked="" type="checkbox"/> Further implementation of the revised Telecare Service	Implementation of the revised Telecare Service - To further develop the availability of assistive technology as a means of preventing or supporting a care and support plan.	100%	✔
<input checked="" type="checkbox"/> Improve Support Available for Young People with Learning Disabilities	To improve the support available for young people with learning disabilities to transition from Children Services into Adults Services. .	70%	★
<input checked="" type="checkbox"/> Integrate Regional Home First Initiative into Hospital Pathway	To develop and effectively integrate the Regional Home First initiative into the hospital pathway and to further align patient flow processes within hospital discharge.	50%	★
<input checked="" type="checkbox"/> Provide Integrated Health & Social Support to Newport Citizens	To provide integrated health and social care support to Newport citizens.	25%	?

# Pressure on Housing & Homelessness Services

Short Description	Increased pressures being faced by the Council's housing service during the Covid-19 pandemic to support people that are presenting at risk of becoming homeless, those persons sleeping rough and those experiencing difficulties in their accommodation.
Risk Owner	Natalie Thompson
Overseeing Officer	<ul style="list-style-type: none"> <li>Chief Executive</li> <li>Head of Regeneration, Investment and Housing</li> </ul>
Lead Cabinet Member(s)	Leader of the Council & Cabinet Member for Economic Growth & Investment
Linked Theme	<ul style="list-style-type: none"> <li>Theme: Resilient Communities (Community)</li> <li>Theme : Thriving City</li> </ul>
Linked Corporate Objective	<ul style="list-style-type: none"> <li>WBO 4. Cohesive &amp; Sustainable Communities</li> <li>SRA 2. Supporting the Environment &amp; the Economy</li> <li>SRA 4. Supporting Citizens post Covid-19</li> <li>WBO 2. Economic Growth &amp; Regeneration</li> <li>WBO 3. Healthy, Independent &amp; Resilient</li> </ul>

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Pressure on Housing & Homelessness Services

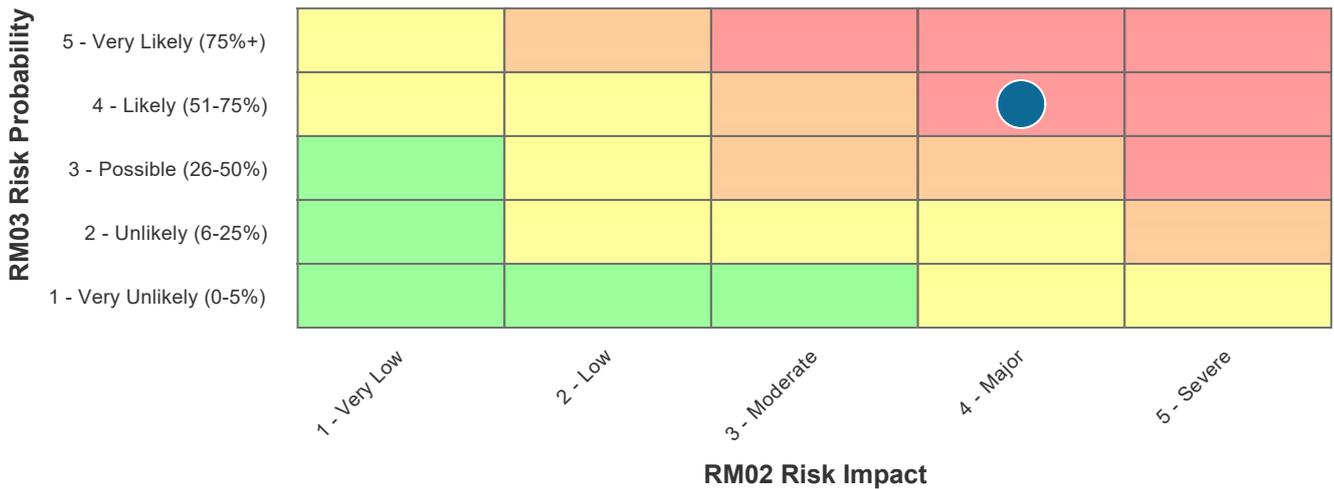
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6

Inherent Risk Score

Target Risk Score



## Direction of Risk

Pressure on Housing & Homelessness Services	DoR	Comment
	➡	No change since last reporting period

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Deliver the 3-year Planned Development Programme with RSL's - 2020-21	Deliver the 3-year Planned Development Programme with RSL's	100%	✔
<input checked="" type="checkbox"/> Develop Strategy Framework for Private Sector Housing	Develop a strategy framework for private sector housing, bringing together the Adaptations Policy, Private Sector Leasing scheme, Housing Loans Policy	50%	★
<input checked="" type="checkbox"/> Further Development of Strategic Housing Forum	Further development of the Strategic Housing Forum	100%	✔
<input checked="" type="checkbox"/> Manage common housing register and Newport Housing Options Service	Manage and maintain the Common Housing Register and Newport Housing Options service	100%	✔
<input checked="" type="checkbox"/> Produce a Housing Prospectus for Newport	Produce a housing prospectus for Newport in line with Welsh Government guidance.	0%	●
<input checked="" type="checkbox"/> Research Private Rented Sector Accommodation in Newport	Carry out research into the extent and nature of private rented sector accommodation in Newport.	100%	✔
<input checked="" type="checkbox"/> Undertake a review of the Housing Allocation Policy	Undertake a review of the Housing Allocation Policy.	25%	★

# Pressure on the Delivery of Children Services

Short Description	Increased pressure on Children Services to manage increase in volume of referrals / cases of children with complex needs. This is in the context of budgets not being able to meet increase in costs to provide the necessary care and front-line staff being able to manage high volume and complex caseloads.
Risk Owner	Sally Jenkins
Overseeing Officer	Chief Executive
Lead Cabinet Member(s)	Cabinet Member for Social Services
Linked Theme	<ul style="list-style-type: none"> <li>Theme : Aspirational People</li> <li>Theme: Resilient Communities (Social Care)</li> </ul>
Linked Corporate Objective	<ul style="list-style-type: none"> <li>WBO 3. Healthy, Independent &amp; Resilient</li> <li>SRA 3. Supporting Health &amp; Well-being of Citizens</li> </ul>

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**Pressure on the Delivery of Children Services**

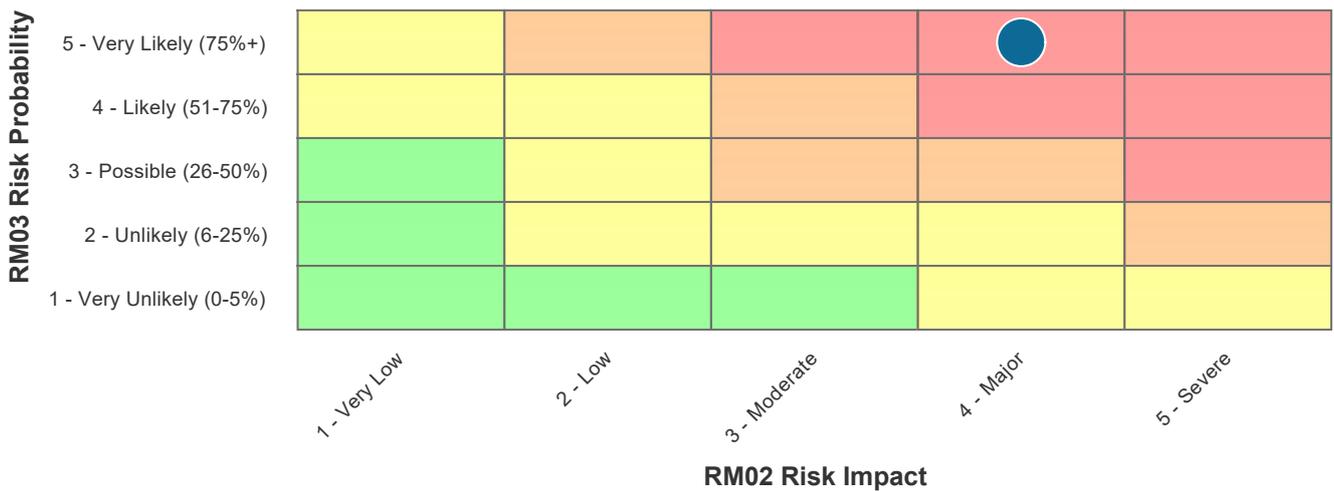
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Inherent Risk Score

## 6

Target Risk Score



## Direction of Risk

DoR	Comment
Pressure on the Delivery of Children Services ➡	No change at this time.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Complete & Implement Welsh Government Recommendations for LAC Reduction	Completion and implementation of Welsh Government action plan to work towards reducing the numbers of looked after children	100%	★
<input checked="" type="checkbox"/> Continue Development of Residential Provision	Continue with the development of the residential provision (including Windmill Farm) across Newport in order to increase the number of children who can be cared for safely in Newport	60%	★
<input checked="" type="checkbox"/> Continue the Work Started with GDAS to Base Multi-agency Staff in Front line Teams	Continue the Work Started with GDAS to Base Multi-agency Staff in Front line Teams	50%	●
<input checked="" type="checkbox"/> Continuing to Increase Housing Options for Care Leavers	Increased housing options for care leavers. Currently Newport has a limited range of choices for housing for care leavers especially with a range of suitable support. This action will seek to address this gap. Work has already commenced and will continue.	80%	●
<input checked="" type="checkbox"/> Develop a Rapid Response Provision at the Front Door of Children's Services	Develop a rapid response provision at the front door of Children's Services utilising the skill set in existing provision.	100%	✔
<input checked="" type="checkbox"/> Increase Number of Foster Carers Recruited to NCC Through Increased Marketing	To increase the number of foster carers recruited to NCC through increased marketing and scoping raising fostering fees and implementing council tax exemptions.	100%	✔
<input checked="" type="checkbox"/> Review our Existing Arrangements for Family Time to Improve the Offer for Children & Families	In light of the learning during lockdown we will review our existing arrangements for family time to improve the offer for children and families: i) To develop a comprehensive framework of all aspects of family time; ii) Continue to deliver family time virtually as a positive for families.	75%	●

# Safeguarding Risk

Short Description	To ensure the Council safeguards adults, children and carers as part of its statutory duty.
Risk Owner	Mary Ryan
Overseeing Officer	<ul style="list-style-type: none"> <li>■ Chief Education Officer</li> <li>■ Chief Executive</li> <li>■ Head of Adult and Community Services</li> <li>■ Head of Children and Family Services</li> <li>■ Head of Regeneration, Investment and Housing</li> </ul>
Lead Cabinet Member(s)	Cabinet Member for Social Services
Linked Theme	Theme: Resilient Communities (Social Care)
Linked Corporate Objective	<ul style="list-style-type: none"> <li>■ WBO 3. Healthy, Independent &amp; Resilient</li> <li>■ SRA 3. Supporting Health &amp; Well-being of Citizens</li> </ul>

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Safeguarding Risk

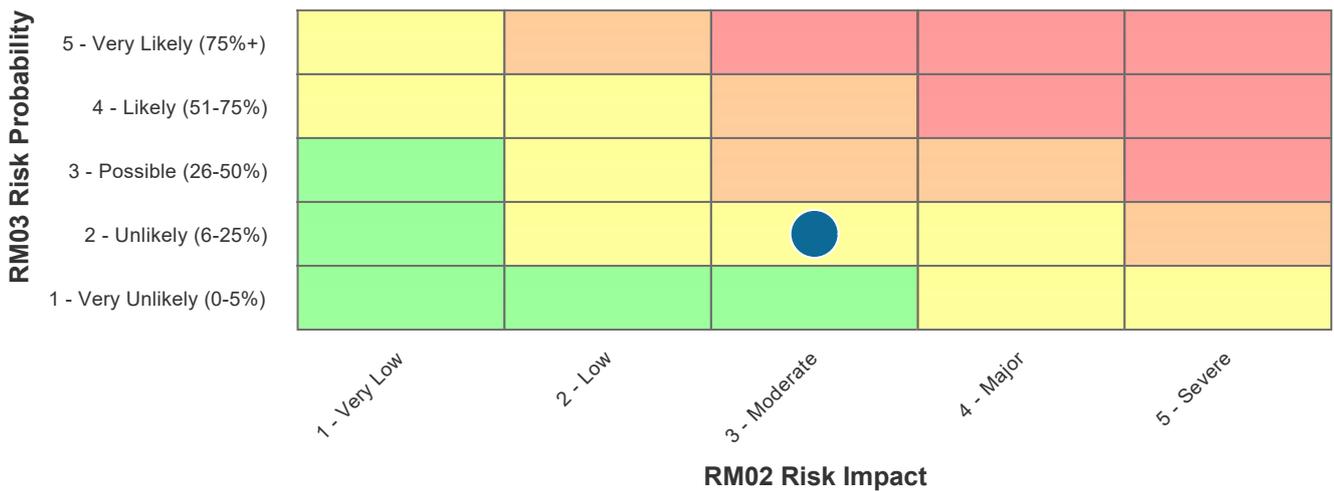
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Inherent Risk Score

Target Risk Score



## Direction of Risk

Safeguarding Risk	DoR	Comment
	➔	no change to score as completing self assessment safeguarding audit from all council service areas.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> All education Services staff to have completed relevant safeguarding training	Central Education Services are up to date with their safeguarding training	98.5%	★
<input checked="" type="checkbox"/> Build on Contextual Safeguarding Research	Build on work on Contextual harm and exploitation, safeguarding research, and embed new approaches to understanding, and responding to young people's experiences of significance.	75%	●
<input checked="" type="checkbox"/> Complete & Deliver Actions Agreed in Post Safeguarding Joint Inspection Action Plan	Complete and deliver actions agreed in the post safeguarding joint inspection action plan	75%	●
<input checked="" type="checkbox"/> Contribute towards the All Wales Adult Safeguarding Guidance	Contribute towards the All Wales Adult Safeguarding Guidance	100%	✔
<input checked="" type="checkbox"/> Delivery of Safeguarding Programmes 2020-21	Deliver safeguarding programmes and measures that protect citizens from victimisation and to measure the impact of regulatory interventions.	50%	●
<input checked="" type="checkbox"/> Embed the implementation of the new national 'safeguarding toolkit' for schools.	Embed the implementation of the new national 'safeguarding toolkit' for schools.	30%	★
<input checked="" type="checkbox"/> Empower Citizens Through the Adult Safeguarding Process	To continue to support and empower citizens through the adult safeguarding process.	97%	★
<input checked="" type="checkbox"/> Implement the Exploitation Strategy within Newport Children's Services	Exploitation will be considered under one overarching banner whether it is criminal or sexual and the response will be based on the needs and desired outcomes for the young person rather than the risks. A multi agency approach is in place and there is progress being made to evaluation this work through the contextual safeguarding and CASCADE schools.	67%	★
<input checked="" type="checkbox"/> Incorporate a Robust Preventative & Early Intervention Agenda in a Contextual Safeguarding Framework	Develop the breadth of support available from the service, incorporating a robust preventative and early intervention agenda within a contextual safeguarding framework.	100%	✔
<input checked="" type="checkbox"/> Provide Training & Practitioner Access to Welsh Government Safeguarding App	To provide training and Practitioner access to Welsh Government Safeguarding App through council mobile phones and computers.	100%	✔
<input checked="" type="checkbox"/> To implement new processes for Liberty Protection Safeguards.	Mental capacity Act requires the authority to implement the deprivation and liberty safeguards for citizens of Newport. We have an established regional and local process to delivery on DoLS. However, the legislation changes in October 2020 requiring the Council to have processes in place for the new LPS Liberty Protection Safeguards. This action is to implement the new process for the Council.	50%	★
<input checked="" type="checkbox"/> Website Development	Website Development	100%	✔

# Schools Finance / Cost Pressures

Short Description	In year cost pressures of schools are not met resulting in increased deficit budgets
Risk Owner	Sarah Morgan
Overseeing Officer	<ul style="list-style-type: none"> <li>Chief Education Officer</li> <li>Chief Executive</li> </ul>
Lead Cabinet Member(s)	<ul style="list-style-type: none"> <li>Cabinet Member for Education and Skills</li> <li>Leader of the Council &amp; Cabinet Member for Economic Growth &amp; Investment</li> </ul>
Linked Theme	Theme : Aspirational People
Linked Corporate Objective	WBO 1. Skills, Education & Employment

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Schools Finance / Cost Pressures

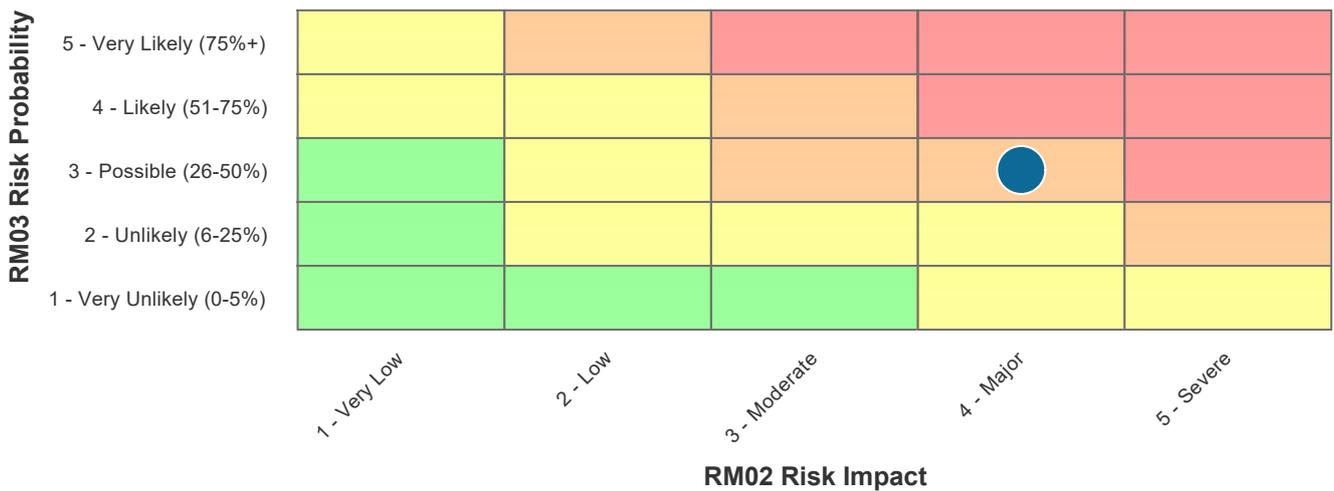
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Inherent Risk Score

## 6

Target Risk Score



## Direction of Risk

Schools Finance / Cost Pressures	DoR	Comment
	➔	No change in Direction of Risk score.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> Annual school funding formula review 20/21.	Review School Funding Formula.	50%	★
<input checked="" type="checkbox"/> Managing School Budget	The local authority will monitor school budgets to ensure that Headteachers and Governing Bodies are: a) Maintaining a balanced budget; b) Addressing in year overspends to reduce the risk of moving in to deficit positions; c) Where deficit budgets occur, deficits are licensed with full recovery plans. d) Where in year deficits are still arising following substantial review, further mitigation may be through the medium term financial plan.	60%	▲
<input checked="" type="checkbox"/> Monitor In-Year School Budgets to Ensure Budgets are Managed Effectively	Monitor In-year School budgets to ensure budgets are: • Managed effectively and taking necessary actions to prevent overspending. Effectively taking necessary actions to prevent overspending. Schools that have deficit budget recovery plans are implementing the necessary actions to reduce their overall budget deficits.	50%	●
<input checked="" type="checkbox"/> Monitoring of Primary, Secondary & Special Schools In-Year Budgets	Monitoring of primary, secondary and special schools in-year budgets: • To prevent overspending and take necessary mitigating action(s). Schools with deficit budget recovery plans are implementing the necessary actions to reduce their budget deficits	70%	▲

# Stability of Social Services Providers

Short Description	The Council requires support from external providers to deliver care packages for children and adults (residential / Non Residential). The current marketplace for external providers is volatile due to the increasing costs to provide care, maintain homes, staffing meeting legislative and regulatory requirements.
Risk Owner	Jenny Jenkins
Overseeing Officer	Head of Adult and Community Services
Lead Cabinet Member(s)	Cabinet Member for Social Services
Linked Theme	Theme: Resilient Communities (Social Care)
Linked Corporate Objective	<ul style="list-style-type: none"> <li>WBO 3. Healthy, Independent &amp; Resilient</li> <li>SRA 3. Supporting Health &amp; Well-being of Citizens</li> </ul>

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**Stability of Social Services Providers**

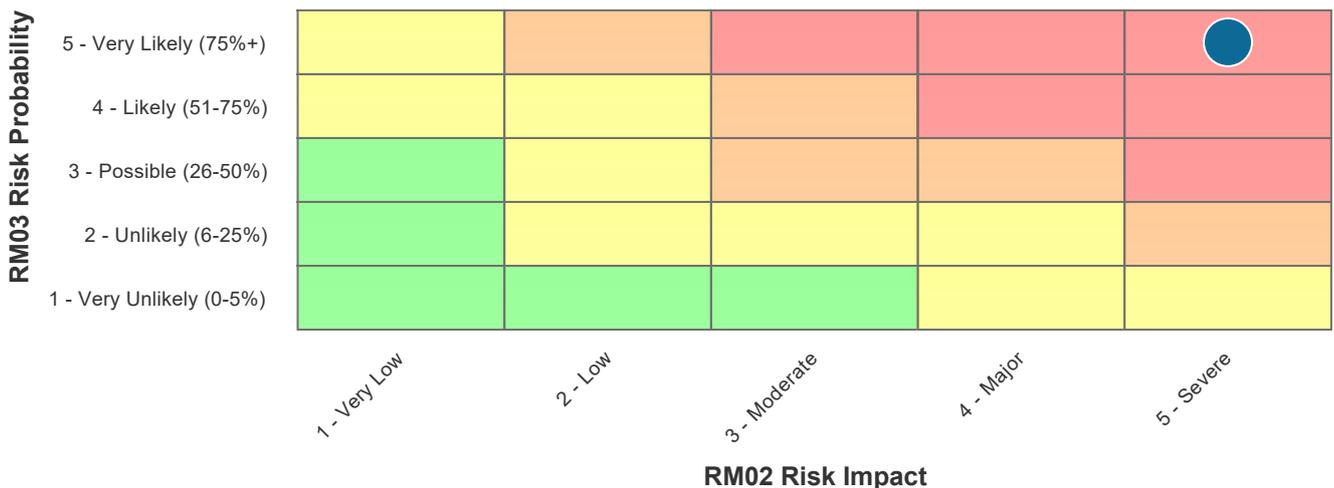
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Inherent Risk Score

## 6

Target Risk Score



## Direction of Risk

Stability of Social Services Providers	DoR	Comment
	➔	The Pandemic has created new risks for providers and the delivery of services. The full impact is not yet known but will continue to be monitored.

Action Name	Action Description	% Complete	Mar 2021
<input checked="" type="checkbox"/> ABUHB & Local Authority Partners to Develop Common Contracts & Monitoring Protocols	Work with Aneurin Bevan University Health Board and Local Authority partners to develop common contracts and monitoring protocols.	80%	★
<input checked="" type="checkbox"/> Assess Impact of Covid 19 on Long Term Sustainability of Service Providers	Assess the impact of Covid 19 on the long term future sustainability of service providers ensuring that the market is able to offer sufficient market capacity and diversity.	20%	●
<input checked="" type="checkbox"/> Continue to Provide & Develop in House Provision	Continue to provide and develop in house provision	100%	★
<input checked="" type="checkbox"/> Develop the People Commissioning Function to Oversee Commissioning & Contractual Activity	To further develop the People Commissioning function to oversee all commissioning and contractual activity within the Directorate. To monitor the People Commissioning Function to maximise opportunities to add value across the whole service area.	75%	★
<input checked="" type="checkbox"/> Monitor the Quality of Services Against Agreed Outcomes & Offer Value for Money	To monitor the quality of services to ensure they deliver against agreed outcomes and offer value for money.	70%	★

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# Report

## Governance and Audit Committee

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### Part 1

Date: 27<sup>th</sup> May 2021

Item No: 8

**Subject** **Draft Annual Governance Statement 2020/21**

**Purpose** To inform and give Members an opportunity to contribute to the Council's Annual Governance Statement, which will accompany the Annual Statement of Accounts for 2020/21.

