Pecyn Dogfennau

Agenda

Pwyllgor Archwilio

Date: Dydd Iau, 25 Ionawr 2024

Time: 5.00 pm

Venue: Siambr y Cyngor, Canolfan Ddinesig

To: G Chapman (Cadeirydd), N Barry, D Reed (Dirprwy Gadeirydd), Councillors G Horton, S Cocks, J Harris, R Mogford and J Jordan

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Date of Issue: Dydd Iau, 18 Ionawr 2024

All meeting recordings can be found here.

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11 Dyddiad y Cyfarfod Nesaf

Minutes

Governance and Audit Committee

Date: 23 November 2023

Time: 5pm

Present: Mr G Chapman (Chair), Mr D Reed and Dr N Barry

Councillors Jordan, Horton, Harris, Cocks and Mogford

R Cornwall (Strategic Director: Transformation and Corporate), M Rushworth (Head of Finance), R Green (Assistant Head of Finance), D Newens (Audit Manager), L Mahoney (Senior Finance Business Partner, Chief Accountant)

In Attendance: E Bryant (Head of Law and Standards), L Rowlands (Democratic and Electoral Services Manager), T Strange (Governance Officer), A Jenkins (Governance Team Leader), G Lucey, K Watts and Z Ali (Audit Wales)

Apologies:

Part 1

1. Apologies for Absence

1.1. Noted above.

2. Declarations of Interest

1.1. None.

3. Minutes

1.1. The minutes of the meeting held on 26 October were accepted as a true record.

4. Statement of Accounts 2022/23

1.2. The Head of Finance gave an overview of the report to the Committee, which presented the 2022/23 Statement of Accounts and highlighted the key changes since they were initially published at the end of June 2023. The report also provided an overview of the key aspects of Audit Wales' ISA 260 report, as well as the Council's response to any issues raised. This was to enable the Committee to approve the signing of the accounts and complete the 2022/23 statement of account process.

1.3. The Accounts were authorised for publication on 30 June 2023 by the Head of Finance, and they were available for public scrutiny, as required by the Accounts and Audit (Wales) Regulations 2014, for a 20-working day period starting 21 August 2023.

1.4. Audit Wales conducted their audit of the Council's statement of accounts and issued the ISA 260 Report for 2022/23 which stated that an unqualified, or clean, audit opinion would be given. There were a number of corrections where technical guidance should be followed, which were detailed within the report. The ISA 260 and the statement of accounts were included as Appendix A and Appendix B of this report.

1.5. The Chair made it clear that the task for the Committee was not to consider the statement of accounts as they were agreed in June. Any questions should be based on the audit account report from Audit Wales. The key message was that Newport was in a good position and the Head of Finance would bring a 'lessons learned' report to the Committee at a later meeting.

Recommendation:

The Governance and Audit Committee

- Reviewed the content of the 2022/23 Accounts.
- Reviewed and noted the content of Audit Wales' ISA 260 report.
- Recommended that the 2022/23 statement of accounts were authorised by the Chair and the Head of Finance.

5. Audit of Financial Statements Report 2022/23

1.1. The Audit Manager for Audit Wales presented the report which summarised the key findings from the audit of Newport City Council, during 2022/23.

1.2. Audit Wales had now substantially completed this year's audit work.

1.3. In their professional view, Audit Wales complied with the ethical standards that applied to their work, remained independent of Newport City Council, and their objectivity was not compromised in any way. There were no relationships between Audit Wales and Newport City Council that could undermine Audit Wales' objectivity and independence.

1.4. Audit Wales intended to issue an unqualified, or clean, audit opinion on this year's accounts as confirmed in the Letter of Representation set out in Appendix 1.

1.5. There was one misstatement identified in the draft Statement of Accounts, which remained uncorrected. The Council normally valued its property asset portfolio every five years on a rolling basis, in line with CIPFA's Code (the Code). However, the Code also required Councils to verify that there were no material movements in the value of assets between valuations.

1.6. Given recent inflationary pressures, assets valued under the depreciated replacement cost method would likely be subject to material increases in value during 2022-23. Consequently, the Council (in line with many other Councils in Wales) had undertaken an exercise to uplift the value of affected assets in 2022-23 using appropriate industry indices.

1.7. Audit Wales was satisfied that the Council's approach to calculate these uplifts in value was reasonable and in line with Code requirements. However, some incorrect figures were included in working papers which led to the calculations being overstated by £1.7 million this year. The Council opted not to correct this misstatement given the volume and complexity of accounting entries required and the resulting impacts on supporting notes to the accounts.

1.8. This amount was comfortably below the materiality threshold and so the audit opinion was unaffected. As this was currently an annual exercise, this misstatement should also be corrected once uplifts for 2023-24 were calculated. Furthermore, the misstatement did not affect the general Council Fund balance as it related only to an estimate of asset balances at year-end.

1.9. There were other misstatements in the draft Statement of Accounts that had been corrected by management. However, it was believed that these should be drawn to the Committee's attention, and they were set out with explanations in Appendix 3.

1.10. Audit Wales thanked the finance team and all those involved in the work.

Comments of Committee Members:

1.11. Councillor Cocks referred to good governance of the Council and referred to p.29 pie chart which showed slippage in the Capital programme and queried whether the slippage caused any significant issues, and how this was being managed.

1.12. In the Chair's opinion, these questions needed to be posed in a different forum and not under this item. The Committee agreed that the questions were for Cabinet and Scrutiny. The Head of Finance confirmed that this was a regular item on the Senior Management Team agenda and a group had been convened to look at the capital programme to implement additional measures for increased assurance regarding this issue.

1.13. The Chair thanked the finance team for working on the accounts and noted that there were lessons to be learned. The Chair thanked colleagues from Audit Wales and appreciated that the statement of accounts being completed in November was earlier than most local authorities.

Recommendation:

- The Governance and Audit Committee noted the report.

6. Corporate Risk Register Q2

6.1 The Transformation and Intelligence Manager presented the report to the Committee providing an update on the Corporate Risk Register for the end of Quarter 2 (1 July to 30 September 2023).

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

6.3 At the end of Quarter 2, there were 15 risks recorded in the Corporate Risk Register that were considered to have a significant impact on the achievement of the Council's objectives and legal obligations.

6.4 Overall, there were nine Severe risks (risk scores 15 to 25) and six Major risks (risk scores 7 to 14) that were outlined in the report. In comparison to the Quarter 1 corporate risk register, one risk score increased (Newport Council's Property Estate) and one risk score decreased (Stability of Social Service providers). The remaining risks did not change in terms of their score.

Comments of Committee Members:

6.7 Councillor Jordan referred to an error on p.217. The Performance and Programme Manager confirmed that this showed the overall corporate and service area risk and full details were provided on p.224.

6.8 Councillor Cocks referred to a risk increase in relation to estate backlog on p.217 and queried if this related to Newport Norse. The Head of People, Policy and Transformation noted that the detail of the risk was a consideration for Cabinet, but explained the backlog maintenance on the estate concerning being costed at prices that have since increased, so more around financials than delays with work programme. Council was working through programme to rationalise assets, and this would help to resolve the issue with the maintenance budget.

6.9 The Head of People, Policy and Transformation confirmed that detail on the management of risk would be covered at the risk register training for the Committee, which would need to be arranged for a further date. The Chair agreed that another training session should be arranged following low attendance at the session earlier in the day and asked that everyone try their best to attend the next scheduled training.

6.10 The Head of People, Policy and Transformation confirmed that there was a strategic approach and the published strategy and plan was under review, and was scheduled to be considered by the relevant Scrutiny Committee in the new year.

Recommendation:

- The Governance and Audit Committee considered the contents of the report and assessed the risk management arrangements for the Authority.