**Author** Chief Internal Auditor

**Ward** General

**Summary** In order to meet the requirements of the Accounts and Audit (Wales) Regulations 2014, Newport City Council needs to prepare and present an Annual Governance Statement with its Annual Statement of Accounts. This Statement is based on how well the Council meets its own Code of Corporate Governance. A review of Governance is also a requirement of the Local Government Measure.

**Proposal** **To review the draft Annual Governance Statement and provide appropriate comments before recommending its presentation alongside the Annual Statement of Accounts 2020/21.**

**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 order to meet the requirements of the Accounts and Audit (Wales) Regulations 2014, Newport City Council needs to prepare and present an Annual Governance Statement (AGS) alongside its Annual Statement of Accounts. The AGS is based on the Council's Code of Corporate Governance. A review of Governance is also a requirement of the Local Government Measure.
2. The Code sets out Newport City Council's approach to achieving and maintaining good corporate governance. It follows guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), and also takes account of the Welsh Assembly Government's 'citizen-centred governance principles for Wales'.
3. Newport City Council (the Council) is by nature, a complex organisation which affects the lives of all citizens in the area: As well as providing a diverse range of services, it also works with partner organisations who provide other public services. The Council's aims and priorities reflect these responsibilities.
4. The Council sees Corporate Governance as aiming to do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and also the culture and values, by which the Council is directed and controlled and how it accounts to and engages with its citizens.
5. Strong, transparent and responsive governance enables the Council to put citizens first by pursuing its aims and priorities effectively, and by underpinning them with appropriate mechanisms for managing performance and risk. In order to maintain citizens' confidence, these mechanisms must be sound and be seen to be sound.

### Governance Principles

6. The Council operates through a governance framework that brings together its legislative responsibilities and management processes. The Council's Governance arrangements are in line with the following principles:

Overarching requirements for acting in the public interest

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement

Achieving good governance in the public sector also requires effective arrangements for:

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management

**G.** Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

7. The Council's AGS, shown at Appendix 1, is based around these governance principles and demonstrates how it ensures that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
8. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
9. The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
10. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Overall Council Internal Audit Opinion for 2020/21 is **Reasonable**

	2018-19	2019-20	2020-21
Good	10	7	5
Reasonable	27	19	23
Unsatisfactory	10	6	1
Unsound	1	0	0
<b>Total</b>	<b>48</b>	<b>32</b>	<b>29</b>

11. The governance framework has been in place at the Council for the year 2020/21.

### Financial Summary

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

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
Costs (Income)					
Net Costs (Savings)					
Net Impact on Budget					

## Risks

13. If Members are not involved in the endorsing the Annual Governance Statement it would weaken the overall governance arrangements of the Council and be non-compliant with the Public Sector Internal Audit Standards, which therefore, could be subject to adverse criticism from the external auditor, currently WAO.

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?
Members not involved with Annual governance process	M	L	The Chief Internal Auditor has compiled the AGS and taken it to Audit Committee for discussion and comment.	Chief internal Auditor

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

14. The Governance framework and arrangements supports all of the Council's priorities and plans.
15. 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, hence Improving People's Lives.
- 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

16. This is a factual report and therefore there are no specific options to be considered. The annual report provides 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.

17. That the Annual Governance Statement be accepted and presented alongside the Annual Statement of Accounts 2020/21, subject to any amendments suggested by the Audit Committee.

### **Preferred Option and Why**

18. Option (1) as it is requirement of the Accounts and Audit (Wales) Regulations 2014, the Public Sector Internal Audit Standards and ensures good governance.

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

19. I can confirm that I have been consulted on the Annual Governance Statement 2020/21 and have no additional comments.

### **Comments of Monitoring Officer**

20. In accordance with the Accounts and Audit (Wales) Regulations 2014, an Annual Governance Statement must be prepared with the Annual Statement of Accounts, setting out how well the Council complies with its Code of Corporate Governance. The Council's internal governance arrangements are set out in various constitutional framework documents under the umbrella of the Code of Governance. The Code has been prepared in accordance with relevant Guidance and incorporates the seven core governance principles developed by the Independent Commission on Good Governance in Public Services. It also reflects legislative requirements and ethical principles of democratic decision-making. Compliance with the Code will ensure that decisions continue to be made lawfully and with propriety and in a fair and transparent manner.

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

21. There are no other specific HR issues arising as a result of the report. 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**

22. Not applicable.

### **Local issues**

23. No local issues.

### **Scrutiny Committees**

24. Not appropriate.

### **Equalities Impact Assessment**

25. Not required.
26. 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.

27. As this is an annual review of the governance arrangements in place at Newport City Council there is no need for an Equalities Impact Assessment. Internal Audit forms part of the governance process and all audits are undertaken in a non-discriminatory manner.

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

28. Not appropriate.

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

29. In compiling this report the principles of this Act have been considered:

- Long term: The Internal Audit workload is based on an annual operational plan supported by a 5 year strategic plan; this supports the governance arrangements
- Prevention: Good strong governance should identify strengths and weaknesses which gives management the opportunity of preventing gaps in service provision getting worse. This should also minimise the potential for fraud, theft, loss or error.
- Integration: Internal Audit support service managers and heads of service to ensure sound governance arrangements are in place within their area of responsibility; this should ensure sound stewardship of public money.
- Collaboration: The Council's partnership arrangements should have sound governance arrangements in place to strengthen accountability and transparency within the public sector.
- Involvement: Heads of Service and Senior Managers are responsible for governance arrangements within their own service areas and are invited to contribute to the Annual Governance Statement.

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

30. The work undertaken by Internal Audit should minimise potential fraud, corruption, theft or misappropriation within the Council. Allegations of potential criminal activity will be investigated and reported to the police where appropriate. Internal Audit contribute towards the Council's governance arrangements.

### **Consultation**

31. Not appropriate.

## **Background Papers**

32. 2020/21 Approved Revised Audit Plan; 2020/21 Annual Internal Audit Report; Corporate Plan; Cabinet and Scrutiny papers; Council policy and procedures.

Dated:

**APPENDIX 1**

ANNUAL GOVERNANCE STATEMENT 2020/21

DRAFT 1

Andrew Wathan



## ANNUAL GOVERNANCE STATEMENT 2020/21



Newport City

**DRAFT 01**

Andrew Wathan, Chief Internal Auditor



## What is Corporate Governance?

Corporate governance is the system of rules, practices and processes by which an organisation is directed and controlled. Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

## What does 'Good' Corporate Governance look like?

Good governance is about the processes for making and implementing decisions. It's not about making 'correct' decisions, but about the best possible process for making those decisions, ensuring that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

## What this statement will tell you

The Annual Governance Statement is a requirement of the Accounts and Audit (Wales) Regulations 2014. This Statement demonstrates that Newport City Council is compliant with these Regulations for 2020/21.

It describes the governance framework in place within the Council, how the effectiveness of the governance arrangements has been monitored and evaluated during the year with evidence and examples and sets out any changes planned for 2020/21.

This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE); the 'Delivering Good Governance in Local Government Framework 2016' and 'Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

This statement was compiled during the Coronavirus disease (COVID-19) pandemic which, in the first few months, resulted in the suspension of all public and non-essential meetings.

The sound governance framework in place at Newport City Council is detailed in the revised Code of Corporate Governance 2019/20 which includes a detailed list of all governance arrangements.

## 1 Scope of Responsibility

- 1.1 Newport City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government (Wales) Measure 2011 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.
- 1.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.
- 1.4 The Council's financial management arrangements conform to the governance requirements of the 'CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)'.
- 1.5 The Council's Code of Corporate Governance sets out its commitment to good Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government', was initially approved by Cabinet and then Council in July 2013 with a further update approved by Cabinet in July 2014. The Code has been updated in 2019/20. A copy of the Code can be obtained from the Head of Finance.
- 1.6 The Code of Corporate Governance outlines the key governance arrangements in place at Newport City Council and as such will be cross referenced to where relevant throughout this Annual Governance Statement.

## 2 The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council throughout the year 2020/21, and up to the date of approval of the statement of accounts.

## 3 The Governance Framework

3.1 The Council's Governance arrangements are in line with the following principles:

Overarching requirements for acting in the public interest

**A.** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

**B.** Ensuring openness and comprehensive stakeholder engagement

Achieving good governance in the public sector also requires effective arrangements for:

**C.** Defining outcomes in terms of sustainable economic, social, and environmental benefits

**D.** Determining the interventions necessary to optimise the achievement of the intended outcomes

**E.** Developing the entity's capacity, including the capability of its leadership and the individuals within it

**F.** Managing risks and performance through robust internal control and strong public financial management

**G.** Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

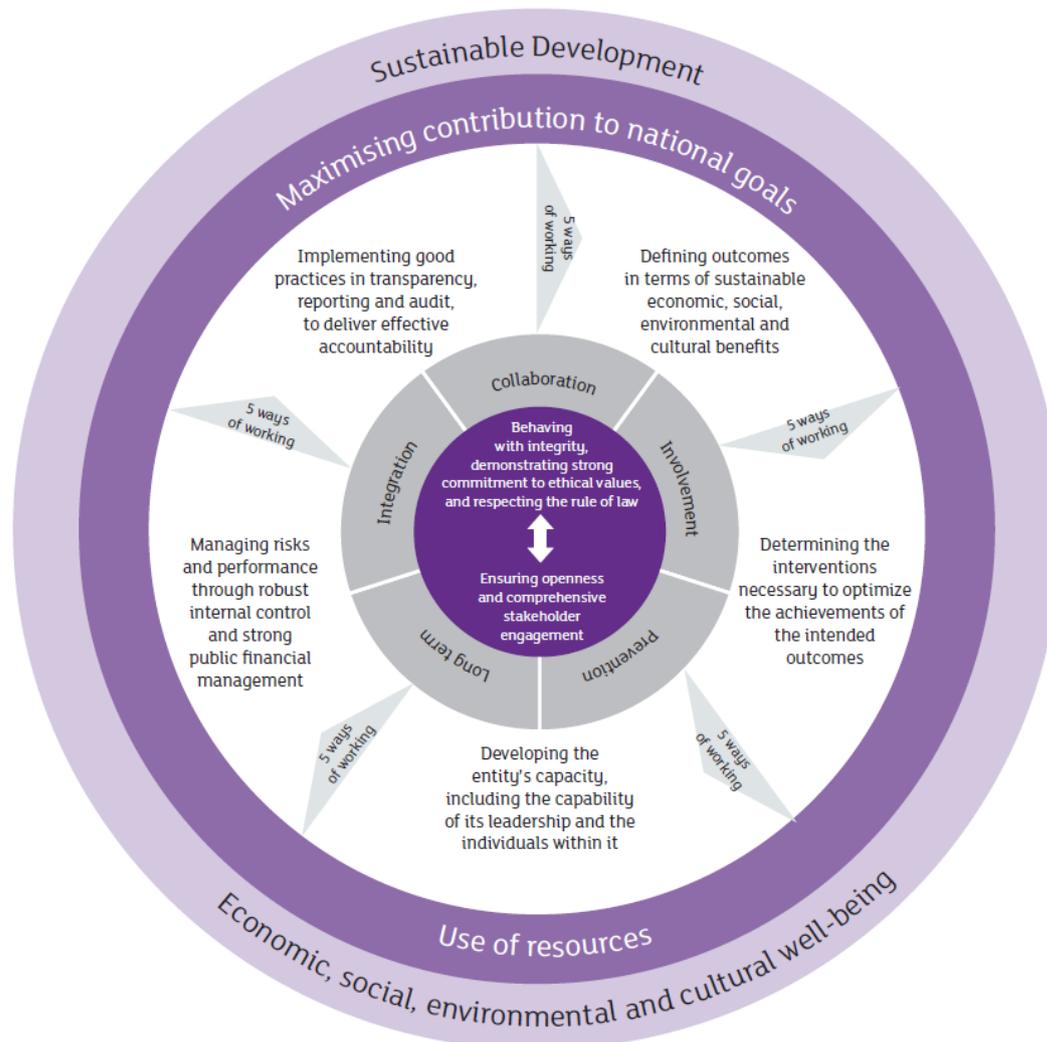
The Statement will cover these principles in more detail from Section 6 onwards.

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

3.2 The diagram on the following page brings together the above principles of good governance with the requirements of the Well-being of Future Generations (Wales) Act 2015; it shows sustainability as all-encompassing, with the core behaviours of:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law; and
- Ensuring openness and comprehensive stakeholder engagement

This needs to be applied to the five ways of working outlined in the 2015 Act. These five ways of working have to permeate all segments of delivering outcomes which, in turn, should ensure effective use of resources as the Council maximises its contribution to the economic, social, environmental and cultural well-being of Wales.



### The Three Lines of Defence in effective Risk Management and Control

3.3 Assurance can come from many sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance.

By defining these sources into three categories:

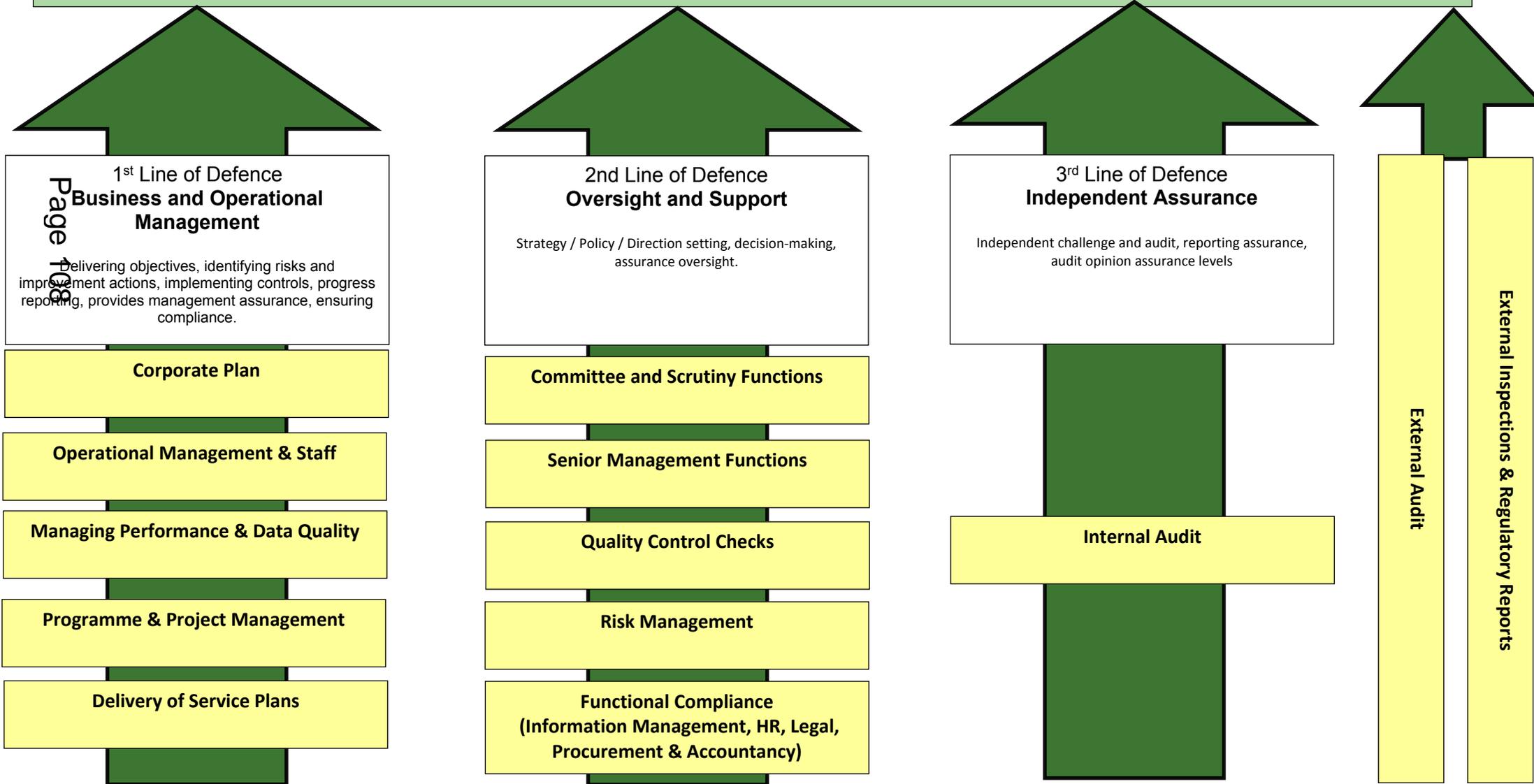
- First Line - functions that own and manage risks e.g. management and supervisory controls;
- Second Line - functions that oversee risks e.g. Governance structures and processes such as Scrutiny Committees, policies and procedures and;
- Third Line - functions that provide independent assurance on the management of risks e.g. Internal Audit along with external providers of assurance such as External Audit and External Inspections & Regulatory Reports (e.g. ESTYN & CIW).

The model helps the Council understand how each area contributes to the overall level of assurance and how best good governance can be integrated and supported.

# Annual Governance Statement (AGS)

**Audit Committee**  
(AGS Approval Committee)

Leader, Cabinet Members, Chief Executive, Chief Financial Officer, Monitoring Officer, Corporate Management Team  
(Provides oversight of the 3 lines of defence assurance framework)





### **Corporate Plan**

3.4 The Council's Corporate Plan for 2017 to 2022 "Building on Success – Building a Better Newport" sets out the 5 year vision and direction for the Council.

3.5 The Corporate Plan forms part of the Council's policy framework, and prior to agreement had been through the necessary consultation with scrutiny and members of staff.

3.6 Within the Corporate Plan twenty commitments for change, relating to the following four key areas have been outlined:

- Resilient communities,
- Thriving city,
- Aspirational people,
- Modernised Council.

3.7 Newport City Council's Well-being Objectives are:

- To improve skills, educational outcomes and employment opportunities
- To promote economic growth and regeneration while protecting the environment
- To enable people to be healthy, independent and resilient
- To build cohesive and sustainable communities

3.8 The Corporate Plan is delivered through service area plans. Service plans are set in conjunction with Cabinet Members and scrutiny committees to ensure oversight and accountability for the delivery of the actions.

3.9 An annual report of progress against the Corporate Plan is presented to members (Cabinet October 2020) and published so that it can be shared with all employees and members of the public to present an open and transparent view of how the Council is working towards its vision and objectives and how further work will be focused to ensure further improvement.

### **ONE Newport Public Service Board**

3.10 The One Newport Public Service Board (PSB) Newport's Well-being Plan (2018-23) which represents the combined strategic planning intent of a partnership of the key public service providers in Newport including the Council – for improving the quality of life in terms of the economic, social, cultural and environmental well-being of Newport. This Plan was approved by the Board May 2018.

3.11 PSBs were established by the Well-being of Future Generations (Wales) Act 2015 (WFG) and must work in accordance with the sustainable development principle and achievement of the seven wellbeing goals by:

- assessing the state of the City's economic, social, environmental and cultural wellbeing;

- setting local objectives that are designed to maximise their contribution within the City to achieving those goals;
- taking all reasonable steps to meet those objectives.

3.12 The well-being objectives of the Plan are linked to the Well-being Objectives. The Plan identifies 13 priorities in the 4 areas of Economic, Social, Cultural and Environmental.

3.13 Performance of the Well-being Plan was reported through the Performance Scrutiny Committee – Partnerships during 2020/21, October 2020 and February 2021.

3.14 Newport's stakeholders are encouraged to get involved with shaping the policies and decisions of One Newport PSB through the Involve Newport Citizens' Panel and the One Newport Engagement and Participation Strategy.

#### **4 Coronavirus (Covid-19) Pandemic**

4.1 The Coronavirus pandemic (WEF March 2020) had caused significant organisational disruption including new emergency responsibilities, increased staff absence and a requirement for staff to work from home (where possible) while continuing to ensure statutory services were maintained as expected. This statement assesses the governance in place during 2020/21.

4.2 In accordance with the Council's Corporate Emergency Management Plan (revised March 2019) an Emergency Response Team (ERT) was established along with a regional multi-agency Strategic Co-ordination Group (SCG) to deal with this pandemic. These groups met on a daily basis during March 2020 and meetings continued throughout 2020/21.

4.3 Once enacted, the Corporate Emergency Management Plan allowed for an emergency management structure and delegation of emergency powers to the ERT Gold Duty Officer in consultation with the Leader of the Council.

4.4 During the early stages of the pandemic response, the Council operated with an Interim Chief Executive which became a permanent appointment in July 2020.

4.5 The pandemic impacted on the Council's delivery of services as some staff were diverted to front line duties to ensure that critical services were prioritised. There were also new areas of activity as part of the national response to Coronavirus for example providing emergency assistance to businesses in Newport.

4.6 There has been funding and logistical consequences of delivering the local government response. To ensure appropriate governance and accountability, these costs have been identified by staff and appropriately coded on the Council's Main Accounting System and reclaimed from Welsh Government.

4.7 In line with public health measures to mitigate the spread of Coronavirus and to enable the Council to focus on the delivery of critical services, all public meetings were initially suspended. This included Council meetings, meetings of full Cabinet and all committee and sub-committee meetings, including Scrutiny, Planning and Licensing.

- 4.8 Urgent decisions were made in accordance with the officer and members' schemes of delegation as detailed in the Council's Constitution and urgent decision-making procedures.
- 4.9 Using appropriate technology there was minimum disruption to Council democratic business; Cabinet recommenced in June 2020, Council in July 2020, Audit Committee in September 2020, Democratic Services Committee in October 2020, Scrutiny Committees in September 2020. Virtual and remote meetings were held in line with temporary legislation.
- 4.10 At this stage, the longer term disruption and consequences arising from Coronavirus is currently unclear however, existing projects and programmes may have to be put on hold, new priorities and objectives will need to be introduced and new risks will have to be identified.
- 4.11 As much as possible, the systems of internal control have continued to operate during the pandemic. The Council's implementation of Office365 and multi-factor authorisation has allowed the majority of employees to successfully work from home without major disruption. For example, the Council's i-Procurement system allows for electronic authorisation from delegated officers with an inbuilt segregation of duties.
- 4.12 In the Chief Internal Auditor's opinion, adequate assurance was obtained over the course of 2020/21 resulting in an overall 'Reasonable' audit opinion to be issued for the Council's activities, although this was based on limited work undertaken by the team; the revised Internal Audit Plan was approved by Audit Committee in September 2020. Internal Audit coverage was adversely affected during the first part of 2020/21; however, it recovered in the second part of the year. 78% of the approved revised Audit Plan was completed against the target of 82%, with 29 audit opinions issued. Reliance on previous years' audit work has also been taken into consideration in arriving at this year's opinion in that there have been no significant systems or staff changes. Further detail regarding the Internal Audit team's performance is included within the Internal Audit Annual Report 2020/21 presented to the Governance and Audit Committee May 2021.
- 4.13 In conclusion, during 2020/21 the coronavirus pandemic did not lead to significant internal control or governance issues which impacted on the overall review of effectiveness. This will continue to be monitored during 2021/22 and reviewed as part of future Annual Governance Statements.

## **5 Review of Effectiveness**

- 5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Management Team within the Council which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

5.2 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:

- i. periodic reviews of the Constitution and ethical governance arrangements by the Monitoring Officer; Democratic Service Committee February 2021;
- ii. periodic reviews of the financial controls by the Chief Finance Officer; Revised Contract Standing Orders Cabinet December 2019;
- iii. formal risk management and regular on-going review of the processes involved; Cabinet March 2020, September 2020, October 2020, December 2020;
- iv. the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems and establishments in accordance with the Annual Internal Audit Plan, and which includes 'follow-up' work to ensure that Heads of Service implement agreed management actions; Annual Report 2020/21 Governance & Audit Committee May 2021
- v. the work of the Performance Scrutiny Committees, Overview & Scrutiny Management Committee, Democratic Services Committee, Standards Committee and Audit Committee;
- vi. the opinions and recommendations of the Council's external auditors and other inspection and regulatory agencies;
- vii. regular monitoring of performance against service plans and key targets, and reporting of this to senior management and members, through the Management Information Hub;
- viii. the outcomes of the Annual Information Risk Report are monitored quarterly by the Information Governance Group;
- ix. progress against the Newport Well-being Plan is monitored by scrutiny and the PSB throughout the year.