7. Governance and Audit Committee Annual Report 2022/23

7.1 The report was presented by the Head of Finance to the Committee which provided an opportunity for members of the Governance and Audit Committee to consider and comment on the Draft Governance and Audit Committee Annual Report 2022/23. The report demonstrated how the Committee met its Terms of Reference under the Council's Constitution as set out by the Local Government Measure 2011 and the Local Government and Elections (Wales) Act 2021.

7.2 The Committee achieved this by concentrating on its core responsibilities during the year.

7.3 The Governance and Audit Committee would present its Annual Report 2022/23 to full Council.

Comments of Committee Members:

7.4 Dr Barry wished to see the concerns of the Committee regarding Audit resource to be highlighted more in the report.

7.5 The Head of Finance considered it a fair comment and would consider how this could be reflected under the comments regarding the audit plan subject to a conversation with colleagues.

7.6 The Strategic Director added that the reporting period was to March 2023 therefore it could be picked up in next year's annual report.

7.7 The Chair mentioned that it was referred to in the previous year's budget setting process when saving proposals were being considered, therefore it should be added to the report.

7.8 The Chair also added that the number of call-ins made by the Committee should also be included in the report.

7.9 The Head of Finance would include this in the annual report.

7.10 The Chair thanked everyone involved in the report.

Recommendation:

- The Governance and Audit Committee agreed the Committee's annual report for submission to the Council in order to meet the requirements subject to minor amendments mentioned above.

8. Update from the Strategic Director: Social Services on the Unsound Opinion for Children Services – Safeguarding Children's Money

8.1 The Strategic Director - Transformation and Corporate provided a verbal update to the Committee on behalf of the Strategic Director - Social Services.

8.2 The Chair asked that the committee note the update and ask the Strategic Director - Social Services any relevant questions at a future meeting.

8.3 The Governance and Audit Committee noted the verbal update.

9. Update from the Strategic Director: Social Services regarding the Internal Audit of Adoption Allowances Resulting in a Third consecutive Unsatisfactory Opinion

9.1 The Strategic Director - Transformation and Corporate provided an update to the Committee on behalf of the Strategic Director - Social Services.

9.3 The Chair asked that the committee note the update and reserve any relevant questions for the Strategic Director of Social Services at the next meeting.

9.3 The Governance and Audit Committee noted the verbal update.

10. Forward Work Programme

1.1. The purpose of the forward work programme is to help ensure Members achieve organisation and focus on the undertaking of enquiries through the Governance and Audit Committee function. The report presented the current work programme to the Committee for information and detailed the items due to be considered at the Committee's next two meetings.

Recommendation:

- That the Governance and Audit Committee noted the Work Programme.

11. Date of Next Meeting

1.1. The next meeting will take place on 25 January 2023.

Date Raised	Item	Recommendation	Responsible Officer	Status	
23/07/23	**Agenda Item 7:** **Corporate Risk Register Quarter 4**	1. Provide an information only written update on the work being undertaken to manage the impact of the Eliminate Programme.	Strategic Director for Social Services	1. In Progress – written update to be shared with Committee as an information only update	
23/07/23	**Agenda Item 8:** **Audit Wales and Regulatory Body Six-Month Update**	1. Make amendments in future reports to make it clearer on whether the recommendations were completed or in progress (e.g. Carbon Reduction 114, Equality Impact Assessment 116, Asset Management 117). 2. Anonymised recommendations from the Care Inspectorate for Wales inspections to be shared with the Committee, subject to the approval of the Monitoring Officer.	Performance and Programme Manager Performance and Programme Manager / Head of Law and Standards	In Progress Both actions will be reviewed and considered in preparation of the next 6 monthly update which will be presented in January 2024.	Jan 2024
2/8/09/23	**Agenda Item 6:** **Annual Corporate Self-Assessment Report 2022/23**	1. Dr Barry, Co-opted Member to provide an example document ahead of next year's Annual Corporate Self-Assessment reporting cycle for discussion and comments.	Dr Barry, Co-opted Member		

		~~2. Consider providing more explanation in the report concerning amber ratings in future assessments.~~	~~Strategic Director for Transformation and Corporate / Head of People, Policy and Transformation~~	~~2. COMPLETED Complete Annual Report includes a RAG assessment table, and separately tolerance.~~	
28/09/23	**Agenda Item 8:** **Annual Report on Compliments, Comments and Complaints Management 2022/23**	Future annual reports to build on the data outlined in the report and include demographics of residents providing feedback, and roadmap of planned improvements.	Complaints Manager	In Progress – this will be considered in preparation of the next Annual Report which will be presented in 2024.	2024
26/10/23	**Agenda Item 11:** **2023-24 Half Year Treasury Management Monitoring Report**	Consider adding in some data from previous years as reference points to show direction of travel	Head of Finance	In Progress - The next update report on TM will be in June/July 2024 and will be incorporated then.	Summer 2024
23/11/23	**Agenda Item 7:** **Governance and Audit Committee Annual Report 2022/23**	1. Concerns regarding the Committee regarding Audit resource to be included in the report under the comments regarding the audit. 2. The number of call-ins made by the Committee to be included in the report.	Head of Finance Head of Finance	1. and 2. COMPLETED The report submitted for full Council reflected this feedback.	

Report

Governance & Audit Committee

Part 1

Date: 25 January 2024

Subject **Internal Audit – Progress against audit plan 2023/24 Quarter 3**

Purpose This reports updates Members of the Governance & Audit Committee on progress in the completion of the 2023/24 agreed audit plan up to the end of the third quarter, by providing information on audit opinions given to date and progress against key performance targets.

Author Interim Chief Internal Auditor

Ward General

Summary The attached report identifies that the Internal Audit Section is making progress against the 2023/24 audit plan and internal performance indicators.

The original audit plan was based on 862 audit days.

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

Action by The Governance & Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People, Policy & Transformation

Signed

Background

1. This report aims to inform Members of the Governance & Audit Committee of progress made on the completion of the agreed Internal Audit plan. Progress against the audit plan for the first nine months of the year is reported here along with the performance of the team for that period.

2. The report also gives Members assurance (or otherwise) on the adequacy of the internal control environment operated within the Council by showing the audit opinions given on work undertaken at the end of Q3.

Internal Audit Staffing

3. The team currently operates with an establishment of 6.5 audit staff. The Committee will be aware of the ongoing resourcing issues within the team, however it is pleasing to note that 2x Auditor vacancies have been filled and those roles have commenced; whilst at the time of reporting recruitment exercises were ongoing for the vacant Principal Auditor and Senior Auditor posts.

4. The relationship with South West Audit Partnership (SWAP) continues, who provide external support with the undertaking of the audit plan. This currently consists of interim management support for two days per week, along with 130 days of audit delivery. Additionally, a further 15 days of delivery by SWAP has been commissioned by the Head of Finance, for the provision of a Fraud Risk Assessment. See *10.* for further details.

5. The longer term arrangements for the audit team remain under consideration. The Head of Finance is leading on this work.

Internal Audit Plan Delivery

6. The 2023/24 Internal Audit Plan was agreed by the Governance & Audit Committee on the 25th May 2023 and was based on 862 audit days. This included 48 new opinion related jobs, as well as 13 ongoing opinion jobs from 2022/23. All audit jobs which were ongoing at year end 2022/23 were completed by the end of quarter 2.

7. The section's performance is measured against performance indicators set and agreed by the Welsh Chief Auditors' Group. Performance against these indicators is reported to the Governance & Audit Committee on a quarterly basis; the targets for each of the indicators were set internally by the previous Chief Internal Auditor. The performance for Quarter 3 2023/24 is outlined within **Appendix A**, which shows 32% of the plan has been completed (against a 50% target), whilst promptness of draft report issue (6 days vs. 10 day target) and report finalisation (3 days vs. 5 day target) remain within their targets.

8. The ongoing resourcing challenges within the team have meant that the delivery of opinion audit reviews has been prioritised. See **Appendix B** for an outline of all completed and live opinion jobs within 2023/24 and their current delivery status. The assurance opinions provided against completed jobs have been extremely positive.