Sections 6 to 12 demonstrate how the Council is meeting the key governance principles with evidence and examples.

## 6 **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

### **Behaving with integrity**

6.1 Standards Committee met in 2020/21; received reports on succession planning for Standards Committee Members in line with respective Regulations, updates on complaints against Members, revised Employee Code of Conduct, changes to the Guidance on Members' Code of Conduct.

6.2 In order to monitor all key Council decisions for fairness a 'Fairness Commission' was established. Members of the Fairness Commission were chosen to represent a range of interests, experiences and backgrounds from across the City, including education, trade unions, equality groups, faith communities and the two main political parties in the Council. The Fairness Commission is chaired by an academic from the University of South Wales. Reviews of the Council budget proposals have been undertaken by the Fairness Commission.

6.3 The Council has an agreed Constitution, available on the website, which includes the Council's related codes and protocols.

6.4 A set of Council values 'Courageous, Positive, Responsible' were established following staff feedback. These are regularly communicated with all staff.

6.5 The Council demonstrates, communicates and embeds its operating principles and values through appropriate policies which are reviewed on a regular basis. These policies also place an emphasis on ethical values. Some of the policies in place to support this are:

- Whistleblowing Policy
- Member and Employee Codes of Conduct
- Anti-Fraud, Bribery & Corruption Policy
- Safeguarding Policy
- Complaints Procedure

6.6 The revised Anti-fraud, Bribery and Corruption Policy was approved by Cabinet April 2021.

### **Demonstrating strong commitment to ethical values**

6.7 The Council's Ethical Governance Framework includes:

- codes of conduct for officers and members, which are reviewed, updated and tested for compliance;
- a protocol governing Member/Officer relations;
- a whistle-blowing policy widely communicated within the Council and which is periodically reviewed;
- registers of personal and business interests for Members and Chief Officers;
- an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied;
- the Strategic Equality Plan and Equality Objectives 2020-24 were agreed by Cabinet July 2020 and Council September 2020;
- Strategic Equality Plan Annual Report for 2019/20 went to Cabinet in November 2020.

6.8 In line with the Local Government Measure a separate Democratic Services Committee was established; this committee met in 2020/21; it deals with national consultation exercises, national policy and Members' codes and development. Council received a copy of the Democratic Services Committee Annual Report for 2019/20 in November 2020.

6.9 The Standards Committee, which includes a majority of independent representatives, advises on and monitors the Member Code of Conduct, the Protocol for Member/Officer Relations, and any other codes relating to the conduct of Members. Council received a copy of the Standards Committee Annual Report for 2019/20 in November 2020.

6.10 An ethical Standards Questionnaire was issued by the Standards Committee during 2019/20. Despite there being a low response it was noted that the answers to the questions were fairly positive.

6.11 Induction training for employees covers code of conduct, expected standards of behaviour and the importance of the whistleblowing policy. These documents are also available on the staff intranet.

6.12 The Council looks to ensure that external providers of services on behalf of the Council act with integrity and in compliance with high ethical standards. The Council have signed up to the Welsh Government's Code of Practice – Ethical Employment in Supply Chains. The Code covers Modern Slavery and human rights abuses, Blacklisting, False self-employment, Unfair use of umbrella schemes and zero hours contracts as well as considering paying the living wage.

### **Respecting the rule of law**

6.13 The Council has a strong commitment to the rule of law and adhering to the laws and regulations set by Welsh Government, UK Government and the European Union. There were no “call-in” challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.

6.14 The Council is required to meet statutory obligations regarding the handling of data; the Digital Strategy incorporates an Information Risk Management Policy which outlines roles and responsibilities for information risk management. This ensures that the requirements of legislation, including the Data Protection Act 2018 (GDPR), Environmental Information Regulations 2004 and the Freedom of Information Act 2000 are met and that the risks around information are managed appropriately. The Annual Information Risk Report 2019/20 was presented to the Information Governance Group May 2020 and endorsed by Cabinet Member December 2020.

6.15 There was 1 complaint of Member misconduct made to the Public Services Ombudsman for Wales (PSOW) in 2020/21 involving City Councillors but none were accepted for formal investigation. There were no referrals to the Standards Committee and no findings of misconduct or breaches of the Member Code.

6.16 The PSOW annual letter was taken through Cabinet November 2020 along with the Council's Annual Report on Compliments, Comments & Complaints. In 2019/20 38 complaints were received by PSOW concerning Newport. Most of the complaints received were discontinued or resolved. There were no findings of maladministration, misconduct or public interest reports.

6.17 Following the Local Government elections in May 2017, mandatory training was provided to new Members of the Council along with other training sessions for existing Members.

6.18 The Internal Audit team continued to deliver awareness raising sessions on the importance of compliance with Financial Regulations and Contract Standing Orders.

6.19 A new Leader of the Council (Cllr Mudd) was appointed by a meeting of the Full Council in November 2019. Upon appointment, the Leader announced her new Cabinet.

6.20 The Council has the following statutory posts and enables officers to fulfil their responsibilities in accordance with legislative and regulatory requirements:

- Head of Paid Service (Chief Executive)
  - The current Chief Executive was formally appointed in July 2020
- Section 151 Officer (Head of Finance)
- Monitoring Officer (Head of Law & Regulation)
- Director of Social Services

- The Director of Social Services post is currently being fulfilled by the Head of Adult & Community Services on an interim basis.
- Head of Democratic Services
  - The designated post holder (Democracy & Communication Manager) left the Authority in September 2019.
  - As an interim measure, the Monitoring Officer (Head of Law & Regulation) has fulfilled the roll.
  - Following an internal appointment, the role of Democratic Services Manager was filled in May 2021.

6.21 The Council optimises the use of the full powers available for the benefit of the citizens of Newport, communities and other stakeholders. For example, the Council takes its decisions by way of full Council or the Executive (Cabinet). Decisions are also taken by individual Cabinet Members and Chief Officers. The Scheme of Delegation and the Terms of Reference which are included in the Constitution, make it clear at which level decisions are taken.

6.22 A revised Whistleblowing Policy was updated in 2017, and a confidential helpline set up. In 2020/21 there were no disclosures made under the policy.

6.23 All waivers of the Contract Standing Orders and urgent decisions are reported through the Audit Committee quarterly.

## 7 Principle B: Ensuring openness and comprehensive stakeholder engagement

### Openness

7.1 The majority of meetings are held in public as shown from Committee agendas and minutes which are then available on the website. The Council broadcasts Council meetings and Planning Committees live on the internet and is working towards webcasting other formal member meetings. Live tweets are broadcast from Newport Council's Twitter account.

7.2 Due to the impact of Covid-19 and national lockdown in March 2020 all public meetings were initially put on hold. In late August / September, virtual and remote meetings were set up which were accessible by the public.

7.3 As part of Newport City Council's commitment to being open and transparent it continues to publish its data on the website which the public is free to view and use [www.newport.gov.uk/transparency](http://www.newport.gov.uk/transparency).

7.4 The Council has responded to Freedom of Information Act requests within the required 20 days:

	2018-19	2019-20	2020-21
No' of FOI requests	1167	1100	797
No' responded to within 20 days	1051	992	724

Percentage of FOIs responded to within 20 days	90.1	90.2	90.8%
	Target 88%	Target 88%	Target 88%

- 7.5 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles.
- 7.6 Standing Orders of the Council were amended in July 2017 to include a session for open questions to the Leader of the Council at full Council meetings.
- 7.7 Agendas, reports, decision schedules and minutes of all meetings of the Council, Cabinet or Cabinet Member are available to the public by way of the Council's website. Minutes or decisions arising from the consideration of such reports are available to the public via the website.
- 7.8 Every report considered as part of the decision making process by Members must contain comments by the Council's Monitoring Officer, the Section 151 Officer and the Head of People and Business Change. The report template ensures report authors consider potential risks, equalities, WFG and financial implications of their proposals.
- 7.9 Public Service Board (PSB) papers are published online on the One Newport partner website to ensure transparency, as were agenda and minutes of the Single Integrated Plan Board.
- 7.10 The Council uses a range of formal and information consultation and engagement exercises to determine the most appropriate and effective intervention / course of action. For instance, the Council undertakes the school reorganisation programme in accordance with the Welsh Government statutory School Organisation Code. Each consultation is supported by full stakeholder engagement as outlined in the statutory code. This includes the publication of detailed consultation packs and a children and young people summary version, distribution of response forms, drop-in sessions and meetings with the school councils at relevant and local schools. Following each consultation, a consultation report is prepared and published which outlines how the consultation was carried out, who is engaged and the relevant responses. These reports are provided as annexes to the Cabinet Member report which approves moving to the next stage in the process – publication of the statutory notice. The statutory notice is the stage at which legal objections can be lodged against proposals.

**Engaging comprehensively with institutional stakeholders**

- 7.11 The Council looks to effectively engage with all stakeholders to ensure that the objectives and intended outcomes for each relationship are clear so the outcomes can be achieved successfully and sustainably. For example, the Local Authority works closely with the governing bodies of all schools across Newport and as key stakeholders they are consulted where appropriate on all matters.
- 7.12 The Council has developed a number of formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. Some examples of these are the ONE Newport Public Services Board, Newport Live (Leisure Trust) and the Community Safety Partnership.
- 7.13 All partnerships are based on trust along with a shared commitment to change while promoting challenge among partners.
- 7.14 The Council has a number of formal appointments onto outside bodies to provide effective challenge. These appointments are agreed at the Council's AGM and at further Full Council meetings when necessary. A list of these appointments can be seen within the Council minutes.

#### **Engaging stakeholders effectively, including individual citizens and service users**

- 7.15 A formal policy for the type of issues that the Council will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service provision is contributing towards the achievement of intended outcomes cannot be located.
- 7.16 Communication is important to Newport; the Annual Statement of Accounts 2019/20 was taken through the Audit Committee in 2020/21. All Council decisions, reports and questions asked by Members are available on the website, as are Cabinet Member decisions, Audit Committee reports and the work of the Scrutiny Committees. Headline figures of the Council's financial position were included in the Council tax leaflets distributed with all bills. Financial information, Council activities, achievements, developments, updates and events were included in Newport Matters, which is distributed to every household in the City, and are also available on the Council's intranet and website.
- 7.17 The Council looks to communicate via a number of different methods. 'Have Your Say' consultations are on the Council website, along with regular posts on social media and the use of Bus WIFI surveys.
- 7.18 Members are encouraged to hold regular Ward meetings and these are supported by Officers of the Council. Social media, Twitter and Facebook for example, is regularly being used to engage local people and communicate the corporate message.
- 7.19 Dealing with customer complaints helps Newport to identify and deal with failures in service delivery and look for opportunities to improve. The Council's Customer Complaints Policy and procedures are available on the web site; the public can report a problem or concern via the 'Report it' option on the web front page. An Annual Report on Compliments, Comments and Complaints Management for 2019/20 was presented to Cabinet in November 2020. The following table shows the number of complaints received for the past three years:

	2018-19	2019-20	2020-21
Stage 1 Complaints	271	1,413	
Stage 2 Complaints	28	36	
Complaints to PSOW	38	38	

7.21 The increase in Stage 1 complaints is attributed to two things

- The online self-service system made it much for customers to make their complaints online, using the website, their customer accounts or through an app. We rarely received any complaints online; this has changed significantly since the new system was introduced, which is a positive step forward. The number of Stage 2 and Ombudsman complaints has not increased, which indicates the same level of competence in responding to complaints successfully at Stage 1, without them needing to escalate further.
- a number of operational changes resulted in higher volumes of complaints for certain issues, e.g. the rollout of smaller bins and waste enforcement, introduction of Civil Parking Enforcement.

7.21 Public engagement and consultation is key to the WFG Act. One of the five ways of working is Involvement - *the importance of involving people with an interest in achieving the well-being goals, and ensuring that those people reflect the diversity of the area which the body serves*. This is now considered in all Cabinet Member reports.

## 8. Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

### Defining Outcomes

8.1 The Corporate Plan 2017-2022 “Building on Success -Building a Better Newport” incorporates the Council’s wellbeing objectives as required by the WFG Act. The Plan sets out clearly the Council’s purpose, priorities and demonstrates its commitment to improving social, economic, environmental and cultural well-being and promoting sustainable development. This provides the basis for the Councils overall strategy and performance.

8.2 Audit Wales issued the Council with its first Certificate of Compliance in accordance with the Local Government (Wales) Measure 2009 following its publication of its Strategic Recovery Aims in June and July 2020. This went to Cabinet in November 2020, confirming the Council had discharged its duties under section 17 of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

8.3 The One Newport PSB Well-being Plan (Cabinet November 2020) – represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council – for improving the quality of life in terms of the social,

economic, cultural and environmental well-being of the whole community. The priorities have been identified as those where the PSB and other key stakeholders must work together to achieve success and meet the requirements of the WFG Act.

- 8.4 Regular risk based meetings are held between Council officers and representatives of the Head of Finance to ensure that service areas are managing their outcomes on a sustainable basis within the available financial resources allocated.
- 8.5 Members of the performance team attend each service area's monthly management team meetings to comment on and review the section's performance against key performance indicator targets.
- 8.6 The Council identifies and manages risk through the Corporate Risk Register (see section 11) and also individual service area plans to ensure the achievement of intended outcomes.
- 8.7 The Council looks to manage service user expectations with regards to determining priorities and making the best use of the resources available. For instance, regular updates on the Council's Medium Term Financial Plan (MTFP) are presented to Cabinet regularly.
- 8.8 2020/21 service planning incorporated an understanding of customer needs, service area outcomes and improvement priorities, performance management and monitoring, an action plan to achieve the outcomes, an assessment of service related risk, an acknowledgement of regulators' proposals for improvement and an equalities impact assessment.

#### **Sustainable economic, social and environmental benefits**

- 8.9 Newport City Council considers and balances these combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provisions. Each report considered as part of the decision making process by Members must contain comments by the Council's Monitoring Officer (legal), the Section 151 Officer (economic) and the Head of People and Business Change (social and environmental).
- 8.10 Equality Impact Assessments (EIA) are required by law under the Equality Act 2010. Newport's assessments also examine 'Fairness' and the Welsh language to ensure that the needs of other vulnerable people are considered, as well as the effect on different areas within Newport. A range of these were undertaken during 2020/21 which have been published on the Council's website. A Strategic Equalities annual report is published by the Council (Cabinet July 2020).
- 8.11 The PSB review includes the monitoring of targets to ensure policies are delivering the agreed outcomes to ensure services are effective, focused on local people and improved quality of life in the City. In terms of measuring the environmental impact of policies, plans and decisions, the Council is working with the Welsh Local Government Association as one of 10 lead authorities for sustainability, and this will also form part of the Wellbeing Assessment and Wellbeing Plan work.

#### **9 Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

## **Determining Interventions**

- 9.1 Decision makers are provided with reports which allow for an analysis of a variety of options including how they would be achieved and the risks associated. Comments are received on each report from the Monitoring Officer, Chief Financial Officer and the Head of People & Business Change.
- 9.2 The results of all consultation exercises are considered along with Fairness Equality Impact Assessments when making decisions about service improvements to prioritise the competing demands with the resources available. All reports consider the WFG Act.

## **Planning Interventions**

- 9.3 The Council's Corporate Plan underpins the strategic objectives of the Council. Each service area also has an operational plan along with their own priorities and targets. Service area plans are approved by the Cabinet Member responsible for the portfolio. Mid and end of year reviews are completed by the Head of Service and reported to Scrutiny; November 2020.
- 9.4 To ensure the Council continues to meet its statutory duty to demonstrate continuous improvement the monitoring of performance is undertaken through Cabinet, Cabinet Members and Scrutiny Committees.
- 9.5 Through the Council's communication methods and annual budget consultation internal and external stakeholders are consulted in determining how services and other courses of action are planned and delivered.
- 9.6 For partner organisations such as the ONE Newport PSB and Newport Live, the Council collaboratively works together to consider and monitor the risks which may arise while ensuring that any arrangement is flexible so they can be adapted to any change of circumstance.
- 9.7 The Council has established a number of local performance indicators and monitors these along with the relevant statutory and national performance indicators. These are detailed within individual service plans and reported via the Council's performance management system MI Hub. The year-end Performance Analysis for 2019/20 was taken through Cabinet in September 2020 which showed 55% of performance indicators performed in line with targets.
- 9.8 Performance management arrangements have improved with regular monitoring by the Cabinet and Cabinet Members as well at officer level. The Authority had made its targets more difficult to achieve in an effort to push the organisation into improving services.
- 9.9 Mid-Year Performance Analysis for 2020/21 was taken through Cabinet in January 2021. The report showed that for the first six months of this financial year:
- 37% of performance measures were on target
  - 10% of performance measures were short of target
  - 16% of performance measures were off target

- 64% of the actions identified in the service plans were reported as being 'In Progress';
- 5% of actions reported as being 'Completed'
- 22% of actions had been reported as 'Amber'; and
- 6% of actions not yet started.

9.10 Budgets are prepared in accordance with the Council's strategic directives and Corporate Plan. There are robust arrangements for effective financial control through the Council's accounting procedures, Financial Regulations (May 2016). These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets. The Council's Treasury Management arrangements follow professional practice and are subject to regular review by the Council's Audit Committee and Cabinet (July 2020, December 2020) to ensure a sustainable funding strategy is maintained.

### **Optimising achievement of intended outcomes**

9.11 Where value for money of the public pound is concerned, budget proposals were examined by meetings of the Scrutiny Committees. This is to ensure that the service priority, affordability and other resource constraints are balanced.

9.12 Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year. The updated MTFP and budget monitoring reports were presented to and approved by Cabinet in July 2020, September 2020, November 2020, January 2021 and February 2021, taking into account the full cost of operations. The MTFP report highlights any significant delivery issues or changes to the external environment which arise during the period and have a financial impact.

9.13 The 2021/22 Budget consultation and MTFP were submitted to Council in February 2021; The Council recognises that timely and accurate budget monitoring information is essential for effective decision making purposes. A public consultation exercise was also undertaken to determine the 2021/22 budget proposals.

## **10 Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

### **Developing the entity's capacity**

10.1 The Council has developed and maintained a People & Culture Strategy 2018 – 2022 as a workforce plan to enhance the strategic allocation of resources.

10.2 Through annual service area plans and mid year reviews, the operations and use of assets are reviewed. Performance is monitored through the service plans and also through the MI Hub performance management system with 6 monthly reports to Cabinet to ensure the continuing effectiveness of operations.

10.3 The Council recognises the benefits of partnerships and collaborative working to add value into the organisation. Examples of these arrangements can be in place locally (within Newport) such as the Newport Live (Leisure Trust), regionally within Gwent – the Education Achievement Service for SE Wales (EAS), regionally within South East Wales - the Cardiff Capital Region City Deal and wider afield through the ‘Great Western Powerhouse’.

**Developing the capability of the entity’s leadership and other individuals.**

10.4 The Council has an agreed Member/Officer Protocol within the Constitution which ensures that a shared understanding of the roles and objectives are maintained.

10.5 The Constitution also includes a clear scheme of delegated powers for decision taking by Members and Chief Officers. This document details the types of decisions which can be delegated to Cabinet Members, established Sub-Committees or Chief Officers or those which have to be made by the collective body of the full Council.

10.6 The scheme of delegation in the Constitution sets out the various responsibilities of Members and Officers. This is updated as required via the Democratic Services Committee. Standing Orders and the Constitution were updated to take account of the requirements of the Local Authorities (Standing Orders) (Wales) (Amendment) Regulations in July 2014.

10.7 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance.

10.8 The Council develops the capabilities of members and senior management to achieve effective shared leadership. This enables the Council to respond successfully to changing legal and policy demands. In addition the Council ensures that Members and officers have the appropriate skills, knowledge resources and support to fulfil their roles and responsibilities. This is completed by;

- An on-going programme of events and training for Members especially those involved in the Planning & Licensing Committees and Sub Committees.
- A mandatory management programme for all senior manager ‘Management in Action’ to develop management capacity (2018).
- Further In-house management development modules for middle managers;
- Aspiring Leaders Programme delivered in partnership with the University of South Wales.
- Core Skills training is also available to all employees aligned to our corporate values with specific training available on topics such as Customer Care, Stress Management and Equality and Diversity.

10.9 Embedded Appraisal arrangements for Chief Officers are in place, including:-

- Chief Executive’s Annual Appraisal;
- Chief Executive’s one to one meetings with Heads of Service;
- Cabinet Member one to one meetings with Heads of Service
- Appraisal of Chief Officers (Heads of Service).

10.10 The employee performance management system (Clear Review) was launched during 2017. This enables ongoing evaluation and encourages all staff to give feedback to colleagues.

This ensures that all officers and managers reflect on their objectives and staff are able to link their objectives directly to the organisational goals set within the Corporate Plan and service plan. Clear Review was superseded by the 'Check-in' process directly recorded onto i-Trent. This will form part of the suite of corporate performance indicators. The system also allows continued professional development (CPD) opportunities to be identified which are needed to improve the skill, knowledge and understanding of employees.

- 10.11 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures. Newport City Council supports employees and citizens in maintaining both their physical and mental well-being. Information on our workforce can be found in the Strategic Equalities annual report.

## **11 Principle F: Managing risks and performance through robust internal control and strong public financial management**

### **Managing Risk**

- 11.1 Risk management is an integral part of all activities and is considered in all aspects of decision making. A report template for all formal Member and scrutiny reports requires authors to consider risk and its management or mitigation when writing reports. Each Head of Service incorporate the keys risks to their service within service plans which identify the impact, the likelihood and any mitigation in place to manage those risks.
- 11.2 The Corporate Risk Management Policy was reviewed during 2019/20 and revised to strengthen existing arrangements and support the delivery of the Corporate Plan. The revised Policy was considered by the Audit Committee in January 2020, approved and endorsed by the Leader in July 2020.
- 11.3 The Council's Corporate Risk Register was updated and taken through Cabinet and Audit Committee during 2020/21 on a quarterly basis. Mitigation of risk is incorporated within the risk register, which moves the risk from inherent to residual. 18 corporate risks were identified for the Council and these were recorded on the Corporate Risk Register as of the end of quarter 3 2020/21 which went to Cabinet March 2021; 10 severe, 6 major, 2 moderate.
- 11.4 The Audit Committee felt that managing the risks faced by service areas was an important aspect of the manager's role and should be part of his / her day to day responsibilities. Risk management is included within the service plans where operational managers have greater responsibility for owning and dealing with the risks identified in their areas. All risks within the Corporate Risk Register have a designed overseeing officer(s) and a lead Cabinet Member(s) assigned.

### **Managing Performance**

- 11.5 Service delivery is monitored through a number of key performance indicators agreed with targets at the start of each year. These are included on the Council's performance management system MI Hub and challenged by the Policy & Performance team. The

planning, specification and delivery of service area work is included within annual service area plans which are approved by the lead Cabinet Member for the service area along with being reviewed through the scrutiny process. These are subject to mid-year and end of year reviews presented to the respective scrutiny committee. This ensures that Members and senior managers have regular reports on progress towards outcome achievement.

- 11.6 All decisions are based on clear, objective analysis taking into account the Council's financial position, social and environmental implications. Consideration against statutory policies is also made through a review of the WFG Act commitments. The above are considered by the report author when writing the report and also through the comments of the Monitoring Officer, Chief Financial Officer and the Head of People & Business Change.
- 11.7 Members of the scrutiny committees review policies and performance and question key decisions made by the Council's Cabinet and Officers to ensure they are open, accountable, transparent and in the best interests of the local area and its residents. Audit Wales reviewed the Council's Overview and Scrutiny functions to determine if they were 'Fit For the Future' in August 2018. They concluded that the Council's leadership was committed to improving its scrutiny function and to meet current and future challenges for scrutiny, but Members need a fuller understanding of their scrutiny role and more effective, timely training.
- 11.8 Scrutiny committees also review the Council's achievements against planned targets, issues of local concern and services provided by the Council and other public organisations. In Newport City Council there are four scrutiny committees:
- Overview and Scrutiny Management Committee
  - Performance Scrutiny Committee - Partnerships
  - Performance Scrutiny Committee - People
  - Performance Scrutiny Committee - Place and Corporate

Each Committee is politically balanced and the chair persons are allocated in proportion to the number of seats held by political groups.

### **Robust internal control**

- 11.9 Internal Audit provides assurance to Senior Management and the Audit Committee on the effectiveness of internal control, risk management and governance.
- 11.10 The Audit Committee considers the work of internal and external auditors and the responses to audit recommendations. The Audit Committee has appointed an independent chairman; he is not part of the political structure of the Council. It also has responsibility for approving the Annual Statement of Accounts and its associated reports (which include this statement). This responsibility has been delegated by Council where the Chair of the Audit Committee signs the Accounts on behalf of the Audit Committee.
- 11.11 Audit Committee meets regularly and its activities can be seen via the Council's website; it met 4 times in 2020/21 as a result of Covid-19. Members received:
- The Annual Internal Audit Report 2019/20

- The Annual Internal Audit Plan 2020/21 and Revised Internal Audit Plan 2020/21
- Quarterly updates from Internal Audit re opinions / performance
- Standing Order 24 (Urgent Decisions) and Waiving of Contract Standing Orders quarterly reports
- Treasury Management report and updates
- Corporate Risk Register quarterly updates
- Draft and Final 2019/20 Financial Statements, including the Annual Governance Statement
- 6 monthly updates on Internal Audit low assurance opinions
- Audit Wales reports

11.12 The Council has established anti-fraud, bribery and corruption arrangements which provide a deterrent, promote detection, identify a clear pathway for investigation and encourage prevention. These include procedures designed to combat money-laundering, the anti-fraud, bribery and corruption policy and the whistleblowing policy. The revised Anti-Fraud, Bribery and Corruption Statement was approved by Cabinet in April 2021.

11.13 Internal Audit operate to the standards set out in the Public Sector Internal Audit Standards (PSIAS) and its role and status is set out in the Council's Internal Audit Charter. The Chief Internal Auditor is accountable to the Head of Finance and the Audit Committee. As required under the PSIAS the Newport City Council Internal Audit team underwent an external quality assessment during 2017/18. The report (issued March 2018) stated that Internal Audit were 'generally compliant' with the PSIAS.

11.14 The Chief Internal Auditor reports, in his own name, to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's internal control environment, governance arrangements and risk management processes.

11.15 29 Internal Audit opinions were issued in 2020/21. The overall opinion on the adequacy of the internal control environment for 2020/21 was **REASONABLE (in 2019/20 the opinion was Reasonable)**.

	2018-19	2019-20	2020-21
Good	10	7	5
Reasonable	27	19	23
Unsatisfactory	10	6	1
Unsound	1	0	0
<b>Total</b>	<b>48</b>	<b>32</b>	<b>29</b>

11.16 Management have agreed to implement the action points in order to address the weaknesses identified and Internal Audit will follow this up. 71% of agreed management actions for 2019/20 had been implemented by management.

11.17 Reasons why the outcome of some internal audit reviews were deemed to be unsatisfactory were presented to Audit Committee. The Audit Committee has the power to call in a Head of Service and Cabinet Member to hold them to account for addressing required improvements to the internal control environment within their service area. Examples of this occurring during 2020/21 include:

- The Chief Education Officer, November 2020, with regards Members' concerns around an Unsatisfactory Audit Opinion of Gwent Music;
- The Head of Children and Young Peoples' Services, November 2020, with regards a second consecutive Unsatisfactory Audit Opinion of SGO/ Kinships

Assurance was provided by all those who attended Audit Committee that improvements will be made in the examined areas which will result in a future improvement in the internal control environment and resulting internal audit opinion.

### **Managing Data**

11.18 Following adoption of the Information Risk Management Policy in 2013 the Council has defined roles and responsibilities for information risk as:

- The Senior Information Risk Owner (SIRO) has high level responsibility for controls relating to information security and the role is undertaken by the Head of Law & Regulation (independent of operational responsibilities);
- Information Asset Owners (IAO's) must effectively manage the information assets that they own;
- The Information Management team are the operational lead on information governance in conjunction with the IT Service (SRS);
- The Information Governance Group provides a high level management overview of information governance;
- The Council's Information Risk Register is maintained by the Information Management team to document and manage risks, reported annually.

11.19 The Annual Information Risk Report 2019/20 Draft was presented to the Information Governance Group May's meeting and endorsed by Cabinet Member for Community and Resources December 2020.

11.20 There is a Council policy on information sharing along with numerous information sharing protocols with our partners. Information sharing is key to joined up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Newport signed up to this in January 2011. The Council is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 2018. The Information Sharing Policy has been developed to ensure information is only shared appropriately, safely and compliantly.

11.21 Through Internal and External Audit reviews the quality and accuracy of data used in decision making and performance monitoring is reviewed.

## **Strong public financial management**

- 11.22 The Council ensures that its financial management supports both long term achievement of the strategic objectives and outcomes while ensuring that short-term financial and operational performance is monitored. This is completed through the approval of a Medium Term Financial Plan and Capital Programme which are reviewed on a regular basis by Cabinet. On a short term basis, the individual service area budgets are monitored on a risk based programme by Accountancy.
- 11.23 The Council has a Budget Management System which promotes responsible and good financial management across all service areas of the Council. This system allows officers to highlight and explain any financial risks and controls.

## **12 Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

### **Implementing good practice in transparency**

- 12.1 The Council looks to ensure that all reports and communications are in clear English and in a style which is easily understandable. All reports can be accessed via the democracy pages on the Council's website using the modern.gov platform. The Council ensures that the provisions of the Welsh Language Standards are met with its communication to residents.
- 12.2 All reports are required to have comments from the Monitoring Officer, Chief Financial Officer and the Head of People & Business Change. These 3 Officers ensure that reports strike the correct balance to ensure the right amount of information is provided to satisfy transparency demands and to enhance public scrutiny. They also ensure that reports are not too onerous and in a language which the users can understand.

### **Implementing good practices in reporting**

- 12.3 All service areas are required to report annually on performance, value for money and the stewardship of resources through the service plan reviews, which also have a mid year review by Scrutiny.
- 12.4 All service plans, risks, budgets and performance measures have a designated responsible officer along with the appropriate Head of Service and Cabinet Member.
- 12.5 The Council has arrangements through this Annual Governance Statement for ensuring robust arrangements for assessing the extent to which the principles contained in the Code of Corporate Governance Framework have been applied to demonstrate good governance.
- 12.6 The Council's Code of Corporate Governance was revised during 2019/20 and approved by Cabinet in April 2021.
- 12.7 The preparation of the Council's financial statements are completed as soon as possible after year end and to the deadlines agreed with Audit Wales. Both the publication of the Draft and Final 2019/20 end of year accounts met these deadlines.

## Assurance and effective accountability

- 12.8 Any recommendations made by the Council's external auditors (Audit Wales) are acted upon. Each report contains an action plan and is presented to and monitored by the appropriate scrutiny committee. An end of year 'lessons learnt' exercise was completed for the 2019/20 account closure process and this was reported to the Audit Committee in November 2020.
- 12.9 The Council has an Internal Audit service which has unrestricted access to all personal, documentation and premises of the Council. The Chief Internal Auditor also has unrestricted access to the Chair of the Audit Committee, Chief Executive and Leader of the Council if required. These provisions are set within the Council's Financial Regulations (part of the agreed Constitution) and are also included within the Internal Audit Charter.
- 12.10 An Internal Audit follow up review of Corporate Governance across the organisation will be undertaken during 2021/22.
- 12.11 The Council welcomes all challenge, reviews and inspections from regulatory bodies. A number of external bodies have provided reports on the Council's activities during 2020/21 including Audit Wales, the Care Inspectorate for Wales (CIW) and Her Majesty's Inspector of Education & Training in Wales (ESTYN). The Council looks to implement all recommendations arising from these reports to ensure the necessary controls and improvements are made for the benefit of the citizens of Newport.
- 12.12 When working in partnership the Council ensures that arrangements for accountability are clear, whether this is through a memorandum of understanding or contract being in place. This is to ensure that wider public accountability is met.

## 13 Action Plan

- 13.1 Based on our review of the governance framework, the following issues need to be addressed during 2021/22 to further improve and strengthen the governance arrangements and their effectiveness in future years.

### 2019/20 Action Plan

Issue	Action	Responsible Officer
6.8 Key statutory positions are currently filled as soon as possible, even if that is on a temporary, interim basis.	To ensure all statutory posts within the Council are appointed to following an open and transparent recruitment process.  <i>Progress to date:</i>  Chief Executive and Democratic Services Manager posts have been appointed to.	Head of People & Business Change

	The Strategic Leadership team is subject to review.	
7.15 Consultation and Engagement Policy requires review	To review the required policy and seek appropriate approval.  <i>Progress to date:</i>  To be reviewed as part of the implementation plan for the Local Govt. & Elections Act during 2021/22.	Head of Law & Regulation
12.6 The Council's revised Code of Corporate Governance needs to formally approved.  [b/f from 2018/19]	The Council's Code of Corporate Governance will be considered by Audit Committee before taking to Cabinet for approval during 2020/21  <i>Progress to date:</i>  Code of Corporate Governance approved by Cabinet April 2021	Chief Internal Auditor
12.7 Once approved the revised Code of Corporate Governance needs to be communicated to all jointly managed and shared service organisations.	Communicate the revised Code of Corporate Governance to all jointly managed and shared service organisations and that assurance on compliance is received for the Annual Governance Statement 2020/21.  <i>Progress to date:</i>  Action to be taken in 2021/22	Head of Finance Chief Internal Auditor
12.11 Action needs to be taken in response to the 'Corporate Governance' Unsatisfactory Internal Audit report (Draft at 31/3/20).	Management to agree a response to the report and ensure concerns are addressed.  <i>Progress to date:</i>  Management actions agreed, Internal Audit to undertake a follow up audit in 2021/22.	Head of People & Business Change  Head of Law & Regulation

<p>[b/f from 2018/19]</p> <p>The established anti-fraud, bribery and corruption policy statement required review. This was endorsed by the Audit Committee.</p>	<p>The revised anti-fraud, bribery and corruption policy statement to be taken through Cabinet, approved and published on the NCC website. Staff to be made aware via internal communications.</p> <p><i>Progress to date:</i></p> <p>Anti-fraud, bribery and corruption policy statement approved by Cabinet April 2021</p>	<p>Chief Internal Auditor</p>
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**14 Conclusion**

13.1 In conclusion during 2020/21 the Coronavirus pandemic did not lead to significant internal control or governance issues which impacted on the overall review of effectiveness. This will be monitored during 2021/22 and reviewed as part of Internal Audit work and future Annual Governance Statements.

13.2 We propose over the coming year to continually monitor and review the projects within each service area to mitigate and manage these risks to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed: .....Date..... 2021**

**Councillor Jane Mudd, Leader of Newport City Council**

**Signed: ..... Date..... 2021**

**Beverly Owen, Chief Executive of Newport City Council**

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## Certification of Grants and Returns 2019-20 – Newport City Council

Audit year: 2019-20

Date issued: May 2021

Document reference: 2423A2021-22

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

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# Contents

## **Certification of Grants and Returns 2019-20 – Newport City Council**

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# Summary

- 1 Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, arrange to certify claims and returns (referred to as grant claims hereafter).
- 2 For 2019-20 we certified four grant claims with a total value of £120.5 million. This is a reduction on the ten grant claims certified in 2018-19 with a total value of £146.9 million, largely due to the Welsh Government removing the requirement for certification of grants issued to Newport City Council (the Council) from 2019-20 onwards.
- 3 The Council's arrangements for the production and submission of its 2019-20 grant claims were impacted by the change in working environments caused by the COVID-19 pandemic. The Council submitted three out of four grant claims (75%) late compared with three out of ten late claims (30%) in 2018-19, as detailed in the table below:

Grant Claim	Deadline	Date Submitted to Grant Paying Body	Days Late	Date Submitted to Audit Wales	Days Late
Teachers' Pension Return	31/05/2020	01/06/2020	1	07/09/2020	99
National Non-Domestic Rates	29/05/2020	29/05/2020	N/A	30/06/2020	32
Housing Benefit Subsidy	30/04/2020	30/04/2020	N/A	12/05/2020	12
S28a Annual Voucher	30/09/2020	N/A	N/A	30/09/2020	N/A

- 4 **Our Housing Benefit Subsidy certification work has, for the third consecutive year, identified several errors and issues as outlined within our Qualification Letter to the Department for Work and Pensions (DWP).** Given the issues encountered, certification work on this grant claim was only recently finalised in April 2021.
- 5 The total audit cost of certifying all the claims was approximately £56,000, with approximately £40,000 of this cost relating to the Housing Benefit Subsidy claim. A detailed breakdown of costs is provided in paragraph 7 below.
- 6 Recommendations have been raised for the Housing Benefit Subsidy claim in the 'Recommendations' section of this report.
- 7 Our overall cost for the certification of grants and returns for 2019-20 is £55,907, compared to the estimate provided to you in our 2020 Audit Plan of £60,000. A breakdown of costs is provided below along with the estimated fee for 2020-21 (although the Council will only be charged the actual cost of certification each year):

Breakdown of cost by grant / return	2018-19	2019-20	2020-21 (Estimate)
Housing Benefit Subsidy	£39,992	£39,986	£40,000
Teachers' Pension Return	£6,961	£6,672	£6,500
National Non-Domestic Rates	£3,297	£2,376	£2,500
Section 28a Annual Voucher	£2,512	£1,320	£1,500

<b>Breakdown of cost by grant / return</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21 (Estimate)</b>
Grant Planning, Management and Review	£10,072	£5,553	£5,500
<b>Total cost</b>	<b>£62,834</b>	<b>£55,907</b>	<b>£56,000</b>

# Certification work outcomes

- 8 Three claims were qualified in 2019-20 (six in 2018-19). A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved by adjusting the claim, or where further clarification should be provided to grant-paying bodies. In these circumstances, the relevant grant-paying body may require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.
- 9 A summary of the key outcomes from our certification work on the Council's 2019-20 grant claims is provided below, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

Key information	2018-19	2019-20
Grant claims certified	10	4
Claims qualified with no amendment	4	1
Claims qualified and amended	2	2
Claims unqualified but amended	2	1
Claims unqualified with no amendment	2	0

	Claim	Value of Claim	Certification Status	Reason for Qualification / Amendment	Other Comments
1	Housing Benefit Subsidy	£44,578,091	Qualified and Amended  (2018-19: Qualified)	<p><b>Qualification</b> The Housing Benefit Subsidy was qualified on the following items:</p> <ul style="list-style-type: none"> <li>A. insufficient supporting information in relation to 'Bed &amp; Breakfast' rates and Periods of Occupancy. Extrapolated Error amount £63,451; and</li> <li>B. incorrect classification of expenditure (Cells 012 and 013) resulting due to user error. Extrapolated Error amount £38,238.</li> </ul> <p><b>Amendments</b> The Housing Benefit Subsidy claim was amended for several issues, with amendments ranging from £10 to £13,625. Issues related to:</p> <ol style="list-style-type: none"> <li>1. meal deductions</li> <li>2. fuel deductions</li> <li>3. out of area LHA rates</li> <li>4. number of bedrooms</li> <li>5. calculation of overpayments</li> <li>6. assessed income figure</li> </ol> <p><b>Observations</b> In line with DWP guidance, we also made observations on the following issues:</p>	<p>The Housing Benefit Subsidy return does not have a de-minimis reporting level. As such, matters of any value must be either amended or reported in a Qualification Letter.</p> <p>The amended claim results in a net increase of subsidy due to the Council of £3,000.</p> <p>However, our two qualifications may reduce the total subsidy due to the Council by £243,000 – more than the sum of the errors due to the way the claim is calculated. It will be for the Department for Work and Pensions (DWP) to determine what action it wishes to take following receipt of our Qualification Letter.</p>

	Claim	Value of Claim	Certification Status	Reason for Qualification / Amendment	Other Comments
				<ul style="list-style-type: none"> <li>i. double subsidy cap;</li> <li>ii. tenancy types;</li> <li>iii. incorrect classification of expenditure (Cells 014 and 015); and</li> <li>iv. incorrect prior year adjustments.</li> </ul> <p>Due to the nature of how these issues were identified, DWP guidance stipulates that amendments are not required for these items in the current year. However, additional testing will potentially be required over these areas.</p>	
2	Teachers' Pensions	£16,432,566	Qualified and Amended  (2018-19: Qualified)	<p><b>Qualification</b> Items raised in the Qualification Letter were:</p> <ul style="list-style-type: none"> <li>1. the return submitted for audit was not approved by the Responsible Finance Officer;</li> <li>2. some of the entries on the return did not agree to the Council's payroll reports;</li> <li>3. there were several small differences in the calculation of pension contributions in the return; and</li> <li>4. five instances where teachers' contributions were deducted at a lower rate than required.</li> </ul>	<p>The Teachers' Pensions return does not have a de-minimis reporting threshold. As such, matters of any value identified during audit work must be reported in a Qualification Letter.</p> <p>The amended return increases the contributions payable by the Council by £2,984.</p>

	Claim	Value of Claim	Certification Status	Reason for Qualification / Amendment	Other Comments
				<b>Amendments</b> The claim was amended for the above qualification matters (other than item 3).	
3	Section 28a Annual Voucher	£2,094,510	Qualified  (18-19 Qualified)	<b>Qualification</b> The s28A agreements between Aneurin Bevan University Health Board and Newport City Council have not been signed by Aneurin Bevan University Health Board. However, the form and content of the agreements were in line with previous years' agreements.	No impact on overall grant due to the Council.
4	National Non-Domestic Rates	£57,399,801	Amended (2018-19 Unqualified and no amendments)	<b>Amendment</b> The 'bad debts' line was amended due to formula errors in a supporting spreadsheet.	The amended return decreases the amount payable by the Council by £422,552.
	<b>Total</b>	<b>£120,504,968</b>			

# Recommendations relating to the Housing Benefit Subsidy return

- 10 The certification work on the Housing Benefit Subsidy has, for the third consecutive year, identified a number of issues – many of which will need to be followed-up as part of our 2020-21 Housing Benefit Subsidy certification.
- 11 These issues and the corresponding additional work required have led to certification work going beyond the audit deadlines set by DWP and has increased audit costs. In each of the past 3 years, extensions to the deadlines were required by the Council and granted by DWP.
- 12 Recommendations have been raised for those areas which have had the most impact on the potential loss of income to the Council, on audit time, and consequently the audit fee. While these recommendations summarise the actions required at a high level, more detailed information on these issues has been provided to the Housing Benefits team to allow them to review and respond appropriately in future years.

## Recommendation 1: Quality/accuracy of supporting information

### Findings

Our audit of the Housing Benefit Subsidy return identified numerous issues with the supporting information provided to corroborate the details of sampled cases. In particular, we identified issues with the following areas:

- Accuracy of details from the Housing Needs team, who supply information to the separate Housing Benefits team for compilation of the return. This information relates to areas such as Bed and Breakfast invoices and rates, lengths of stay and number of bedrooms (for leased properties). Our work identified that these details (shared by the Housing Needs team via internal records or spreadsheets) often do not agree to corroborating

<b>Recommendation 1: Quality/accuracy of supporting information</b>	
	<p>external evidence or are sometimes not readily available for the Housing Benefits team to review themselves during the year.</p> <ul style="list-style-type: none"> <li>Confirmation of details such as the names of residents, the lengths of stay and the cost per stay for block-booked Bed and Breakfast accommodation (such accommodation is often more cost-effective for the Council to block-book up front, and it continues to do so in 2020-21). As these details were often not readily available, we were unable to determine, in many cases, the exact amount of Housing Benefit subsidy due to the Council.</li> </ul>
<b>Priority</b>	High
<b>Recommendation</b>	<p>The Council should:</p> <ul style="list-style-type: none"> <li>Ensure that information shared by the Housing Needs team to the separate Housing Benefits team is timely, accurate and corroborated by external evidence.</li> <li>Liaise closely with block-booked Bed and Breakfast providers to ensure that all relevant details required to compile the Housing Benefit Subsidy return have been confirmed and can be corroborated with external evidence.</li> </ul>
<b>Benefits of implementing the recommendation</b>	Resolving these issues would likely have a significant positive impact on our audit of this return – reducing the volume and cost of our work (as fewer discrepancies would result in less audit testing overall) as well as reducing the number of amendments to the return and potential reductions in subsidy due to the Council.

<b>Recommendation 1: Quality/accuracy of supporting information</b>	
<b>Accepted in full by management?</b>	Yes
<b>Management response</b>	<p>We will work with the Housing Needs team to implement both these recommendations. We are hopeful that this can be done for the 21/22 financial year but 20/21 will prove more difficult. Numerous properties were taken on to house street homeless due to the COVID epidemic and we have been advised by Housing Needs that the required third-party evidence could prove difficult to obtain.</p> <p>We will:</p> <ul style="list-style-type: none"> <li>• discuss these recommendations further with Housing Needs with a view of formulating an action plan for 21/22 claims; and</li> <li>• undertake an exercise for claims paid in 20/21, prior to the audit, with a view of substantiating the financial cost of claims paid without the necessary evidence.</li> </ul>
<b>Implementation date</b>	September 2021

<b>Recommendation 2: Common errors identified during the audit</b>	
<b>Findings</b>	<p>Our work identified a number of common errors made by assessors within the Housing Benefit team. In particular, we identified the following:</p> <ul style="list-style-type: none"> <li>• Errors in classification between emergency/temporary accommodation costs that are reimbursed via Housing Benefit Subsidy, and those that are borne directly by the Council (costs are only reimbursed by Housing Benefit subsidy up to a set limit in each case).</li> <li>• Incorrect use of 'local housing allowance' rates applicable to non-self-contained accommodation claims (the allowance is based on the location of the property – different Council areas attract different rates of allowance).</li> </ul>
<b>Priority</b>	High
<b>Recommendation</b>	The Council should ensure that its Housing Benefit assessors are informed of the errors made in recording cases, and their potential impacts on the Housing Subsidy return.
<b>Benefits of implementing the recommendation</b>	As for the recommendation above, reducing the frequency of these errors could significantly reduce the level and cost of audit work required each year and any impacts on the level of Housing Benefit subsidy due to the Council.
<b>Accepted in full by management?</b>	Yes

**Recommendation 2: Common errors identified during the audit**

<b>Management response</b>	<ul style="list-style-type: none"><li>• Refresher training on correct subsidy classification will be provided to the appropriate staff; and</li><li>• the 2020/21 subsidy claim has already been checked for incorrect LHA rates but again relevant training will be provided to the appropriate staff.</li></ul>
<b>Implementation date</b>	Immediate

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galwadau ffôn yn Gymraeg a Saesneg.





# Report

## Governance and Audit Committee

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### Part 1

Date: 27 May 2021

Item No: 10

**Subject** Internal Audit Annual Report 2020/21

**Purpose** To inform the Members of the Council's Governance and Audit Committee of:

- i) the overall opinion on the internal controls of the City Council for 2020/21;
- ii) Internal Audit's progress against the agreed audit plan;
- iii) Internal Audit's performance against local performance indicators.

**Author** Chief Internal Auditor

**Ward** General

**Summary** Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

This report has been prepared in accordance with the Public Sector Internal Audit Standards. It gives an overall opinion on the adequacy and effectiveness of the City Council's internal controls during 2020/21, which was **Reasonable** - Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.

For 2020/21 the overall opinion has been based on the approved revised Internal Audit plan 2020/21 (September 2020) which was for the last 6 months of the year. Audit work undertaken in the first 6 months of 2020/21 was very limited due to the Covid-19 pandemic; the team were involved in extensive counter fraud work and supporting TTP. The full year plan was based on delivering 1208 audit days; the revised plan was based on delivering 626 audit days. Reliance on previous years' audit work has also been taken into consideration in arriving at this year's opinion in that there have been no significant systems or staff changes.

The second part of the report relates to the performance of the Internal Audit Section and how well its key targets in the year were met. 78% of the approved revised audit plan was completed for the second part of the year against a target of 82%.

**Proposal** That the Annual Internal Audit Report 2020/21 and overall Audit Opinion be noted and endorsed by the Council's Governance and Audit Committee

**Action by** The Governance and 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. Internal Audit is an independent, objective, assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources.
2. In line with the Public Sector Internal Audit Standards, this is the Chief Internal Auditor's formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment; a summary of the work completed during the year and the performance of the Internal Audit team.