9. Based on the current known staffing arrangements, it is expected that a total of 36 of the 48 new opinion jobs for 2023/24 will be completed by the end of March 2024, compared to a forecast of 34 within the quarter 2 update. This number will be able to increase further should current recruitment activities be successful.

10. Following the Audit Wales report regarding Counter Fraud Arrangements (issued August 2023), action is being taken to address the recommendations made. To support this, SWAP's Counter Fraud Team has been engaged to undertake a Fraud Risk Assessment for the Council. Once

complete, this will provide an outline of the key fraud risks which require further oversight and scrutiny, such as being built into future Internal Audit plans.

11. Audit opinions provided relate to the adequacy of internal controls within the system or establishment being reviewed. The opinion is derived from the balance of strengths and weaknesses identified from evidence obtained, and testing undertaken, during the audit. It is pleasing to note that there have been no *Limited* or *No Assurance* opinions provided in the current financial year.

12. Where *Limited* or *No Assurance* opinions are issued, they are followed up to ensure that the agreed actions have been taken by management and that the internal control systems are improved. No Follow Up Reviews were undertaken within quarter 3.

13. Definitions of the audit opinions used are shown at **Appendix D**.

Quality Control

14. On completion of all audit reviews, an evaluation questionnaire is sent out to the service manager with the final report. These questionnaires are returned in confidence to the Internal Audit team, with the information assessed and any negative comments addressed. Feedback received from service managers via these questionnaires has been very positive; this will continue to be collated throughout the year and fed into the annual audit report for 2023/24.

Financial Training

15. Three financial training sessions have been held within 2023/24. None were held during quarter 3, to enable the prioritisation of opinion job delivery.

Public Sector Internal Audit Standards (PSIAS)

16. The Public Sector Internal Audit Standards (PSIAS) (IIA) came into force from April 2013 (updated March 2017) which the team needs to ensure it is compliant with as it carries out work in line with the audit plan.

17. A requirement of the PSIAS is for the Internal Audit team to be externally assessed once every five years to ensure compliance with these Standards. The most recent review took place in 2017/18; the outcome being that the team is compliant with the Standards, with no significant areas of non-compliance. The next review was due to take place at the end of 2023, however resourcing issues have required this to be delayed into 2024. Plans will be put in place for this to occur within quarter 1 of 2024/25.

Service Management Responsibilities

18. Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by incorporating their agreed actions into the audit reports. When management sign off the reports, they are accepting responsibility for addressing the issues identified within the agreed timescales.

19. Although Heads of Service are responsible for implementing and maintaining adequate internal controls within service areas, operational managers are responsible for working within those controls and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Heads of Service for information and appropriate action where necessary.

Financial Summary

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

Risks

21. If the plan is not completed to an adequate level due to a lack of resource in the team, the Interim Chief Internal Auditor may have to qualify the year end assurance opinion provided to the Governance & Audit Committee. The audit plan has been reprioritised to help mitigate this risk.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Audit Plan not completed	M	M	Audit work has been prioritised and an external provider (SWAP) are providing support.	Interim Chief Internal Auditor

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

22. 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.

Options Available

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

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

Preferred Option and Why

25. N/A

Comments of Chief Financial Officer

26. This is a regular update report on the delivery of the annual audit plan. Staffing/resourcing challenges are having an impact on the delivery of this year's plan and external consultancy is assisting in this regard. The prospect of a limited assurance from the Chief Internal Auditor based on what opinion jobs have been completed is a potential prospect.

    The Head of Finance and interim Chief Internal Auditor monitor the delivery of the plan closely to manage and mitigate, as far as possible the above risk.

    A verbal update on recruitment and resourcing within the internal audit team will be given to the Committee.

Comments of Monitoring Officer

27. There are no legal implications. The report has been prepared in accordance with the Council's internal audit procedures and the Performance Management Framework. The progress made to date in delivering the objectives set out in the approved Audit Plan highlights the effectiveness of the work undertaken by this service area in ensuring that adequate and effective internal control measures are in place.