### Overall Audit Opinion

3. The level of assurance that can be placed on the internal controls operating effectively for 2020/21 is "**Reasonable**" (**Appendix A**).

4. The opinion for the internal financial controls operating within the Council in 2020/21 is:

We have undertaken our internal audit work for the year ending 31/03/2021 in accordance with the revised audit plan agreed by the Head of Finance and approved by the Council's Audit Committee on 28<sup>th</sup> September 2020. The plan was designed to ensure adequate coverage over the year of the Council's accounting and operational systems.

Our audit work included reviews, on a sample basis, of each of these systems / establishments sufficient to discharge the Head of Finance's responsibilities under section 151 of the Local Government Act 1972 and The Accounts and Audit (Wales) Regulations 2014. The opinion is based upon the work undertaken. We planned and performed our work to obtain the information necessary to provide us with sufficient evidence to give us reasonable assurance of the internal control systems tested.

The audit work undertaken was in line with the revised audit plan which related to the last 6 months of 2020/21, as minimal audit work could be undertaken in the first 6 months due to the Covid-19 pandemic. Audit knowledge of previous systems and processes in place at NCC was also taken into consideration in arriving at this opinion, where there had been very little change to key systems or personnel within the organisation.

Based on this work, in my view the internal controls in operation are **Reasonable**. The opinion expressed relates in part to the systems and areas reviewed during the year.

Andrew Wathan  
Chief Internal Auditor  
April 2021

### Audit Opinions Issued

5. The definition of the audit opinions used are shown at **Appendix A**. Internal audit reports provide a balanced view of the controls in place and record strengths and weaknesses.
6. The opinions given to individual audit reviews are shown at **Appendix B**. In summary the following opinions were issued following audit reviews:

	2017/18	%	2018/19	%	2019/20	%	2020/21	%
Good	11	28	10	22	7	22	5	17
Reasonable	23	58	27	57	19	60	23	80
Unsatisfactory	6	14	10	19	6	18	1	3
Unsound	0	0	1	2	0	0	0	0
<b>Total</b>	<b>40</b>	<b>100</b>	<b>48</b>	<b>100</b>	<b>32</b>	<b>100</b>	<b>29</b>	<b>100</b>

Overall Opinion	Reasonable	Reasonable	Reasonable	Reasonable
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7. In addition to planned work the team also undertook “special investigation” reviews. 4 special investigations were undertaken during 2020/21; some were ongoing from previous years and some are continuing. These reviews are typically time intensive and on occasions difficult to prove.
8. Planned work not completed by the year end is noted in **Appendix C**, based on the revised audit plan for the last 6 months of the year.
9. Work was also undertaken during the year which did not warrant an audit opinion on the control environment but demonstrates where Internal Audit is adding value. This is shown at **Appendix D** as Non Opinion Work.

### Key Issues

10. Where unacceptable levels of risk have been identified Heads of Services and their service managers have the responsibility for addressing the situation.
11. It is pleasing to note that 5 “**Good**” audit opinions were issued during the year:
  - Council Tax
  - Strategic Comms
  - Early Years
  - Main Accounting System
  - Parks & Outdoor Recreation

12. 23 “**Reasonable**” audit opinions were issued

13. However, 1 “**Unsatisfactory**” audit opinion was issued:

- Newport City Dogs Home

14. For the second year running there were no “**Unsound**” audit opinions issued during 2020/21.
15. A summary of the issues identified in the above **Unsatisfactory** audit report has already, or will be reported to the Governance and Audit Committee separately:

	Previously reported to Governance and Audit Committee	Due to be reported to Governance and Audit Committee
Newport City Dogs Home	Yes – March 2021	

Impact of Covid-19

16. At the start of March 2020, indications were that the Internal Audit team would have completed 82% (target percentage) of the audit plan. However, the disruption caused by the Coronavirus outbreak during March initially hampered the team’s ability to contact clients as resources were being dedicated to ensure front line services remained operational.
17. The disruption continued into 2020/21 with the IA team unable to undertake most of their planned work due to services prioritising their staff to deliver front line services, many sites being closed and the restrictions imposed on visiting premises as a result of the pandemic. Hence the reason for taking a Revised Audit Plan to, and getting it approved by, Governance and Audit Committee in September 2020 for the last 6 months of 2020/21. The Audit team were involved with extensive counter fraud work as a result of the Welsh Government business grants which were administered by the Council and also supported the TTP process.
18. Much of the original planned audit work for 2020/21 which was not undertaken will be carried forward into the 2021/22 Audit plan.
19. During the year the Internal Audit team had to work from home; some having to balance work and childcare responsibilities as schools were closed for much of the year. Key staff in some service areas were unavailable due to Covid-19. To minimise the spread of the virus the corporate decision was that staff had to work from home.

Additional Resource

20. In order to partially cover the vacancy and to back fill for the Principal Auditor acting up to Audit Manager for part of the year and the ongoing Principal Auditor vacancy, an external resource was brought in to undertake specific audits. The Internal Audit team engaged the services of the South West Audit Partnership (SWAP); they were contracted to complete 7 audit jobs in the 2020/21 Audit Plan:

Audit Job
Corporate Governance
Frailty Service (Reablement)
Flying Start

Newport Live (Partnership Arrangements)
Complaints Handling
Home to School Transport
Additional Learning Needs

#### Implementation of Agreed Management Actions

21. During the year the team sought assurance from operational managers that previously agreed management actions to improve the internal control environment and reduce the level of risk had been implemented. This related to 2019/20 finalised audit reports.
22. Not all responses had been received; we therefore have not got full assurance that all agreed management actions have been implemented. This will be followed up in 2021/22 and reported back to Governance and Audit Committee in due course.
23. There are insufficient resources within the team to follow up all audit reports issued to test that all of the agreed management actions have been implemented at an operational level; the Internal Audit team therefore have to rely on the integrity of managers to provide accurate feedback on whether or not they have implemented the actions they agreed.

#### National Fraud Initiative (NFI)

24. The Internal Audit Team is responsible for co-ordinating the NFI process for the Council, an initiative run by the Cabinet Office. This is a biennial data matching exercise that matches electronic data within and between participating bodies to detect and prevent fraud and overpayments from the public purse across the UK. On an annual basis Council Tax and Electoral Role data is collated and matched.
25. NCC data has been uploaded for the current exercise (October 2020) and matches have been returned from the Cabinet Office. Internal Audit and service areas will review the matches and verify their legitimacy, reporting any issues as fraud as necessary to the Chief Internal Auditor.

#### The Way Forward

26. Managers of the service areas need to ensure that robust internal controls are in place and adhered to in order to ensure that the systems in operation run efficiently and effectively and the scope for misappropriation, theft or error is minimised. Heads of Service have a responsibility to ensure that the Council's Financial Regulations are complied with at an operational level. Staff should be made aware of the Financial Regulations and the requirements therein and the consequences of non-compliance.
27. Internal Audit currently run seminars on what Financial Regulations and Contract Standing Orders mean, why they are in place, what they are about and to whom they relate. 4 sessions were delivered to 40 delegates during 2020/21.
28. Adequate financial procedures need to be put in place and disseminated to all concerned to make sure that they are complied with to ensure systems and processes are run as intended by management. Agreed management actions stated in audit reports should be implemented to eliminate or reduce the weakness and minimise the risk.

Performance of the Internal Audit Section 2020/21 (Appendix F), based on 6 months of the year and the revised audit plan.

29. Despite not having a full complement of staff for the whole year;
- 78% of the approved audit plan was completed against a target of 82%;
  - Draft reports were issued within 8 days of completion;
  - Final reports were issued within 3 days of receiving management comments;
30. The Audit Team had an establishment of 8 staff (including the Chief Internal Auditor); 1 vacancy in the team; 1 long term sickness returned to work on a phased return in September 2020.
31. During 2020/21 the team was supported by SWAP (South West Audit Partnership) who undertook planned audit reviews to cover reduced resources.
32. Many of the managers within the Council also call upon the Audit Section for financial advice which is generally reactive. This can have an impact on planned audit reviews.
33. Governance and Audit Committee Members regularly comment on the adequacy of the Internal Audit resources. Audit staff resources have been reduced over the last few years which means that fewer audit jobs can be undertaken in the audit plan which results in the provision of less assurance across all service areas.
34. With a full complement of staff, the audit resource is only just about sufficient to provide assurance on the Council's internal control environment, but given the experiences of staff changes in the last couple of years, the Chief Internal Auditor will have to monitor the situation closely and use a range of options to ensure appropriate audit coverage is provided. The Chief Internal Auditor will endeavour to provide adequate and appropriate audit coverage throughout the Council although prioritisation is required, given the reduced resources within the team.
35. The current level of resources is just about adequate to meet the continuing needs of service led demands. However, the level of resources needs to be assessed in line with Internal Audit's ongoing involvement with The Measure, performance indicators, the changing risk profile of the Council and auditing grant claims not reviewed by the external auditor.

Developments

36. The Chief Internal Auditor has continued in his dual role acting in that capacity for Newport City Council and Monmouthshire County Council. This is a permanent arrangement.
37. Where unfavourable audit opinions are issued it is the Head of Service's responsibility to inform their respective Cabinet Member of the situation and ensure that appropriate action is taken to address the issues identified.
38. During 2017/18 the Internal Audit team had its self-assessment against the Public Sector Internal Audit Standards externally validated. The outcome was that the team is Generally Compliant, which is the highest level of achievement. The report and subsequent action plan was reported to Governance and Audit Committee in September 2018; progress against this action plan will be reported to Governance and Audit Committee separately.

## Financial Summary

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

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
Costs (Income)					
Net Costs (Savings)					
Net Impact on Budget					

## Risks

40. If Members are not involved in the endorsing the Annual Audit Report it would weaken the overall governance arrangements of the Council and be non-compliant with the Public Sector Internal Audit Standards, which therefore, could be subject to adverse criticism from the external auditor, currently Audit Wales.

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?
Members not involved with audit reporting process	M	L	Internal Audit attend all Governance and Audit Committee meetings and present reports on a regular basis	Chief internal Auditor

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

41. 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, hence Improving People's Lives.

- 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

42. This is a factual report and therefore there are no specific options to be considered. The annual report provides 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.
43. The Governance and Audit Committee is asked to note progress on delivery of the revised audit plan and the annual audit opinion given to date and ask questions, make observations and recommendations, as necessary.

### **Preferred Option and Why**

44. Option (1) as it is requirement of the Public Sector Internal Audit Standards and ensures good governance.

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

45. I can confirm that I have been consulted on the Annual Audit Report 2020/21 and have no additional comments.

### **Comments of Monitoring Officer**

46. The Annual Report is in accordance with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. The report confirms that adequate and effective internal financial controls are in place to ensure that the Council complies with its financial duties. The second part of the report puts the work of the Audit Section into context within the Council's Performance Management Framework and again highlights the effectiveness of the work undertaken by this service area.

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

47. There are no other specific HR issues arising as a result of the report. 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 and meets the requirements of the Well-being of Future Generations Act (2015). Efficient and effective use of resources within agreed parameters is required if the Council is to operate in a sustainable way and within the principles of the Act – long term, integration, prevention, collaboration and involvement. Audit activity should ensure that the Council is working to achieve the correct balance between meeting these requirements, managing short and medium term financial challenges and well managed risk.

### **Comments of Cabinet Member**

48. Not applicable.

### **Local issues**

49. No local issues.

### **Scrutiny Committees**

50. Not appropriate.

## **Equalities Impact Assessment**

51. Not required.
52. 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.
53. As this is an annual report on performance and audit opinions there is no need for an Equalities Impact Assessment. All audits are undertaken in a non-discriminatory manner.

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

54. Not appropriate.

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

55. In compiling this report the principles of this Act have been considered:
- Long term: The Internal Audit workload is based on an annual operational plan supported by a 5 year strategic plan
  - Prevention: Internal Audit identify strengths and weaknesses within the control environment of Newport City Council; addressing the weaknesses gives management the opportunity of preventing gaps in service provision getting worse. This should also minimise the potential for fraud, theft, loss or error.
  - Integration: Internal Audit opinions provide an objective opinion on the adequacy of the internal control environment in operation and support sound stewardship of public money.
  - Collaboration: Internal Audit work with operational managers to develop an appropriate action plan in order to address identified concerns.
  - Involvement: Heads of Service and Senior Managers are invited to contribute to the audit planning process each year in order to prioritise audit resources.

## **Crime and Disorder Act 1998**

56. The work undertaken by Internal Audit should minimise potential fraud, corruption, theft or misappropriation within the Council. Allegations of potential criminal activity will be investigated and reported to the police where appropriate.

## **Consultation**

57. Not appropriate.

## **Background Papers**

58. 2020/21 Approved Revised Internal Audit Plan.

Dated:

## Appendix A - Audit Opinions used in 2020/21

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

## APPENDIX B

Overall Council Opinion for 2020/21 is **Reasonable**

	17/18	18/19	19/20	20/21
<b>Good</b>	11	10	7	5
<b>Reasonable</b>	23	27	19	23
<b>Unsatisfactory</b>	6	10	6	1
<b>Unsound</b>	0	1	0	0
	40	48	32	29

### Internal Audit – Management Information 2020/21

Job number	Service Area	Section or Team	Job Title	Risk Rating / Priority	Final / Draft	Opinion given
P2021-P3	Finance	Income Collection	Council Tax	High	Final	Good
P2021-P39	Law & Regulation	Democratic Services & Communications	Strategic Communications	Medium	Draft	Good
P2021-P68	Education Services	Resources & Planning	Early Years	High	Final	Good
P2021-RP1	Finance	Accountancy	Main Accounting System	Medium	Final	Good
P2021-RP5	City Services	Environment & Leisure	Parks & Outdoor Recreation	Medium	Final	Good
P2021-P2	Finance	Accountancy	Schools Finance	High	Draft	Reasonable
P2021-P5	Finance	Procurement & Payments	Contract Management	High	Draft	Reasonable
P2021-P6	Finance	Procurement & Payments	Purchasing Cards (Transactions)	Medium	Final	Reasonable
P2021-P13	People & Business Change	Human Resources	Payroll CAATs	High	Draft	Reasonable
P2021-P14	People & Business Change	Human Resources	Recruitment & Selection	High	Final	Reasonable
P2021-P23	Children & Young People Services	Resources	Adoption Allowances (Follow-up)	Medium	Draft	Reasonable
P2021-P24	Children & Young People Services	Resources	SGO/Kinship Payments (Follow Up)	Medium	Draft	Reasonable
P2021-P26	Children & Young People Services	Safeguarding	Safeguarding (LADO)	High	Draft	Reasonable

Job number	Service Area	Section or Team	Job Title	Risk Rating / Priority	Final / Draft	Opinion given
P2021-P28	Children & Young People Services	General	Control Risk Self-Assessments	Medium	Final	Reasonable
P2021-P36	Adult & Community Service	General	Control Risk Self-Assessments	Not applicable	Final	Reasonable
P2021-P42	Law & Regulation	Public Protection	Neighbourhood (CCTV)	Medium	Draft	Reasonable
P2021-P49	RI&H	Development Services	Planning Applications	Medium	Final	Reasonable
P2021-P53	RI&H	Housing, Regeneration & Property	Commercial & Industrial Property Portfolio (Follow-Up)	High	Final	Reasonable
P2021-P57	City Services	Customer Services	Complaints Handling	Medium	Draft	Reasonable
P2021-P59	City Services	Environment & Leisure	Grounds Maintenance (Follow-Up)	High	Final	Reasonable
P2021-P63	City Services	Highways & Engineering	Street Lighting	Medium	Draft	Reasonable
P2021-P85	Education Services	General - Schools	Control Risk Self-Assessments	Medium	Final	Reasonable
P2021-RP2	Law & Regulation	Legal	Corporate Admin Team	Medium	Final	Reasonable
P2021-RP4	RI&H	Culture, Libraries & Community Learning	Museum & Art Gallery	Medium	Final	Reasonable
P2021-RP6	City Services	Highways & Engineering	Home to School Transport	High	Draft	Reasonable
P2021-RP7	Education Services	Inclusion	Additional Learning Needs	High	Draft	Reasonable
P2021-RP8	Education Services	Inclusion	Bridge Achievement Centre (Follow-Up)	Medium	Final	Reasonable
P2021-RP10	Finance	Procurement & Payments	Purchasing Cards (Co19 Transactions)	High	Draft	Reasonable
P2021-RP3	Law & Regulation	Public Protection	Newport City Dogs Home	Medium	Final	Unsatisfactory
P2021-P72	Education Services	Education Grants	Education Improvement Grant (SIG) 2019/20	Medium	Final	Qualified
P2021-P73	Education Services	Education Grants	Pupil Deprivation Grant 2019/20	Medium	Final	Qualified
P2021-P33	Adult & Community Services	Service Development & Commissioning	Supporting People Programme Grant (Finances)	Medium	Final	Unqualified

<b>Job number</b>	<b>Service Area</b>	<b>Section or Team</b>	<b>Job Title</b>	<b>Risk Rating / Priority</b>	<b>Final / Draft</b>	<b>Opinion given</b>
P2021-P34	Adult & Community Services	Service Development & Commissioning	Homelessness Prevention Grant (Rough Sleeping)	Medium	Final	Unqualified
P2021-P45	Law & Regulation	Public Protection	Scambusters Grant Claim (2019/20)	Medium	Final	Unqualified

CAATS – Computer Assisted Audit Techniques

SWCAG – South Wales Chief Auditors Group

## APPENDIX C

### 2020/21 audit jobs in the plan which were not completed (16)

Job number	Service Area	Section or Team	Job Title	Risk Rating / Priority
P2021-P11	People & Business Change	Digital Services	Payment Card Industry Data Security Standards (PCI DSS) (Follow Up)	High
P2021-P18	People & Business Change	Policy & Partnership	Risk Management	High
P2021-P25	Children & Young People Services	Resources	Forest Lodge (was Cambridge House)	Medium
P2021-P27	Children & Young People Services	General	Children & Families Imprest Account (Follow-Up)	High
P2021-P31	Adult & Community Services	Integrated Teams	Mental Health Service	High
P2021-P43	Law & Regulation	Public Protection	Neighbourhood (CSW)	Medium
P2021-P51	RI&H	Housing, Regeneration & Property	Private Sector Housing	Medium
P2021-P52	RI&H	Housing, Regeneration & Property	Newport Norse (Follow-Up)	High
P2021-P60	City Services	Highways & Engineering	Highways (Follow-Up)	High
P2021-P74	Education	Primary Schools	Gaer Primary	Medium
P2021-P75	Education	Primary Schools	Malpas Park Primary	Medium
P2021-P76	Education	Primary Schools	Rogerstone Primary	Medium
P2021-P79	Education	Primary Schools	Malpas Church in Wales Primary	Medium
P2021-P81	Education	Secondary Schools	Ysgol Gyfun Gwent Is Coed	Medium
P2021-P83	Education	Secondary Schools	Caerleon Comprehensive (Follow-Up)	High
P2021-RP12	People & Business Change	Policy & Partnership	Covid-19 Response	High

## Appendix D – Non opinion audit work 2020/21

Job number	Service Area	Section or Team	Job Title
P2021-P7	Finance	General	Annual Governance Statement
P2021-P8	Finance	General	National Fraud Initiative (NFI)
P2021-P9	Finance	General	Financial Advice
P2021-P10	Finance	General	Follow up of Agreed Management Actions 2019/20
P2021-P20	People & Business Change	General	Financial Advice
P2021-P21	People & Business Change	General	Financial Regulations Training
P2021-P22	People & Business Change	General	Follow up of Agreed Management Actions 2019/20
P2021-P29	Children & Young People Services	General	Financial Advice
P2021-P30	Children & Young People Services	General	Follow up of Agreed Management Actions 2019/20
P2021-P37	Adult & Community Services	General	Financial Advice
P2021-P38	Adult & Community Services	General	Follow up of Agreed Management Actions 2019/20
P2021-P46	Law & Regulation	General	Financial Advice
P2021-P47	Law & Regulation	General	Follow up of Agreed Management Actions 2019/20
P2021-P54	RI&H	General	Financial Advice
P2021-P55	RI&H	General	Follow up of Agreed Management Actions 2019/20
P2021-P65	City Services	General	Financial Advice
P2021-P66	City Services	General	Follow up of Agreed Management Actions 2019/20
P2021-P69	Education	Engagement & Learning	Gwent Music Support Service (Interim Follow-Up)
P2021-P86	Education	General - Schools	Deficit Budget Project
P2021-P87	Education	General - Schools	Schools Financial Regulations Training / Cluster Meetings
P2021-P88	Education	General	Financial Advice
P2021-P89	Education	General	Follow up of 2019/20 Agreed Management Actions
P2021-RP9	Finance	Income Collection	Covid-19 Business Rate Grants & Fraud Prevention
P2021-RP11	People & Business Change	Human Resources	iTrent System Development

**Appendix E - Performance Indicators 2020/21 - Newport City Council - Internal Audit Section**

	2018/19 Actual	2019/20 Actual	2020/21 Target	2020/21 Actual
Proportion of planned audits complete	83%	76%	82%	78%
Directly chargeable time against total time available	62%	58%	55%	N/A
Directly chargeable time against planned	91%	88%	100%	N/A
Proportion of Special Reviews responded to within 5 days	100%	100%	100%	N/A
Continue to train staff in all Service Groups/Areas on best financial practice – Number of sessions delivered	9	7	6	6
Staff turnover rate	1	0	0	0
Promptness of draft report issue: end of fieldwork to draft report issue date	11 days	5 days	10 days	8 days
Promptness of report finalisation: client response to final report issue date	3 days	2 days	5 days	3 days

N/A - Due to the disruption of Covid -19 during 2020/21, data was not recorded to enable these PIs to be calculated.

# Report

## Governance and Audit Committee

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### Part 1

Date: 27<sup>th</sup> May 2021

Item No: 11

**Subject** Internal Audit Annual Plan 2021/22

**Purpose** To inform Members of the Council's Governance and Audit Committee of the Internal Audit Section's Operational Audit Plan for 2021/22.

For the Governance and Audit Committee to comment on as appropriate and approve the 2021/22 Operational Internal Audit Plan.

**Author** Chief Internal Auditor

**Ward** General

**Summary** Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, effective and efficient use of the Council's resources.

The attached report is the Operational Internal Audit Plan for 2021/22 based on an assessment of risk and available audit resources for the 12 months of the financial year. The plan is based on delivering 1084 audit days.

Covid19 significantly impacted on Internal Audit and its ability to deliver the original full year plan in 2020/21; following discussions with Heads of Service we are optimistic about completing this year's plan in line with expected targets, provided the team can reconvene planned site visits and Covid-19 restrictions are lifted.

The Council's Section 151 Officer has the legal responsibility for the provision of Internal Audit.

**Proposal** That the Internal Audit Annual Plan 2021/22 be noted and approved by the Council's Governance and Audit Committee

**Action by** The Governance and 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 Governance and Audit Committee of the work to be undertaken by the Internal Audit Section at an operational level for 2021/22. It identifies why the Council operates an Internal Audit function, the resources currently available and how they will be applied across the services of Newport City Council to give management assurance that systems are working as intended.
2. The plan has been compiled from cumulative audit knowledge and experience, with reference to the Corporate Plan, Service Plans, Newport's Corporate Risk Register, Budget and Medium Term Revenue Plans and external audit reports along with previous history of known problems, issues or risks. The views and concerns of service area management teams have also been incorporated into prioritising workloads for the audit planning process. Heads of Service have been afforded the opportunity to contribute to the drafting of the plan.
3. As a result of Covid-19, audit work has been re-prioritised in conjunction with Heads of Service. Audits planned in 2020/21 which were not undertaken have been included within this year's plan.
4. The Head of Finance is, for the purposes of Section 151 of the 1972 Local Government Act, responsible for the proper administration of the Council's financial affairs. More specifically, The Accounts and Audit (Wales) Regulations 2014 require that the relevant body maintains an adequate and effective internal audit function. Under the direction of the Chief Internal Auditor, the Internal Audit Section at Newport City Council undertakes this provision on behalf of the Head of Finance.
5. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It provides assurance or otherwise to management.
6. An organisation as diverse as the City Council has many internal systems which require appropriate controls. Each of these systems can be considered appropriate for internal audit review along with the Council's establishments. However, it is not considered appropriate to review all systems every year so they are undertaken on a cyclical basis, prioritised by way of a risk assessment approach (high, medium or low priority). The attached audit plan (**Appendix 1**) shows a summary of how the Internal Audit resource will be allocated across service areas. The more detailed plan (**Appendix 2**) shows how the systems operated and services provided within all service areas will be covered during the year.
7. The operational plan takes account of available audit resources and an allowance for financial training and advice; special investigations have also been included. Allowances for non-productive days such as post entry training, general training, holidays, sickness and professional studies have been made in arriving at the number of available audit days for 2021/22 (**Appendix 3**). Total days available at the outset amounted to 2072 days, less non-productive days, leaves 1084 days available to undertake audit work.
8. The timing of each review in the 5-year cycle depends on an assessment of the risk that each system poses for the Council, Service Area and Section. A number of factors are taken into account when assessing risk, but it should be stressed that management are responsible for managing that risk, and are best placed to identify the risk in the first place. Accordingly, the views of the management teams within each service area have been sought when compiling this plan and incorporated where appropriate.
9. Although Internal Audit has limited resources (establishment of 7.5 staff including the Chief Internal Auditor), the aim is to provide as much coverage of the Council's systems and establishments as

possible. The audit resources have been significantly reduced over the last few years which leads to less coverage across service areas which will have an impact on the level of assurance the audit team can give to senior management on the adequacy of sound financial management / internal control / governance / risk management across the Council.

10. The revised Internal Audit plan has been circulated to Heads of Service to ensure the risk profile determined by the audit management team is right. Heads of Service have welcomed the opportunity to contribute to the audit planning process and view it as a positive move forward.
11. The initial plan for the year always starts off as a “long-list” of what work we should be covering in that particular year. In an ideal world these are the audits the team should be undertaking in 2021/22 based on the strategic plan. The long list is further risk assessed with audit work prioritised. This plan is based on 1084 available audit days.
12. We then have to balance the plan with the resources we have available the best we can. The 2021/22 operational plan aims to cover the areas stated within the given time allocations but professionally I feel that the plan will provide assurance to managers on the effectiveness of their internal controls and safeguard the assets of the Authority whilst covering the key risks. Time allocations per review are also tight but have been set to provide as much coverage as possible within service areas. External support will be brought in to deliver the audit plan and cover the existing vacancy.
13. The UK was subject to the Pandemic, Covid-19, late February early March 2020. Work in the Council was prioritised to deliver essential front line services which meant Internal Audit was unable to undertake its normal duties early in 2020/21. Following discussions with Heads of Service and optimism that Covid-19 restrictions will be lifted later in the year we are optimistic that there will be less disruption to this year’s plan
14. Agreed management actions of previous audit reports will be followed up during 2021/22; this will identify the progress managers have made on addressing weaknesses in internal control; i.e. have the agreed management actions been implemented? This could impact on the coverage planned for other systems within service areas. This will be reported back to the Governance and Audit Committee.
15. From time to time the risk profile or priority of audit workload or service area may change so the planning process needs to be flexible enough to accommodate this. Where significant changes to the operational plan are required, the matter will be reported to the Head of Finance for approval; this will subsequently be reported to the Governance and Audit Committee. Internal Audit’s performance against this plan will continue to be reported to the Governance and Audit Committee on a regular basis.
16. Ultimately, the Audit Team has to undertake sufficient work across the whole Authority to enable the Chief Internal Auditor to give an overall annual audit opinion, and hence assurance, on the adequacy of the internal control environment of the systems operated within the Council.
17. With collaboration, change and efficiency reviews on the horizon, across the whole Council, the Audit Team will need to be flexible enough and adaptable to respond to changing priorities within the Council in order to provide the assurances required. The Chief Internal Auditor will continue to provide the same service to Monmouthshire CC, in collaboration.

## **Risk Analysis**

18. The risks that the Council face are many and varied. A number of factors have been taken into consideration in compiling both the operational one-year plan and the strategic plan; financial budgets, previous audit work, The Measure, history of fraud, theft, misappropriation or non-compliance, changes in systems, changes in key personnel, along with concerns of management. A risk assessment exercise is undertaken in compiling the audit plan.

19. The audit workload needs to be prioritised to ensure appropriate coverage is given in all service areas and that assurance can be given that Council and service area objectives are being achieved. This is helped with Heads of Service and their senior managers being involved with the process and contributing to the risk profile assessment as a collaborative exercise with Internal Audit.
20. Grant income and external funding is becoming more prominent within the finances of the Council; from time to time, Internal Audit may be requested to audit some grants, therefore, a limited number of days have been included in the Internal Audit planning process.
21. In the Audit Section's continual efforts to ensure that Council 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 has been incorporated in the audit plan. Heads of Service have noted that this is a positive step and encourage their staff to attend.
22. A requirement of the Accounts and Audit (Wales) Regulations 2014 is that an Annual Governance Statement needs to be included with the Statement of Accounts; this covers corporate governance, performance measurement and risk management as well as internal financial control. The Chief Internal Auditor will continue to be involved with collating and co-ordinating the relevant information to support this statement, although the preparation of the statement should be a corporate responsibility. The draft Annual Governance Statement will go through CMT for comment and approval before being presented into the Statement of Accounts.
23. An allocation of time has been included in the plan for special investigations and unplanned work which members of the team may get involved with during the year. These could range from allegations of fraud or theft to non-compliance with Contract Standing Orders. The allocation has been fairly consistent over the last few years; for 2021/22 the allocation is 150 days:

	Allocation of days	Actual days
2017/2018	200	70
2018/2019	180	64
2019/2020	150	151
2020/2021	150	N/A
2021/2022	150	-

### **Provision of Internal Audit - Opportunities**

24. There is a potential change to the way audit services are delivered across South Wales with shared services on the agenda following the Williams Report. This could be seen as an opportunity for Newport Internal Audit team especially as the Chief Internal Auditor currently provides the same service to a neighbouring local authority. This will continue into 2021/22.
25. The team are using current technology to undertake audits in a variety of ways which could lead to more efficient ways of working.

### **Independence**

26. Independence is achieved through the organisational status of Internal Audit and the objectivity of internal auditors. In order to ensure the objective nature of audit reviews is not compromised, Internal Audit must be seen to be demonstrably independent of all managerial influence. Within Newport City Council this is achieved as follows:

- the Chief Internal Auditor is responsible for the control and direction of Internal Audit;
- the Chief Internal Auditor has a duty to report direct to the Chief Executive and the Leader of the Council on any matter which he feels appropriate, in particular where the Head of Finance appears to be personally involved;
- individual audit reports are sent to service managers and Heads of Service as appropriate in the name of the Chief Internal Auditor; and
- the Chief Internal Auditor submits an annual report to the Governance and Audit Committee giving an overall opinion on the adequacy of internal controls operated within the Council.

## Audit Opinion

27. At the end of each audit review an audit opinion is given on the adequacy of the internal controls operated within that system or establishment. Taking into account strengths and weaknesses, the current suite of opinions ranges from good through to unsound:

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

28. In line with CIPFA's best practice guidelines, the audit opinions and their definitions may change in 2021/22. Following extensive consultation CIPFA have decided to promote a standard set of opinions to be used by all internal audit teams across the public sector within the UK, although this has not yet been formally agreed. Further information will be presented to Governance and Audit Committee later in 2021/22.

29. 59 audit opinion and 23 non-opinion jobs have been incorporated within the 2021/22 Plan.

## Structure

30. The Internal Audit Section comprises of two teams each led by an Audit Manager both reporting directly to the Chief Internal Auditor. The section has an establishment of 7.5 and is responsible for auditing all of the Council's systems and establishments including the payroll functions for 6,000+ staff. Actual FTE is currently 6.5.

## Resources

31. Consideration has been given to the appropriate level of resources for Internal Audit at Newport City Council. The current establishment of 7.5 staff remains just about adequate for the current level of assessed risk as outlined above; a greater audit resource could provide a greater assurance to management and allow the section to be even more responsive to changing priorities and risk profiles throughout the year. Any unplanned absences such as long term sickness,

secondments or prolonged special investigations could significantly affect the audit plan as cover is limited.

32. If the risk profile of the Council significantly changes or if more investigations into allegations of Council staff are required than were planned for, then consideration will need to be given to increasing the resources of the Internal Audit team in order to maintain the current level of service provided.
33. It has been difficult to prioritise workload for 2021/22; after discussions with senior management teams in the service areas, in particular Social Services and Education Services, it was evident that a lot more audit coverage was required than the team is resourced up to deal with.

### **Staffing & Training**

34. The Section is supported by staff on a range of grades with appropriate professional qualifications including part qualified and fully qualified accountants and auditors. The staff have considerable experience of working within the local authority and audit environment. The Chief Internal Auditor, Andrew Wathan, is a qualified CIPFA accountant (Chartered Institute of Public Finance and Accountancy) and has extensive working knowledge of external and internal audit practices within the public sector. Andrew's management team consists of two professionally qualified Audit Managers, one CIPFA qualified and one ACCA qualified. One member of staff is a Certified Internal Auditor (Institute of Internal Auditors) and others in the team are part qualified, either IIA, ACCA or AAT.
35. Audit management will continue to support professional and work related training in order to enhance the Section's effectiveness in service delivery in line with the Council's management expectations and the Public Sector Internal Audit Standards. This will ensure that all staff are kept up to date with developments in auditing techniques and changes within local government which may impact on the provision of the service.
36. The team normally arranges technical audit training on behalf of the South Wales Chief Auditors' Group throughout the year which Newport's Internal Audit staff have the opportunity of attending. These sessions are run on a breakeven basis. This will be reviewed during 2021/22.

### **External Auditor Relations**

37. The Council's external auditor is Audit Wales. The Internal Audit team has developed a good working relationship with the team and will continue to do so to work jointly, share good practice and avoid duplication. They will also continue to assess Internal Audit against the standards to ensure that a professional and effective service is being provided.
38. The Chief Internal Auditor will continue to ensure compliance with the Public Sector Internal Audit Standards.

### **Service Areas**

39. Many of the managers within the Council call upon the Internal Audit Section for financial advice which is incorporated within the plan. Audit staff are more than willing to offer any help and assistance they can to ensure that operations are undertaken properly but this also has an impact on planned audit reviews where time allocations are exceeded.
40. As a service to all levels of management, it is important that Internal Audit is seen as contributing positively to managers undertaking their responsibilities. These are wide ranging but include the prevention of fraud and corruption and securing the efficient and effective delivery of services; part of management obligations under the Council's Financial Regulations.

## Impact of Covid-19

41. The pandemic struck Wales mid February, early March 2020. All Council staff were advised to work from home from the 18th March 2020. This meant the Internal Audit Team had to change the way it operated for the year end and for the start of the new financial year.
42. As per the Internal Audit Annual Report 2019/20, we were unable to complete all work as planned as service areas re-prioritised their staff and workloads, staff became unavailable, meetings and site visits were cancelled and requests came in to postpone ongoing audit work.
43. Generally in Q1 of our audit plan the team are finalising reports in draft at year end, completing audit jobs which were ongoing at year end but draft reports had not been issued, picking up carried forward jobs from the previous year and starting new year audit jobs. In order to undertake audit work effectively and efficiently we need the co-operation of service managers and the staff in their service areas to accommodate site visits, meetings and provide relevant documentation.
44. Internal Audit staff are still working from home as per Corporate directives; we are optimistic about returning to the office and undertaking site visits later this year subject to the lifting of the Covid-19 restrictions.

## Financial Summary

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

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
Costs (Income)					
Net Costs (Savings)					
Net Impact on Budget					

## Risks

46. If Members are not involved in the process of endorsing the annual Internal Audit Plan then this weakens the governance arrangements and would be non-compliant with the Public Sector Internal Audit Standards, which could then be subject to adverse criticism from the external auditor, currently Audit Wales.

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?
Members not involved in approving the IA Annual Plan	M	L	The Chief Internal Auditor reports regularly into Governance and Audit Committee so its Members are	Chief Internal Auditor

			aware of the obligations of the Internal Audit and its plans	

\* Taking account of proposed mitigation measures

### Links to Council Policies and Priorities

47. The work of Internal Audit supports all of the Council's priorities and plans.

### Options Available

48. (1) That the Annual Internal Audit Plan for 2021/22 be approved, subject to any amendments suggested by the Governance and Audit Committee.

### Preferred Option and Why

49. Option (1) as it is requirement of the Public Sector Internal Audit Standards.

### Comments of Chief Financial Officer

50. I can confirm that I have been consulted on the Revised Annual Internal Audit Plan 2021/22 and have no additional comments.

### Comments of Monitoring Officer

51. There are no specific legal issues arising from the report, which sets out the revised operational Internal Audit plan for 21/22 and identifies the specific areas of audit work that will be carried out, having regard to the corporate risk profile and available staffing resources. The Council has a statutory duty under the Accounts and Audit (Wales) Regulations 2014 to ensure that it has adequate and effective financial management and a sound system of internal control, which is reviewed regularly. The Governance and Audit Committee has responsibility under the Local Government (Wales) Measure 2011 to keep under review the Council's risk management, internal control and corporate governance arrangements and to oversee the work of the internal audit team. Therefore, Governance and Audit Committee are required to consider the revised operational plan and satisfy themselves that the annual work programme to be undertaken by the internal audit team is sufficient to discharge this responsibility.

### Comments of Head of People and Business Change

52. Due to the Covid-19 outbreak the Council has had to reassess its strategic priorities and resources. As the Council is moving towards recovery, new / emerging opportunities and risks will need to be considered as part of the audit plan to ensure the Council has adequate internal controls, governance and risk management processes in place. The involvement of the Council's Corporate Management Team to support the Internal Audit team to effectively undertake their role is vital to provide necessary assurance, advice and guidance to meet our statutory duties and protect public finances. This plan will also ensure that the Council can meet its requirements under the Wellbeing of Future Generations Act and ensure sustainable development can meet short and long term objectives of the Council.

### Comments of Cabinet Member

53. Not applicable.

## Local issues

54. No local issues.

## Scrutiny Committees

55. Not appropriate

## Equalities Impact Assessment

56. 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.

57. As this is an annual report on planned audit work there is no need for an Equalities Impact Assessment. All audits are undertaken in a non-discriminatory manner.

## Children and Families (Wales) Measure

58. Not appropriate.

## Wellbeing of Future Generations (Wales) Act 2015

59. In compiling this report the principles of this Act have been considered:

- Long term: The Internal Audit workload is based on an annual operational plan supported by a 5-year Strategic Plan
- Prevention: Internal Audit identify strengths and weaknesses within the control environment of Newport City Council; addressing the weaknesses gives management the opportunity of preventing gaps in service provision getting worse. This should also minimise the potential for fraud, theft, loss or error.
- Integration: The delivery of the Internal Audit Plan is aligned with the Council's strategic and operational objectives, risks and statutory requirements. Internal Audit opinions provide an objective opinion on the adequacy of the internal control environment in operation and support sound stewardship of public money. Internal Audit will work with external audit and other regulatory providers to avoid duplication.
- Collaboration: Internal Audit work with operational managers to develop an appropriate action plan in order to address identified concerns.

- Involvement: Heads of Service and Senior Managers are invited to contribute to the audit planning process each year in order to prioritise audit resources.

## **Crime and Disorder Act 1998**

60. The work undertaken by Internal Audit should minimise potential fraud, corruption, theft or misappropriation within the Council. Allegations of potential criminal activity will be investigated and reported to the police where appropriate.

## **Consultation**

61. Not appropriate

## **Background Papers**

62. 2020/21 Internal Audit quarterly reports, Corporate Plan, Corporate Risk Register, Service Plans.

Dated:

APPENDIX 1

<b>Internal Audit Services</b>		
<b>Revised Operational Audit Plan for 2021/22</b>		
<b>Service Area</b>	<b>Number of days</b>	<b>Percentage of plan</b>
Finance	140	13%
People & Business Change	121	11%
Law & Regulation	86	8%
Children & Young People Services	141	13%
Adult Services	74	7%
City Services	105.5	10%
Regeneration, Investment & Housing	75	7%
Education Services	186.5	17%
External – SWCAG Training Programme	5	0%
Special Investigations	150	14%
<b>Total Days for Operational Plan</b>	<b>1084</b>	<b>100.00%</b>

<b>Service Grouping</b>	<b>Number of days</b>	<b>Percentage of plan</b>
<b>Chief Executive</b>		
Corporate Services	347	32%
<b>People</b>		
Social Services	215	20%
Education Services	186.5	17%
<b>Place</b>		
City Services & Regeneration	180.5	17%
Other	155	14%
<b>Total Days for Operational Plan</b>	<b>1084</b>	<b>100.00%</b>

## APPENDIX 2

### INTERNAL AUDIT PLAN – 2021/22

The plan will be reviewed and updated where necessary during 2021/22.

### INTERNAL AUDIT SERVICES - AUDIT PLAN 2021/22

Finance		Last Review	Risk	2021/22 Days
<b>Accountancy</b>				
	Main Accounting System	-		
	~ Budgetary Control (Revenue)	2014/15	H	20
	Place & Corporate Accountancy	Never	M	15
<b>Income Collection</b>				
	National Non Domestic Rates (NNDR)	2018/19	M	15
<b>Strategic Procurement</b>				
	Strategic Procurement	-		
	~ Gateway Process (incl. Excepted Contracts)	2017/18	H	20
	Creditors CAATs	2018/19	M	15
	Purchasing Cards (Transactions)	2018/19	M	10
<b>General</b>				
	Annual Governance Statement	Annual		10
	National Fraud Initiative (NFI)	Annual		15
	Financial Advice	Annual		10
	Follow up of Agreed Management Actions 2020/21	Annual		5
	Finalisation of 2020/21 Audits	Annual		5
<b>Total Planned Days for Finance</b>				<b>140</b>

People & Business Change		Last Review	Risk	2021/22 Days
<b>Digital Services</b>				
	Document Services	-		
	~ Telephony	2014/15	M	8
	Information Management	-		
	~ Payment Card Industry Data Security Standards (PCI DSS) (Follow Up)	2016/17	H	8
<b>Human Resources</b>				
	Employment Services	-		
	~ iTrent	2011/12	H	15
	~ HR/Payroll CAATs	2018/19	M	15
<b>Partnership Support</b>				
	Performance Management	Never		
	~ Performance Indicators (Data Quality)	2018/19	M	20
	Risk Management	2018/19	H	20
<b>General</b>				
	Corporate Governance (Follow-Up)	Annual	H	10
	Financial Advice	Annual		8

	Financial Regulations Training	Annual		10
	Follow up of Agreed Management Actions 2020/21	Annual		4
	Finalisation of 2020/21 Audits	Annual		2.5
<b>Total Planned Days for People &amp; Business Change</b>				<b>121</b>

<b>Children &amp; Young People Services</b>		<b>Last Review</b>	<b>Risk</b>	<b>2021/22 Days</b>
<b>Children's Teams</b>				
	Children With Disabilities	2012/13	M	20
<b>Child Protection &amp; Family Support</b>				
	Integrated Family Support Service	2012/13	M	20
<b>Resources</b>				
	Residential	-		
	~ Forest Lodge	2015/16	M	11
	~ Rose Cottage	Never	M	15
<b>Safeguarding, Quality Assurance &amp; Child Protection</b>			H	20
	Adult Safeguarding	-		
	Children's Safeguarding	-		
	Corporate Safeguarding	2017/18		
	Quality Assurance	Never		
<b>Youth Justice &amp; Preventions</b>				
	Youth Offending Service	Never	M	20
<b>General</b>				
	Children & Families Imprest Account (Follow-Up) 2020/21	Annual	H	7
	Control Risk Self-Assessments	Annual	M	3
	Financial Advice	Annual		8
	Follow up of Agreed Management Actions 2020/21	Annual		4
	Finalisation of 2020/21 Audits	Annual		13
<b>Total Planned Days for Children &amp; Young People Services</b>				<b>141</b>

<b>Adult &amp; Community Services</b>		<b>Last Review</b>	<b>Risk</b>	<b>2021/22 Days</b>
<b>Integrated Teams</b>				
	Mental Health Service	Never	H	20
<b>First Contact</b>				
<b>Managed Care</b>				
<b>Service Development &amp; Commissioning</b>				
	Commissioning & Contracts			
	~ Non-Residential Care Provider Payments	2015/16	H	20
	Supporting People	2013/14		
	~ Housing Support Grant	2020/21	M	6
	~ Homelessness Prevention Grant	2020/21	M	1

<b>Care &amp; Support Services</b>				
	Residential Services	-		
	~ Blaen-y-Pant	<b>2016/17</b>	<b>M</b>	<b>15</b>
<b>General</b>				
	Control Risk Self-Assessments	<b>Annual</b>		<b>3</b>
	Financial Advice	<b>Annual</b>		<b>6</b>
	Follow up of Agreed Management Actions 2020/21	<b>Annual</b>		<b>3</b>
	Finalisation of 2020/21 Audits	Annual		
<b>Total Planned Days for Adult &amp; Community Services</b>				<b>74</b>

<b>Law &amp; Regulation</b>		<b>Last Review</b>	<b>Risk</b>	<b>2021/22 Days</b>
<b>Democratic Services</b>				
<b>Electoral Registration</b>				
<b>Legal</b>				
	Insurances	<b>2015/16</b>	<b>M</b>	<b>15</b>
	Litigation	<b>2012/13</b>	<b>M</b>	<b>15</b>
<b>Public Protection</b>				
	Environmental Health			
	- Neighbourhood - CSW	<b>2015/16</b>	<b>M</b>	<b>15</b>
	Consumer Protection			
	- Licensing (Taxi)	<b>2013/14</b>	<b>M</b>	<b>15</b>
	- Scambusters Grant Claim 2020/21	<b>Annual</b>	<b>M</b>	<b>7</b>
	- Newport City Dogs Home Follow Up	<b>2019/20</b>	<b>H</b>	<b>8</b>
<b>Registration Services</b>				
<b>General</b>				
	Financial Advice	<b>Annual</b>		<b>4</b>
	Follow up of Agreed Management Actions 2020/21	<b>Annual</b>		<b>1</b>
	Finalisation of 2020/21 Audits	<b>Annual</b>		<b>6</b>
<b>Total Planned Days for Law &amp; Regulation</b>				<b>86</b>

<b>Regeneration, Investment &amp; Housing</b>		<b>Last Review</b>	<b>Risk</b>	<b>2021/22 Days</b>
<b>Community Regeneration</b>			<b>H</b>	<b>20</b>
<b>Development Services</b>				
	Building Control	<b>2013/14</b>	<b>M</b>	<b>15</b>
<b>Culture, Libraries and Community Learning</b>				
<b>Housing, Regeneration &amp; Property</b>				
	Housing Needs			
	- Private Sector Housing (Leasing)	<b>2009/10</b>	<b>M</b>	<b>15</b>

	Housing Renewals			
	Newport Norse (Joint Venture) Follow Up 2020/21	2020/21	H	4
	Integrated Property Unit			
	- Carbon Reduction Commitment	2013/14	H	15
<b>General</b>				
	Financial Advice	Annual		4
	Follow up of Agreed Management Actions 2020/21	Annual		2
	Finalisation of 2020/21 Audits	Annual		
<b>Total Planned Days for Regeneration, Investment &amp; Housing</b>				<b>75</b>

City Services		Last Review	Risk	2021/22 Days
<b>Customer Services</b>				
	Benefits			
	- Housing Benefits	2018/19	H	15
<b>Environment &amp; Leisure</b>				
	Bereavement Services			
	- Gwent Crematorium	2016/17	M	15
<b>Highways &amp; Engineering</b>				
	Highways Maintenance			
	- Highways (follow up) 2020/21	2020/21	H	6.5
	- SDR Contract	Never	M	10
	- Street Works	2016/17	M	15
	Transport			
	- Vehicle Usage & Trackers (follow up)	2018/19	H	8
	- Passenger Transport Unit - Taxi Contracts Follow Up	2018/19	H	8
<b>Waste &amp; Cleansing</b>				
	Landfill Site			
	- Waste Disposal Site	2011/12	M	15
<b>General</b>				
	Financial Advice	Annual		5
	Follow up of Agreed Management Actions 2020/21	Annual		2
	Finalisation of 2020/21 Audits	Annual		6
<b>Total Planned Days for City Services</b>				<b>105.5</b>

Education Services		Last Review	Risk	2021/22 Days
<b>Resources &amp; Planning</b>				
	21st Century Schools Capital Programme	Never	H	15
<b>Engagement &amp; Learning</b>				
<b>Inclusion</b>				
	Pupil Exclusions	Never	M	15
<b>Education Grants</b>				
	Education Improvement Grant (SIG) 2020/21	Annual	M	5

	Pupil Development Grant 2020/21	Annual	M	5
<b>Nursery Schools</b>				
	Kimberley Nursery Closure / Amalgamation	2016/17	M	6
<b>Primary Schools</b>				
	Gaer Primary	2012/13	M	10
	Malpas Park Primary	2012/13	M	10
	Rogerstone Primary	2012/13	M	10
	Marshfield Primary	2013/14	M	10
	St Mary's RC Primary	2013/14	M	10
	Malpas Church in Wales Primary	2013/14	M	10
	St Joseph's RC Primary	2013/14	M	10
<b>Secondary Schools</b>				
	Ysgol Gyfun Gwent Is Coed	Never	M	12
	Caerleon Comprehensive Follow up	2018/19	H	8
<b>Special Schools</b>				
	Ysgol Bryn Derw	Never	M	12
<b>Other - School Related</b>				
	CRSA's / Healthcheck - Secondary / Primary / Nursery	Annual	M	12
<b>General</b>				
	Schools Financial Regulations Training / Cluster Meetings	Annual		4
	Financial Advice	Annual		17
	Follow up of Agreed Management Actions 2020/21	Annual		3
	Finalisation of 2020/21 Audits	Annual		2.5
<b>Total Planned Days for Education Services</b>				<b>186.5</b>

TOTAL AUDIT DAYS	929
EXTERNAL - SWCAG TRAINING PROGRAMME	5
SPECIAL INVESTIGATIONS	150

TOTAL PLANNED AUDIT DAYS	1084
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Total number of jobs in Audit Plan	82
Number of opinion related audit jobs	59
Number of non-opinion related audit jobs	23

	No' of jobs	No' of days
Financial Advice	8	62
Follow up Agreed Management Actions 20/21	8	24
Finalisation of 20/21 work	6	35

CAATS – Computer Assisted Audit Techniques

SWCAG – South Wales Chief Auditors Group

**APPENDIX 3 Internal Audit Resources 2021/22**

Original starting point:  
Available Audit Days:

Establishment	7.5	
Actual FTE's in IA Team	6.5	
Total Days Available 20/21	2072	
Less leave, sickness, training, management, admin	990	
Total Audit Days Available	<b>1084</b>	52% of total days available
Special Investigations	150	
Operational Audit Days	<b>934</b>	

# Report

## Governance and Audit Committee

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### Part 1

**Date:** 27 May 2021

**Item:** 12

**Subject** **SO24/Waiving of Contract Sos: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract Sos (Quarter 4, Jan to March)**

**Purpose** To inform Members of the use of Standing Order 24 or the Waiving of Contract Standing Orders in recent decisions taken by Cabinet and Cabinet Members.