Comments of Head of People, Policy and Transformation

28. Providing management assurance on systems gives the Council confidence that there is sound financial and operational management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. This supports delivery of the Council's Corporate Plan 2022-2027 and Annual Governance Statement.

Local issues

29. N/A

Scrutiny Committees

30. N/A

Equalities Impact Assessment and the Equalities Act 2010

31. 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.

32. As this is a progress 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

33. N/A

Wellbeing of Future Generations (Wales) Act 2015

34. The role of Internal Audit supports the Council in complying with the principles of the Wellbeing Act and providing assurance on the activities undertaken across the Council. 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 that is aligned to the Council's Corporate 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 Council's corporate governance, internal control and risk management environment in operation and support sound stewardship of public money.
Collaboration - Internal Audit work in collaboration 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. The involvement of the Governance & Audit Committee provides assurance and oversight of an effective internal audit provision to carry out its duties.

Crime and Disorder Act 1998

35. 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

36. N/A

Background Papers

37. N/A

Appendix A **Newport City Council** **Internal Audit Service** **Performance Indicators**

2022/23	22/23 Target	1st Qtr 22/23	2nd Qtr 22/23	3rd Qtr 22/23	4th Qtr 22/23	Comments
Proportion of planned audits complete	82%	19%	31%	47%	77%	[Profiled Target Q3 50%]
Directly chargeable time against total time available	50%	50%	56%	52%	54%	Quarterly performance
Directly chargeable time against planned	100%	60%	58%	62%	-	Quarterly performance
Proportion of Special Reviews responded to within 5 working days	100%	100%	100%	N/A	100%	Cumulative figures
Number of sessions provided to train staff in all Service Areas on best financial practice	8	3	5	8	10	Cumulative figures
Staff turnover rate (number of staff)	0	0	0	0	0	Quarterly performance
Promptness of draft report issue (end of fieldwork to draft report issue date)	10 days	2 days	3 days	5 days	5 days	Cumulative figures
Promptness of report finalisation (date of client meeting to final report issue date)	5 days	2 days	2 days	2 days	2 days	Cumulative figures

2023/24	23/24 Target	1st Qtr 23/24	2nd Qtr 23/24	3rd Qtr 23/24	4th Qtr 23/24	Comments
Proportion of planned audits complete	82%	12%	23%	32%		[Profiled Target Q3 50%]
Directly chargeable time against total time available	50%	42%	**	**		Quarterly performance
Directly chargeable time against planned	100%	54%	**	**		Quarterly performance
Proportion of Special Reviews responded to within 5 working days	100%	100%	100%	100%		Cumulative figures
Number of sessions provided to train staff in all Service Areas on best financial practice	8	2	3	3		Cumulative figures
Staff turnover rate (number of staff)	0	3.5 (63%)	1 (50%)	0 (0%)		Quarterly performance
Promptness of draft report issue (end of fieldwork to draft report issue date)	10 days	6 days	8 days	6 days		Cumulative figures
Promptness of report finalisation (date of client meeting to final report issue date)	5 days	3 days	3 days	3 days		Cumulative figures

** Figures not calculated due to levels of external support being provided.

Appendix B
Q1 – Q3 Opinions
(not inclusive of 2022/23 carry forward reviews)