**Author** Governance Team Leader

**Ward** General

**Summary** This report provides details of decisions on the use of Standing Order 24 (decisions taken urgently) or the Waiving of Contract Standing Orders for the above period.

In consideration of this report, Members are reminded that they are not questioning the merits of the decisions taken but are focussing on why decisions were taken as urgent or why contract standing orders needed to be waived.

**Proposal** **The Committee is asked to consider whether the reasons for the urgency/waiving of contract standing orders are properly reflected in the documentation supporting each decision. Members may wish to invite Cabinet Members to attend a meeting of the Committee should they consider this not to be the case.**

**Action by** Audit Committee

**Timetable** Immediate

This report was prepared after consultation with:

- Head of Law & Regulation
- Head of Finance
- Chief Internal Auditor

## **Background**

Details of the decisions taken by Cabinet/Cabinet Members during the above period are set out in the table below, together with a commentary from the Chief Internal Auditor. Copies of the report giving rise to the decision are attached.

In this section you must set out all necessary information to allow Councillors to take an informed decision. You will need to put forward the case to support your proposals.

## **Financial Summary**

The cost implications of the decisions were set out in the original reports to the Cabinet Members. There are no cost implications of the Committee's consideration of this report.

## **Risks**

Scrutiny of these matters by the Committee is an important means of ensuring that the reasons for the urgency or waiving of Contract Standing Orders were properly addressed in the decision making process and that decisions are transparent.

## **Options Available / Preferred Option and Why**

The Committee is asked to consider whether the reasons for the urgency/waiving of contract standing orders are properly reflected in the documentation supporting each decision. Members may wish to invite Cabinet Members to attend a meeting of the Committee should they consider this not to be the case.

## **Comments of Chief Financial Officer**

See original reports attached.

## **Comments of Monitoring Officer**

See original reports attached.

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

See original reports attached.

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

See original reports attached.

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

See original reports attached.

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

See original reports attached.

## **Consultation**

See original reports attached.

	<b>Subject</b>	<b>Decision &amp; Date</b>	<b>Reason for Urgency/Reason to waive Contract Standing Orders</b>	<b>Comments of Chief Internal Auditor</b>
1	<p>Chair of Cabinet and Leader of the Council</p> <hr/> <p>National Non-Domestic Rates: Discretionary Relief: Retail, Leisure and Hospitality Rate Relief Scheme 2021-22</p>	18 March 2021	<p>Business rate bills are soon to be issued for 2021-22 and payments will start becoming due in early April 2021. It is therefore vital that the business rate relief is applied as soon as possible to these businesses so that a correct bill can be issued for 2021-22, and to relieve the financial burden of making rate payments at a time when they are still facing restrictions on trading.</p>	<p>The report is not specific about the reason for the urgency for the decision to be made although in the Appendix it states the Welsh Government Minister made the relevant decision on the 3<sup>rd</sup> March 2021.</p> <p>Subsequently I have verified that NCC were made aware of this decision on the 16<sup>th</sup> March 2021, hence the justification for the urgent decision.</p>
2	<p>Chair of Cabinet and Leader of the Council</p> <hr/> <p>National Non-Domestic Rates: Discretionary Relief: Enhanced Hospitality and Leisure Rates Relief Scheme 2020-21 and 2021-22</p>	18 March 2021	<p>Business rate bills are soon to be issued for 2021-22 and payments will start becoming due in early April 2021. It is therefore vital that the business rate relief is applied as soon as possible to these businesses so that a correct bill can be issued for 2021-22, and to relieve the financial burden of making rate payments at a time when they are still facing restrictions on trading.</p> <p>In addition the lateness in the year of the Welsh Government issuing the scheme for 2020-21 means that it has to be adopted and applied to rate account before the end of financial year.</p>	<p>The report is not specific about the reason for the urgency for the decision to be made although in the Appendix it states the Welsh Government Minister made the relevant decision on the 3<sup>rd</sup> March 2021.</p> <p>Subsequently I have verified that NCC were made aware of this decision on the 16<sup>th</sup> March 2021, hence the justification for the urgent decision.</p>

## Background Papers

The following documentation is provided as background to the above decisions:

**Cabinet Member for**

- Decision Schedule attached as **Appendix A**
- Report attached as **Appendix B**

Dated: 27 May 2021

# Decision Schedule

## Leader of the Council

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### TO ALL MEMBERS OF NEWPORT CITY COUNCIL

#### Decision Schedule published on 18 March 2021

The Leader of the Council took the following decision on 18 March 2021. It will take immediate effect. The reason for the urgency being that this report must be considered urgent due to the Covid-19 coronavirus situation, a number of businesses are prohibited from trading, others have seen their trade drastically reduced. In response, Welsh Government has issued details of a fully funded scheme to give 100% rate relief for one year for businesses occupying properties in the retail, leisure or hospitality industry.

Business rate bills are soon to be issued for 2021-22 and payments will start to become due in early April 2021. It is therefore vital that the business rate relief is applied as soon as possible to these businesses so that a correct bill can be issued for 2021-22 to relieve the financial burden of making rate payments at a time when they are still facing restrictions on trading.

For this reason and to expedite the help available for businesses this report is being treated as urgent.

**The decision is not subject to the 'Call-in- Process.**

In accordance with Standing Order 24 – Urgent Matters, this matter will be forwarded to the Audit Committee.

In accordance Reports relating to staffing issues/Confidential reports are not circulated to all members of the Council as part of the consultation/call-in processes.

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**L 01/21**

#### **National Non-Domestic Rates: Discretionary Relief: Retail, Leisure and Hospitality Rate Relief Scheme 2021-22**

##### **Options Considered/Reasons for Decision**

In response to the Covid-19 coronavirus emergency situation the Welsh Government has again made available grant funding for billing authorities to deliver in 2021-22, the Retail, Leisure and Hospitality Rate Relief Scheme to reduce the rates payable to zero for qualifying properties. The Welsh Government has agreed to reimburse the Council in full for any awards made under the scheme and it is envisaged that around 1200 businesses will benefit from not having to pay rates by way of this relief.

The scheme will deliver:

100% rate relief in 2021-22 for qualifying properties which are broadly used for retail, leisure or hospitality and have a rateable value of less than £500,000.

##### **Decision**

It is proposed that the Leader of the Council agrees to adopt the Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme for 2021-22 by making the appropriate determination and decision, as required by Sections 47(1)(a) and 47(3) respectively of the Local Government Finance Act 1988, and set out in the Appendix to this report

## **Consultation**

Head of Finance, Head of Law and Regulation, Head of People and Business Change, Head of Regeneration, Investment and Housing

**Implemented by:** Head of Finance

**Implementation Timetable:** Immediate

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LEADER OF THE COUNCIL, COUNCILLOR J MUDD

18 March 2021

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# Report

## Leader of the Council

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### Part 1

Date: 18 March 2021

**Subject** **National Non-Domestic Rates: Discretionary Relief: Retail, Leisure and Hospitality Rate Relief Scheme 2021-22**

**Purpose** The purpose of this report is for to agree that Newport City Council adopts the Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme for 2021-22.

**Author** Head of Finance

**Ward** All

### Reason for Urgency

Due to the ongoing Covid-19 coronavirus situation, a number of businesses are still prohibited from trading, others have seen their trade drastically reduced. In response, Welsh Government has issued details to extend the fully funded scheme introduced in 2020 to give 100% rate relief for another year for businesses occupying properties in the retail, leisure or hospitality industry.

Business rate bills are soon to be issued for 2021-22 and payments will start becoming due in early April 2021. It is therefore vital that the business rate relief is applied as soon as possible to these businesses so that a correct bill can be issued for 2021-22, and to relieve the financial burden of making rate payments at a time when they are still facing restrictions on trading.

For this reason and to expedite the help available for businesses this report is being treated as urgent.

**Summary** In response to the Covid-19 coronavirus emergency situation the Welsh Government has again made available grant funding for billing authorities to deliver in 2021-22, the Retail, Leisure and Hospitality Rate Relief Scheme to reduce the rates payable to zero for qualifying properties. The Welsh Government has agreed to reimburse the Council in full for any awards made under the scheme and it is envisaged that around 1200 businesses will benefit from not having to pay rates by way of this relief.

The scheme will deliver:

1. 100% rate relief in 2021-22 for qualifying properties which are broadly used for retail, leisure or hospitality and have a rateable value of less than £500,000.

**Proposal** **It is proposed that the Leader of the Council agrees to adopt the Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme for 2021-22 by making the appropriate determination and decision, as required by Sections 47(1)(a) and 47(3) respectively of the Local Government Finance Act 1988, and set out in the Appendix to this report**

**Action by** Head of Finance to implement the Scheme and make discretionary awards using delegated powers.

**Timetable** Effective from 1 April 2021

This report was prepared after consultation with:

- Head of Law & Regulation
- Head of People & Business Change
- Head of Regeneration, investment & Housing

**Signed**

## **Background**

In response to the ongoing covid-19 pandemic and the effect on businesses Welsh Government has made available funding for billing authorities to deliver in 2021-22, an all Wales Retail, Leisure and Hospitality Rate Relief Scheme.

The Scheme is fully funded by Welsh Government and will enable those businesses that are in the retail, leisure or hospitality sector to benefit from not having to pay any business rates in 2021-22.

The scheme covers all businesses that occupy premises with a rateable value of less than £500,000 and operate in the retail, leisure or hospitality sector.

The means of making the awards of Retail, Leisure and Hospitality Rate Relief is the Council's discretionary powers under section 47 of the Local Government Finance Act 1988.

Under normal operating conditions the Council would make a formal determination (Section 47(1)(a)) and decision (Section 47(3)) to adopt the scheme so that this discretionary power may be exercised by the Head of Finance under delegated powers. However this is not possible due to the requirement to award the relief as soon as practicable to relieve the financial burden on affected businesses and issue correct business rate bills for 2021-22, therefore the Leader of the Council will make the determination on behalf of the Council.

The Council will be reimbursed for the rates income foregone as a result of the Scheme by way of a direct grant.

The Retail, Leisure and Hospitality Rate Relief Scheme forms part of a package of Welsh Government measures available to support businesses during the coronavirus covid-19 emergency.

The relief will be applied directly to all businesses identified as operating in one of the named sectors and no application is required. It is anticipated that there will be a small number of businesses where it is not possible to identify from rating records the nature of their business, these businesses will need to contact the Business Rates Team to claim the rate relief.

If the scheme is adopted, around 1200 businesses will benefit from not having to pay rates in 2021-22 and a rates bill for the new financial year will be issued showing the full relief before the first payment is due in April 2020. Any businesses subsequently identified that meet the criteria of the scheme will be issued with adjustment notices as soon as practicable thereafter.

## **Financial Summary**

There are no direct financial implications to the Council in adopting the scheme. The full value of discretionary awards is reimbursed by the Welsh Government. Staff resources will be prioritised appropriately within the revenues team to meet the administration requirements of the scheme.

## 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?
Failure to implement the scheme will result in Newport ratepayers being financially disadvantaged	H	L	Adoption of the scheme will allow relief awards to be awarded and rate bills reduced to zero.	Head of Finance

## Links to Council Policies and Priorities

The adoption of the schemes fits with the Council's aims to improve the local economy, and the well-being of its citizens

## Options Available and considered

- Adopt the Wales Retail, Leisure and Hospitality Rate Relief Scheme 2021-22
- Decide not to adopt the Scheme

## Preferred Option and Why

Adopt the Scheme so that as many retailers as possible may benefit from not having to pay business rates.

## Comments of Chief Financial Officer

This is a key part of the UK/WG support package for businesses and needs to be agreed by the Leader in absence of full Council meetings. This will enable the relief to be given before any payments are due and taken. The scheme is fully funded by Welsh Government and whilst the detail of that is not yet in place, the principle is.

## Comments of Monitoring Officer

The proposed decision is in accordance with the Council's statutory powers under the Local Government Finance Act 1988 to grant discretionary business rates relief. This is a national scheme, which is fully funded by the Welsh Government and will enable the Council to grant rate relief for qualifying businesses in the retail, leisure or hospitality sector in 21/22. Full Council is required to make a formal determination under Section 47(1) (a) of the 1988 Act and a formal decision under Section 47(3) to adopt the scheme. The power to award discretionary rate relief in accordance with the scheme is then delegated to the Head of Finance under the officer scheme of delegation. The scheme needs to be adopted before 31st March and, therefore, the decision is too urgent to await the next meeting of full Council at the end of April. Therefore, this decision will need to be taken by the Leader of the Council in accordance with the urgent decision making powers under Standing Order 24.1, where a decision can be taken outside the budget framework when it is not practical to call a quorate meeting of full Council. The decision and the adoption of the scheme can be ratified by full Council in April and the reasons for the urgency in adopting the scheme in this way will be reported to the Audit Committee in due course.

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

There are no HR related issues arising directly from this report.

Adoption of the Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme is in line with the Council's Well-being Objective to "Promote economic growth and regeneration whilst protecting the environment" and will support the "Newport Offer" intervention within Newport's Well-being Plan.

The Scheme is funded by Welsh Government and will enable businesses that are in the retail, hospitality or leisure sector to not have to pay business rates in 2021-22. These sectors are of major importance to the local economy and labour market and taking up the available support would be in the Council's interests.

## **Local issues**

None

## **Scrutiny Committees**

N/a

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

Once adopted, the Council is obliged to comply with the Welsh Government's rules in applying the Scheme. These are detailed in the Appendix.

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

N/A

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

When developing the Retail, Leisure and Hospitality Rate Relief Scheme 2021-22, consideration was given to the wellbeing duty contained in section 3 of the Well-being of Future Generations (Wales) Act 2015. This included consideration of how the policy would contribute to supporting the wellbeing goals under section 4 of that Act, and the wellbeing objectives set by the Welsh Ministers, whilst acting in accordance with the sustainable development principle. Providing this scheme will assist ratepayers and, as such, it will help to contribute to the achievement of the wellbeing goals of a prosperous Wales and a more equal Wales.

## **Crime and Disorder Act 1998**

N/A

## **Consultation**

N/A

## **Background Papers**

The Welsh Government's Guidance on the Retail, Leisure and Hospitality Rate Relief Scheme 2021-22 is available here:



Non-Domestic  
Rates - Retail Leisure

## **Resolution**

(a) The Council determines that, unless hereditaments are excepted under (b) below, Section 47(1)(a) (discretionary relief) of the Local Government Finance Act 1988 will apply as regards the hereditaments described in 'The Scheme' in accordance with the rules described in relation to those hereditaments.

It is reasonable for the Council to make this decision having regard to the interests of persons liable to pay council tax set by the Council.

- (b) Relief is not available under this resolution in respect of any hereditament which is occupied by -
- the Welsh Ministers, a Minister of the Crown or government department,
  - any public authority (including any local authority),
  - the holder of any public office, or
  - the Crown
- (c) The Council decides, under Section 47(3) of the Local Government Finance Act 1988, that during the billing year 2021-22 'The Scheme' shall apply to the hereditaments described, and that the Head of Finance use his delegated powers to apply the relief.

## **The Scheme to be Adopted**

### **Introduction**

The relief is intended to be a temporary measure for 2021-22 only, aimed at businesses operating in the retail, leisure and hospitality sector in Wales, for example shops, pubs, restaurants and cafes.

The Welsh Government will provide relief, eligible retailers occupying premises with a rateable value of £500,000 or less in the financial year 2021-22.

Properties that will benefit from this relief will be occupied properties such as shops, hotels, restaurants, cafes and drinking establishments, with a rateable value of £500,000 or less on 1 April 2020.

### **Level of Support**

Eligible ratepayers must be occupying premises and have a rateable value of less than £500,000 for the financial year 2021-22 and meet the criteria set out by Welsh Government, see appendix for full details.

### **State Aid**

Whilst the UK left the EU on 31 January 2020, the Withdrawal Agreement negotiated by the UK Government and the EU provides that during a transition period State Aid rules will continue to apply as now and will be subject to control by the EU Commission as at present.

The UK Government has notified the EU of its intention to bring forward an immediate change to the UK's tax treatment of non-domestic property, in response to the ongoing Covid-19 emergency, and to seek clearance under Article 107(3)(b) of the Treaty on the Functioning of the European Union. Subject to this approval, the Expanded Retail Discount Scheme will become a notified state aid scheme. Once the notification has been approved by the European Commission, it will supersede the de minimis regulation as the appropriate cover for awarding the discount, meaning existing de Minimis limits will no longer restrict the provision of support.

## **APPENDIX**

### **Non-Domestic Rates – Retail, Leisure and Hospitality Rates Relief in Wales 2021-22**

Guidance

#### **About this guidance**

This guidance is intended to support county and county borough councils ('local authorities') in administering the Retail, Leisure and Hospitality Rates Relief scheme ('the relief'). On 3 March 2021, the Minister for Finance and Trefnydd announced the extension of the relief on a temporary basis for 2021-22. This guidance applies to Wales only.

This guidance sets out the criteria which the Welsh Government will use to determine the funding for local authorities for relief provided to retail, leisure and hospitality properties. The guidance does not replace any existing non-domestic rates legislation or any other relief.

Enquiries about the scheme should be sent to: [localtaxationpolicy@gov.wales](mailto:localtaxationpolicy@gov.wales)

T

he relief is being offered from 1 April 2021 and will be available until 31 March 2022.

#### **Introduction**

This relief is aimed at businesses and other ratepayers in Wales in the retail, leisure and hospitality sectors, for example shops, pubs and restaurants, gyms, performance venues and hotels.

The Welsh Government will provide grant funding to the 22 local authorities in Wales to provide the Retail, Leisure and Hospitality Rates Relief scheme to eligible ratepayers for 2021-22. The scheme aims to provide support for eligible occupied properties by offering a discount of 100% on the non-domestic rates bill for a property, to all eligible premises. The scheme will apply to all eligible ratepayers with a rateable value of £500,000 or less.

This document provides guidance on the operation and delivery of the scheme.

#### **Retail, Leisure and Hospitality Rates Relief**

##### **How will the relief be provided?**

As this is a temporary measure, we are providing the relief by reimbursing local authorities that use their discretionary relief powers under section 47 of the Local Government Finance Act 1988. It will be for individual local authorities to adopt a scheme and decide in each individual case when to grant relief under section 47. The Welsh Government will reimburse local authorities for the relief that is provided in line with this guidance via a grant under section 31 of the Local Government Act 2003 and section 58A of the Government of Wales Act 2006.

##### **How will the scheme be administered?**

It will be for local authorities to determine how they wish to administer the scheme to maximise take-up and minimise the administrative burden for ratepayers and for local authority staff.

Local authorities are responsible for providing ratepayers with clear and accessible information on the details and administration of the scheme. If, for any reason, an authority is unable to provide this relief to eligible ratepayers from 1 April 2021, consideration should be given to notifying eligible ratepayers that they qualify for the relief and that their bills will be recalculated.

##### **Which properties will benefit from relief?**

Properties that will benefit from this relief will be occupied retail, leisure and hospitality properties – such as shops, pubs and restaurants, gyms, performance venues and hotels across Wales. More detailed eligibility criteria and exceptions to the relief are set out below.

Relief should be granted to each eligible business as a reduction to its rates bill based on occupation between 1 April 2021 and 31 March 2022. It is recognised that there may be some instances where a local authority is retrospectively notified of a change of occupier. In such cases, if it is clear that the ratepayer was in occupation on or after the 1 April 2021, the local authority may use its discretion in awarding relief.

It is intended that, for the purposes of this scheme, retail properties such as, 'shops, restaurants, cafes and drinking establishments' will mean the following (subject to the other criteria in this guidance).

**Hereditaments that are being used for the sale of goods to visiting members of the public**

- Shops (such as florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off-licences, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Pharmacies
- Post offices
- Furnishing shops or display rooms (such as carpet shops, double-glazing, garage doors)
- Car or caravan showrooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale or hire)

**Hereditaments that are being used for the provision of the following services to visiting members of the public**

- Hair and beauty services
- Shoe repairs or key cutting
- Travel agents
- Ticket offices, eg. for theatre
- Dry cleaners
- Launderettes
- PC, TV or domestic appliance repair
- Funeral directors
- Photo processing
- DVD or video rentals
- Tool hire
- Car hire
- Estate and letting agents

**Hereditaments that are being used for the sale of food and / or drink to visiting members of the public**

- Restaurants
- Drive-through or drive-in restaurants
- Takeaways
- Sandwich shops
- Cafés
- Coffee shops
- Pubs
- Bars or Wine Bars

We consider assembly and leisure to mean the following.

**Hereditaments that are being used for the provision of sport, leisure and facilities to visiting members of the public (including for the viewing of such activities) and for the assembly of visiting members of the public**

- Sports grounds and clubs
- Sport and leisure facilities
- Gyms
- Tourist attractions
- Museums and art galleries
- Stately homes and historic houses
- Theatres
- Live Music Venues
- Cinemas
- Nightclubs

**Hereditaments that are being used for the assembly of visiting members of the public**

- Public halls
  
- Clubhouses, clubs and institutions

We consider hotels, guest & boarding premises and self-catering accommodation to mean the following.