Substantial	8
Reasonable	5
Limited	0
No Assurance	0
Unqualified	4
Total	17

Internal Audit Services - Management Information for 2023/24

Outstanding From 2022/23						
Job Number	**Service Area**	**Section or Team**	**Job Title**	**Risk Rating**	**Status**	**Opinion Given**
F2324-F4	People, Policy & Transformation	Climate Change	Health & Safety (Occupational Health) (2022/23)	H	Final	Substantial
F2324-F7	Children Services	Fostering & Adoption	Fostering Panel (2022/23)	M	Final	Substantial
F2324-F9	Education Services	Primary Schools	Gaer Primary School (2022/23)	M	Final	Substantial
F2324-F10	Education Services	Primary Schools	Malpas Park Primary School (2022/23)	M	Final	Substantial
F2324-F1	Finance	Accountancy	Capital Programme (2022/23)	H	Final	Reasonable
F2324-F2	Finance	Benefits	Housing Benefits (Follow Up) 2021/22	H	Final	Reasonable
F2324-F3	People, Policy & Transformation	Digital Services & Complaints	Internal Mobile Telephony (Follow Up) 2021/22	H	Final	Reasonable
F2324-F13	Environment & PP	Public Protection	Newport City Dogs Home (Follow Up) 2021/22	H	Final	Reasonable
F2324-F5	Law & Standards	Registration	Registration Services (2022/23)	M	Final	Reasonable
F2324-F8	Education Services	Inclusion / ALN	Education Psychology (2022/23)	M	Final	Reasonable
F2324-F11	Education Services	Primary Schools	Malpas Church in Wales Primary School (2022/23)	M	Final	Reasonable

F2324-F6	Social Services	Childrens Services	Adoption Allowances Follow Up #2	H	Final	Limited
F2324-F12	Infrastructure (City Services)	Transport	PTU – Taxi Contracts Follow Up #1	H	Final	Limited
2023/24 Reviews						
Job Number	**Service Area**	**Section or Team**	**Job Title**	**Risk Rating**	**Status**	**Opinion Given**
P2324-P33	Infrastructure (City Services)	Transport	PTU – Taxi Contracts Follow Up #2	H	Final	Substantial
P2324-P37	Finance	Accountancy	Treasury Management Strategy	H	Final	Substantial
P2324-P41	Finance	Cross Cutting	Authorisation Processes (Creditors/Treasury/ Payroll)	H	Final	Substantial
P2324-P50	People, Policy & Transformati on	General	Corporate Governance Follow Up	H	Final	Substantial
P2324-P54	Law & Standards	Democratic Services	Democratic Services & Governance	H	Final	Substantial
P2324-1	Regen & Economic Development	City Regeneration	Regeneration Initiatives	M	Final	Substantial
P2324-P6	Education Services	Resources & Planning	School Admissions & Appeals	M	Final	Substantial
P2324-P15	Education Services	Special Schools	Ysgol Bryn Derw	M	Final	Substantial
P2324-P3	Regen & Economic Development	Planning, Building Control & Development	Planning Obligations (S106)	M	Final	Reasonable
P2324-P8	Education Services	Resources & Planning	Breakfast Clubs	M	Final	Reasonable
P2324-P32	Infrastructure (City Services)	Transport	Parking Services	M	Final	Reasonable
P2324-P60	Children Services	Residential & Operations	Rosedale	M	Final	Reasonable
P2324-P65	Adult Services	Adult Social Work Teams	Occupational Therapy Service	M	Final	Reasonable

P2324-P16	Education Services	Grants	School Improvement Grant 2022/23	M	Final	Unqualified
P2324-P17	Education Services	Grants	Pupil Development Grant 2022/23	M	Final	Unqualified
P2324-P24	Housing & Communities	HSG/ Supporting People	Housing Support Grant 2022/23	M	Final	Unqualified
P2324-P29	Environment & PP	Public Protection	Scambusters Grant Claim 2022/23	M	Final	Unqualified
P2324-P22	Housing & Communities	Strategic Housing	Private Sector Leasing	H	In Progress	-
P2324-P39	Finance	Procurement & Payments	eTendering	H	In Progress	-
P2324-P43	Finance	General	NFI	H	In Progress	-
P2324-P48	People, Policy & Transformation	Transformation & Intelligence	Risk Management	H	In Progress	-
P2324-P2	Regen & Economic Development	Economic Development	Skills & Work Contract	M	In Progress	-
P2324-P14	Education Services	Secondary Schools	Ysgol Gyfun Gwent Is Coed	M	In Progress	-
P2324-P18	Education Services	Other – School Related	Control Risk Self-Assessments	M	In Progress	-
P2324-P25	Housing & Communities	Environmental Health Housing	Private Sector Housing (HMO)	M	In Progress	-
P2324-P47	People, Policy & Transformation	Transformation & Intelligence	Database System Administration	M	In Progress	-
P2324-P58	Children Services	Children's Social Work Teams	Asylum Seekers Imprest Account	M	In Progress	-
P2324-P61	Children Services	Residential & Operations	Control Risk Self-Assessments	M	In Progress	-
P2324-P67	Adult Services	Residential & Day Services	Control Risk Self-Assessments	M	In Progress	-
P2324-P72	Prevention & Inclusion	Integrated Family Support Service	Community Connectors & Carers	M	In Progress	-
P2324-P10	Education Services	Primary Schools	St Mary's RC Primary	M	Scoping	-
P2324-P11	Education Services	Primary Schools	Jubilee Park Primary	M	Scoping	-