**Hereditaments where the non-domestic part is being used for the provision of living accommodation as a business**

- Hotels, Guest and Boarding Houses,
- Holiday homes,
- Caravan parks and sites

**Other considerations**

To qualify for the relief, the hereditament should be wholly or mainly used for the qualifying purposes. In a similar way to other reliefs, this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief. For the avoidance of doubt, hereditaments which closed temporarily due to the government's advice on Covid-19 should be treated as occupied for the purposes of this relief.

The above list is not intended to be exhaustive as it would be impossible to list all the many and varied retail, leisure and hospitality uses that exist. There will also be mixed uses. However, it is intended to be a guide for local authorities as to the types of uses that the Welsh Government considers for this purpose to be eligible for relief. Local authorities should determine for themselves whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those listed above should not be eligible for the relief.

As the grant of the relief is discretionary, local authorities may choose not to grant the relief if they consider that appropriate, for example where granting the relief would go against the local authority's wider objectives for the local area.

Ratepayers may view that they have been able to continue trading at a substantial level during Coronavirus restrictions and as such would be inclined to not accept the relief. Arrangements for opting out of receiving relief should be made with the relevant local authority.

## **Types of hereditaments that are not considered to be eligible for Retail, Leisure and Hospitality Rates Relief**

Any hereditament with a rateable value over £500,000.

The following list sets out the types of uses that the Welsh Government does not consider to be retail, leisure or hospitality use for the purpose of this relief and which would not be deemed eligible for the relief. However, it will be for local authorities to determine if hereditaments are similar in nature to those listed and if they would not be eligible for relief under the scheme.

Hereditaments that are being used wholly or mainly for the provision of the following services to visiting members of the public

- Financial services (eg. banks, building societies, cash points, ATMs, bureaux de change, payday lenders, betting shops, pawnbrokers)
- Medical services (eg. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (eg. solicitors, accountants, insurance agents, financial advisers, tutors)
- Post Office sorting offices
- Day nurseries
- Kennels and catteries
- Casinos and gambling clubs
- Show homes and marketing suites
- Employment agencies

There are a number of further types of hereditament which the Welsh Government believes should not be eligible for the relief.

### **Hereditaments that are not reasonably accessible to visiting members of the public**

If a hereditament is not usually reasonably accessible to visiting members of the public, it will be ineligible for relief under the scheme even if there is ancillary use of the hereditament that might be considered to fall within the descriptions listed under *Which properties will benefit from relief?*

### **Hereditaments that are not occupied**

Properties that are not occupied on 1 April 2021 should be excluded from this relief. However, under the mandatory Empty Property Rates Relief, empty properties will receive a 100% reduction in rates for the first three months (and in certain cases, six months) of being empty.

### **Hereditaments that are owned, rented or managed by a local authority**

Hereditaments owned, rented or managed by a local authority, such as visitor centres, tourist information shops and council-run coffee shops or gift shops attached to historic buildings, are exempt from this scheme.

### **How much relief will be available?**

The total amount of government funded relief available for each property under this scheme for 2021-22 is 100% of the remaining bill, after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, excluding those where local authorities have used their wider discretionary relief powers introduced by the Localism Act 2011 which are not funded by section 31 grants. Retail, Leisure and Hospitality Rates Relief should be applied against the net bill after other reliefs have been applied.

The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis. The following formula should be used to determine the amount of relief to be granted for a particular hereditament in the financial year.

Amount of relief to be granted =  $V$ , where  $V$  is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs, excluding those where local authorities have used their discretionary relief powers introduced by the Localism Act 2011 which are not funded by section 31 grants.

This should be calculated ignoring any prior-year adjustments in liabilities which fall to be liable on the day.

Ratepayers who occupy more than one property will be entitled to Retail, Leisure and Hospitality Rates Relief for each of their eligible properties.

Retail, leisure and hospitality properties which are excluded from Small Business Rates Relief due to the multiple occupation rule are eligible for this relief scheme.

### **Changes to existing hereditaments, including change in occupier**

Empty properties becoming occupied after 1 April 2021 will qualify for this relief.

If there is a change in occupier part way through the financial year, after relief has already been provided to the hereditament, the new occupier will qualify for the relief if they operate in the retail, leisure or hospitality sectors on a pro-rata basis based on the remaining days of occupation using the formula used in the section titled *How much relief will be available?*

The discount should be applied on a day-to-day basis using the formula set out above. A new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the discount on that day.

### **State Aid**

Following the end of the transition period for the United Kingdom leaving the European Union on 31 December 2020, EU State Aid regulations only apply in limited circumstances. As the relief is not funded by EU residual funds, EU State Aid regulations no longer apply for this scheme. As of 1 January 2021, the UK Subsidy Regime came into force. The scheme has been viewed to be outside the scope of any international trade agreements as measures are focused locally within Wales

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# Decision Schedule

## Leader of the Council

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### TO ALL MEMBERS OF NEWPORT CITY COUNCIL

#### Decision Schedule published on 18 March 2021

The Leader of the Council took the following decision on 18 March 2021. It will take immediate effect. The reason for the urgency being that this report must be considered urgent due to the ongoing Covid-19 coronavirus situation, a number of businesses are still prohibited from trading, others have seen their trade drastically reduced. In response, Welsh Government made funds available to remove the need to pay rates for all retail leisure and hospitality businesses that occupy premises with rateable values of less than £500,000.

The Welsh Government has decided to introduce a fully funded targeted rate relief for hospitality and leisure businesses that occupy larger premises with a rateable value over £500,000. This will cover the cost of rates due for 2020-21 and 2021-22.

Business rate bills are soon to be issued for 2021-22 and payments will start becoming due in early April 2021. It is therefore vital that the business rate relief is applied as soon as possible to these businesses so that a correct bill can be issued for 2021-22, and to relieve the financial burden of making rate payments at a time when they are still facing restrictions on trading.

In addition the lateness in the year of the Welsh Government issuing the scheme for 2020-21 means that it has to be adopted and applied to rate account before the end of financial year.

For this reason and to expedite the help available for the affected businesses this report is being treated as urgent.

**The decision is not subject to the 'Call-in- Process.**

In accordance with Standing Order 24 – Urgent Matters, this matter will be forwarded to the Audit Committee.

In accordance Reports relating to staffing issues/Confidential reports are not circulated to all members of the Council as part of the consultation/call-in processes.

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### L 02/21

#### **National Non-Domestic Rates: Discretionary Relief: Enhanced Hospitality and Leisure Rates Relief Scheme 2020-21 and 2021-22**

##### **Options Considered/Reasons for Decision**

In response to the ongoing Covid-19 coronavirus situation the Welsh Government has made available grant funding for billing authorities to deliver in 2020-21 and 2021-22, Enhanced Hospitality and Leisure Rates Relief Scheme to reduce the rates payable to zero for qualifying properties. The Welsh Government has agreed to reimburse the Council in full for any awards made under the scheme.

The scheme will deliver:

100% rate relief in 2020-21 and 2021-22 for qualifying properties which are broadly leisure or hospitality and have a rateable value of more than £500,000.

## **Decision**

It is proposed that the Leader of the Council agrees to adopt the Welsh Government's Enhanced Hospitality and Leisure Rates Relief Scheme for 2020-21 and 2021-22 by making the appropriate determination and decision, as required by Sections 47(1)(a) and 47(3) respectively of the Local Government Finance Act 1988, and set out in the Appendix to this report

## **Consultation**

Head of Finance, Head of Law and Regulation, Head of People and Business Change, Head of Regeneration, Investment and Housing

**Implemented by:** Head of Finance

**Implementation Timetable:** Immediate

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LEADER OF THE COUNCIL, COUNCILLOR J MUDD

18 March 2021

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# Report

## Leader of the Council

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### Part 1

Date: 17 March 2021

**Subject National Non-Domestic Rates: Discretionary Relief: Enhanced Hospitality and Leisure Rates Relief Scheme 2020-21 & 2021-22.**

**Purpose** The purpose of this report is for to agree that Newport City Council adopts the Welsh Government's Retail, Enhanced Hospitality and Leisure Rates Relief Scheme 2020-21 & 2021-22.

**Author** Head of Finance

**Ward** All

### Reason for Urgency

Due to the ongoing Covid-19 coronavirus situation, a number of businesses are still prohibited from trading, others have seen their trade drastically reduced. In response, Welsh Government made funds available to remove the need to pay rates for all retail leisure and hospitality businesses that occupy premises with rateable values of less than £500,000.

The Welsh Government has decided to introduce a fully funded targeted rate relief for hospitality and leisure businesses that occupy larger premises with a rateable value over £500,000. This will cover the cost of rates due for 2020-21 and 2021-22.

Business rate bills are soon to be issued for 2021-22 and payments will start becoming due in early April 2021. It is therefore vital that the business rate relief is applied as soon as possible to these businesses so that a correct bill can be issued for 2021-22, and to relieve the financial burden of making rate payments at a time when they are still facing restrictions on trading.

In addition the lateness in the year of the Welsh Government issuing the scheme for 2020-21 means that it has to be adopted and applied to rate account before the end of financial year.

For this reason and to expedite the help available for the affected businesses this report is being treated as urgent.

**Summary** In response to the ongoing Covid-19 coronavirus situation the Welsh Government has made available grant funding for billing authorities to deliver in 2020-21 and 2021-22, Enhanced Hospitality and Leisure Rates Relief Scheme to reduce the rates payable to zero for qualifying properties. The Welsh Government has agreed to reimburse the Council in full for any awards made under the scheme.

The scheme will deliver:

1. 100% rate relief in 2020-21 and 2021-22 for qualifying properties which are broadly leisure or hospitality and have a rateable value of more than £500,000.

**Proposal** It is proposed that the Leader of the Council agrees to adopt the Welsh Government's Enhanced Hospitality and Leisure Rates Relief Scheme for 2020-21 and 2021-22 by making the appropriate determination and decision, as required by Sections 47(1)(a) and 47(3) respectively of the Local Government Finance Act 1988, and set out in the Appendix to this report

**Action by** Head of Finance to implement the Scheme and make discretionary awards using delegated powers.

**Timetable** Effective from 1 April 2020 and 1 April 2021

This report was prepared after consultation with:

- Head of Law & Regulation
- Head of People & Business Change
- Head of Regeneration, investment & Housing

**Signed**

## **Background**

In response to the ongoing covid-19 pandemic and the effect on businesses Welsh Government made available funding for billing authorities to deliver an all Wales Retail, Leisure and Hospitality Rate Relief Scheme. This Scheme specifically excluded larger premises the Welsh Government has announced plans for a scheme for larger hospitality and leisure premises.

The Scheme is fully funded by Welsh Government and will enable those businesses that are in the hospitality or leisure sector to benefit from not having to pay any business rates in 2020-21 and again in 2021-22.

The scheme specifically covers businesses that occupy premises with a rateable value over £500,000 and operate in the leisure or hospitality sector.

The means of making the awards of Retail, Leisure and Hospitality Rate Relief is the Council's discretionary powers under section 47 of the Local Government Finance Act 1988.

Under normal operating conditions the Council would make a formal determination (Section 47(1)(a)) and decision (Section 47(3)) to adopt the scheme so that this discretionary power may be exercised by the Head of Finance under delegated powers. However, this is not possible due to the requirement to award the relief for 2020-21 before the end of financial year and to be able to issue correct business rate bills for 2021-22, therefore the Leader of the Council will make the determination on behalf of the Council.

The Council will be reimbursed for the rates income foregone as a result of the Scheme by way of a direct grant.

The Enhanced Hospitality and Leisure Rates Relief Scheme forms part of a package of Welsh Government measures available to support businesses during the coronavirus covid-19 emergency.

The relief will be applied directly to all businesses identified as operating in one of the named sectors and an application is required.

If the scheme is adopted, the rate relief will be applied for 2020-21 and adjustment notices issued and the rate bill for 2021-22 will be issued with the rate relief on it.

## **Financial Summary**

There are no direct financial implications to the Council in adopting the scheme. The Welsh Government reimburses the full value of discretionary awards. Staff resources will be prioritised appropriately within the revenues team to meet the administration requirements of the scheme.

## 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?
Failure to implement the scheme will result in Newport ratepayers being financially disadvantaged	H	L	Adoption of the scheme will allow relief awards to be awarded and rate bills reduced to zero.	Head of Finance

## Links to Council Policies and Priorities

The adoption of the schemes fits with the Council's aims to improve the local economy, and the well-being of its citizens

## Options Available and considered

- Adopt the Wales Retail, Leisure and Hospitality Rate Relief Scheme 2021-22
- Decide not to adopt the Scheme

## Preferred Option and Why

Adopt the Scheme so that as many retailers as possible may benefit from not having to pay business rates.

## Comments of Chief Financial Officer

This is a key part of the UK/WG support package for businesses and needs to be agreed by the Leader in absence of full Council meetings. This will enable the relief to be awarded before any payments are due and taken in relation to 2021/22 and relief given for 2020/21 financial year, which must be done before 31 March.

## Comments of Monitoring Officer

The proposed decision is in accordance with the Council's statutory powers under the Local Government Finance Act 1988 to grant discretionary business rates relief. This is a national scheme, which is fully funded by the Welsh Government and will enable the Council to continue to grant rate relief for qualifying businesses in the retail, leisure or hospitality sector in 21/22. Full Council is required to make a formal determination under Section 47(1) (a) of the 1988 Act and a formal decision under Section 47(3) to adopt the scheme. The power to award discretionary rate relief in accordance with the scheme is then delegated to the Head of Finance under the officer scheme of delegation. The scheme needs to be adopted before 31<sup>st</sup> March and, therefore, the decision is too urgent to await the next meeting of full Council at the end of April. Therefore, this decision will need to be taken by the Leader of the Council in accordance with the urgent decision making powers under Standing Order 24.1, where a decision can be taken outside the budget framework when it is not practical to call a quorate meeting of full Council. The decision and the adoption of the extended scheme can be ratified by full Council in April and the reasons for the urgency in adopting the scheme in this way will be reported to Audit Committee in due course.

## Comments of Head of People and Business Change

There are no HR related issues arising directly from this report.

Adoption of the Welsh Government's Retail, Leisure and Hospitality Rate Relief Scheme is in line with the Council's Well-being Objective to "Promote economic growth and regeneration whilst protecting the environment" and will support the "Newport Offer" intervention within Newport's Well-being Plan. The Scheme is funded by Welsh Government and will enable businesses that are in the hospitality or leisure sector to not have to pay business rates in 2020-21 and 2021-22. This sector has grown massively in importance to the local economy and labour market in recent years and taking up the available support would be in the Council's interests.

### Local issues

None

### Scrutiny Committees

N/A

### Equalities Impact Assessment and the Equalities Act 2010

Once adopted, the Council is obliged to comply with the Welsh Government's rules in applying the Scheme. These are detailed in the Appendix.

### Children and Families (Wales) Measure

N/A

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

When developing the Retail, Leisure and Hospitality Rate Relief Scheme 2021-22, consideration was given to the wellbeing duty contained in section 3 of the Well-being of Future Generations (Wales) Act 2015. This included consideration of how the policy would contribute to supporting the wellbeing goals under section 4 of that Act, and the wellbeing objectives set by the Welsh Ministers, whilst acting in accordance with the sustainable development principle. Providing this scheme will assist ratepayers and, as such, it will help to contribute to the achievement of the wellbeing goals of a prosperous Wales and a more equal Wales.

### Crime and Disorder Act 1998

N/A

### Consultation

N/A

### Background Papers

The Welsh Government's Guidance on the Retail, Leisure and Hospitality Rate Relief Scheme 2020-21 and 2021-22 is available here:



Non-Domestic  
Rates - Enhanced



Non-Domestic  
LeRates - Extended Lei

## **Resolution**

(a) The Council determines that, unless hereditaments are excepted under (b) below, Section 47(1)(a) (discretionary relief) of the Local Government Finance Act 1988 will apply as regards the hereditaments described in 'The Scheme' in accordance with the rules described in relation to those hereditaments.

It is reasonable for the Council to make this decision having regard to the interests of persons liable to pay council tax set by the Council.

- (b) Relief is not available under this resolution in respect of any hereditament which is occupied by -
- the Welsh Ministers, a Minister of the Crown or government department,
  - any public authority (including any local authority),
  - the holder of any public office, or
  - the Crown
- (c) The Council decides, under Section 47(3) of the Local Government Finance Act 1988, that during the billing year 2021-22 'The Scheme' shall apply to the hereditaments described, and that the Head of Finance use his delegated powers to apply the relief.

## **The Scheme to be Adopted**

### **Introduction**

The relief is intended to be a temporary measure for 2020-21 and 2021-22 only, aimed at businesses operating in the leisure and hospitality sector in Wales, for example hotels and leisure facilities.

The Welsh Government will provide relief to eligible businesses occupying premises with a rateable value of over £500,000 financial year 2020-21 and 2021-22.

Properties that will benefit from this relief will be occupied properties such as hotels, restaurants, and leisure facilities with a rateable value of over £500,000 on 1 April 2020 and 1 April 2021 respectively.

### **Level of Support**

Eligible ratepayers must be occupying premises and have a rateable value over £500,000 for the financial year 2020-21 and 2021-22 and meet the criteria set out by Welsh Government, see appendix for full details.

### **State Aid**

Whilst the UK left the EU on 31 January 2020, the Withdrawal Agreement negotiated by the UK Government and the EU provides that during a transition period State Aid rules will continue to apply as now and will be subject to control by the EU Commission as at present.

The UK Government has notified the EU of its intention to bring forward an immediate change to the UK's tax treatment of non-domestic property, in response to the ongoing Covid-19 emergency, and to seek clearance under Article 107(3)(b) of the Treaty on the Functioning of the European Union. Subject to this approval, the Expanded Retail Discount Scheme will become a notified state aid scheme. Once the notification has been approved by the European Commission, it will supersede the de minimis regulation as the appropriate cover for awarding the discount, meaning existing de Minimis limits will no longer restrict the provision of support.

## **APPENDIX**

### **Enhanced Hospitality and Leisure Rates Relief Scheme 2020-21**

#### **About this guidance**

1. This guidance is intended to support county and county borough councils (local authorities) in administering the Enhanced Hospitality and Leisure Rates Relief Scheme 2020-21 (the Scheme). This guidance applies to Wales only.
2. This guidance sets out the criteria which the Welsh Government will use to determine the funding for local authorities for grant support provided to large hospitality, leisure and tourism properties. The guidance does not replace any existing non-domestic rates legislation or any other support.
3. Enquiries about the scheme should be sent to: [localtaxationpolicy@gov.wales](mailto:localtaxationpolicy@gov.wales)
4. The grant support is being provided for the 2020-21 financial year.

#### **Introduction**

5. This support is aimed at businesses in Wales in the hospitality, leisure and tourism sectors operating from properties with a rateable value over £500,000.
6. The Welsh Government will provide grant funding to the relevant local authorities in Wales to provide the support to eligible ratepayers for 2020-21. The scheme aims to provide support for eligible occupied properties by offering a grant equal to a discount of 100% on the non-domestic rates bill for a property, subject to conditions. The scheme will apply to all eligible ratepayers with a rateable value of more than £500,000.
7. This document provides guidance on the operation and delivery of the scheme.

#### **How will the support be provided?**

8. As this is a temporary measure, we are providing the support by reimbursing local authorities which use their discretionary relief powers under section 47 of the Local Government Finance Act 1988. It will be for individual local authorities to adopt a scheme and decide in each individual case when to provide support under section 47. The Welsh Government will reimburse local authorities for the grant support that is provided in line with this guidance via a grant under section 31 of the Local Government Act 2003 and section 58A of the Government of Wales Act 2006.

#### **How will the support be administered?**

9. Local authorities are responsible for contacting eligible ratepayers, assessing applications received, and amending billing data. Any payments made by the ratepayer towards their liability for the 2020-21 financial year should be refunded accordingly.

#### **Which properties will benefit from the support?**

10. Properties that will benefit from this support will be occupied hospitality, leisure and tourism properties that have a rateable value of over £500,000 – such as hotels, holiday parks and stadia across Wales.
11. Grant support should be provided to each eligible business as a reduction to its rates bill based on occupation between 1 April 2020 and 31 March 2021.
12. For the avoidance of doubt, hereditaments which closed temporarily due to the government's advice on Covid-19 should be treated as occupied for the purposes of this support.
13. As the support is discretionary, local authorities may choose not to provide the support if they consider it appropriate, for example where providing the support would go against the local authority's wider objectives for the local area.

### **Eligibility criteria**

14. The total amount of government funded support available for each property will be 100% of the non-domestic rates liability for the 2020-21 financial year subject to two criteria being met.

- Ratepayers can demonstrate that there has been a material negative impact on their business between 1 April 2020 and 31 December 2020.
- The level of support, equal to 100% of the non-domestic rates liability, should not exceed operating costs over the same period (1 April 2020 to 31 December 2020). If the level of support exceeds operating costs the amount of support will be equal to the value of the operating costs.

15. To ascertain whether the criteria have been met, applicants should provide the following information to local authorities:

- Annual turnover information. This should include income from sales as well as revenue from public sources (eg Grants, Economic Resilience Fund, or special rental arrangements). The application should also include a declaration that turnover has been negatively impacted by 40% or more as a result of coronavirus restrictions.
- Operating costs (minus staff) between 1 April 2020 and 31 December 2021.
- Details of their business' current headcount and also planned headcount at October 2021. This should be based on the number of full-time equivalent (FTE) staff.
- Declarations confirming whether the applicant has received other funding from the Welsh Government, and where appropriate can be checked against any Economic Resilience Fund application in terms of existing job safeguard conditions already in place.
- A declaration stating whether the applicant has an Economic Contract in place with the Welsh Government. For those that do not, the Welsh Government will work with them to put one in place within a 4 week period of relief being awarded.

16. The attached form (Annex 1) should be completed by all eligible ratepayers and local authorities should submit copies of completed forms to the Welsh Government [localtaxationpolicy@gov.wales](mailto:localtaxationpolicy@gov.wales)

### **State Aid**

17. Following the end of the transition period for the United Kingdom leaving the European Union on 31 December 2020, EU State Aid regulations only apply in limited circumstances. As the grant support is not funded by EU residual funds, EU State Aid regulations no longer apply for this scheme. As of 1 January 2021, the UK Subsidy Regime came into force, the scheme has been viewed to be outside the scope of any international trade agreements as measures are focused locally within Wales.



# Report

## Governance and Audit Committee

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### Part 1

**Date:** 27 May 2021

**Item:** 13

**Subject** Draft Work Programme

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

**Author** Democratic & Services 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 Governance & 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 or research is required.**

**Action by** Governance and Audit Committee

**Timetable** Immediate

### Background

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

<b>29 July 2021</b>
Statement of Accounts 2020/21
Audit of Financial Statements Report 2020/21
Draft Financial Accounts 2020/21
SO24/Waiving of Contract Sos: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract Sos (Quarter 1, April to June)

Corporate Risk Register (Quarter 1 April to June)
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<b>30 September 2021</b>
Progress Against Internal Audit Plan 2020/21 Quarter 1
Public Sector Internal Audit Standards – External Review
Audit Enquiries Letter 2020/21
Referrals to Audit Committee

### 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.

### Appendix 1

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

<b>29 July 2021</b>
Statement of Accounts 2020/21
Audit of Financial Statements Report 2020/21
SO24/Waiving of Contract Sos: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract Sos (Quarter 1, April to June)
Report on Audit Committee Self Evaluation Exercise
Corporate Risk Register (Quarter 1 April to June)

<b>30 September 2021</b>
Progress Against Internal Audit Plan 2020/21 Quarter 1
Public Sector Internal Audit Standards – External Review
Audit Enquiries Letter 2020/21

Referrals to Audit Committee
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<b>28 October 2021</b>
Internal Audit Plan 2020/21– Progress (Quarter 2)
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 2, July to September)
Corporate Risk Register (Quarter 2 July to Sept)
Treasury Management Report
Lessons Learned 2020/21
Referrals to Audit Committee

<b>27 January 2022</b>
Internal Audit Plan – Progress (Quarter 3)
Financial Memorandum on the 2020-21 Financial Audit
Treasury Management Report
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Referrals to Audit Committee

<b>31 March 2022</b>
Corporate Risk Register (Quarter 3) & Risk Appetite Statement
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3, October to December)
WAO Annual Report on Grants Works 2019-20
Annual Governance Statement (draft statement)
Member Development Self Evaluation Exercise
Referrals to Audit Committee

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