P2324-P13	Education Services	Primary Schools	Pillgwenlly Primary	M	Scoping	-
P2324-P26	Housing & Communities	Vulnerable Persons Resettlement Scheme	Vulnerable Persons Resettlement Scheme	M	Scoping	-
P2324-P34	Infrastructure (City Services)	Fleet	Fleet/Vehicle Management	M	Scoping	-
P2324-P55	Law & Standards	Electoral Registration	Electoral Registration	M	Scoping	-

Appendix C

INTERNAL AUDIT SERVICES – OPINION DEFINITIONS

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

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

Mae'r dudalen hon yn wag yn

Report

Governance and Audit Committee

Part 1

Date: 25 January 2024

Subject **Newport City Council Risk Management Policy**

Purpose The Governance and Audit Committee to consider and provide feedback on the Council's draft Risk Management Policy and supporting risk appetite statement.

Author Director of Transformation and Corporate
Head of People, Policy and Transformation

Ward All

Summary Newport City Council is responsible for delivering a multitude of different services and activities through its statutory and non-statutory duties. The Council faces many complex, wide ranging opportunities, challenges and risks that could prevent it from delivering these services effectively. The Council's Corporate Plan 2022-27 has also set 4 Well-being Objectives and to deliver these the Council and its services will need to take well-managed opportunities and risks when making decisions.

The draft Risk Management Policy provides an overview of the Council's risk management arrangements and also its risk appetite statement on how the Council will manage the opportunities and risks throughout the delivery of this Corporate Plan. The Risk Management Policy has been developed in consultation with Cabinet, senior officer group and other risk related services such as Health and Safety, Insurance and Civil Contingencies.

To support the implementation and embedding of the policy, the Council will have a Risk Management procedure document. Through ongoing support and training officers

Proposal The Governance and Audit Committee is asked to consider the Council's and provide feedback on the draft Risk Management Policy and risk appetite statement.

Action by Head of People, Policy and Transformation

Timetable Immediate

This report was prepared after consultation with:
- Cabinet
- Executive Board
- Corporate Management Team

Signed

Background

Newport City Council is responsible for delivering a multitude of different services both statutory and non-statutory to residents, businesses and other service users. The Council faces many complex, wide ranging opportunities, challenges and threats that could prevent services from being delivered effectively. The Council's Corporate Plan 2022-27 has set four Well-being Objectives that support the Council's mission to deliver an *Ambitious, Fairer and Greener Newport for everyone*. To deliver these objectives and its services, the Council will need to take well managed opportunities and risks in the decisions that are made at all levels of the organisation. The purpose of this Risk Management Policy is to:

i) Outline the Council's commitment to Risk Management, provide a framework for continuing to embed risk management across the organisation.
ii) Set the Council's appetite for managing risk(s); and the risk culture of the organisation to deliver the Council's Corporate Plan, strategic objectives and statutory duties.

To support this policy and embed the Council's risk appetite, a separate Risk Management Procedure and supporting documents have also been updated.

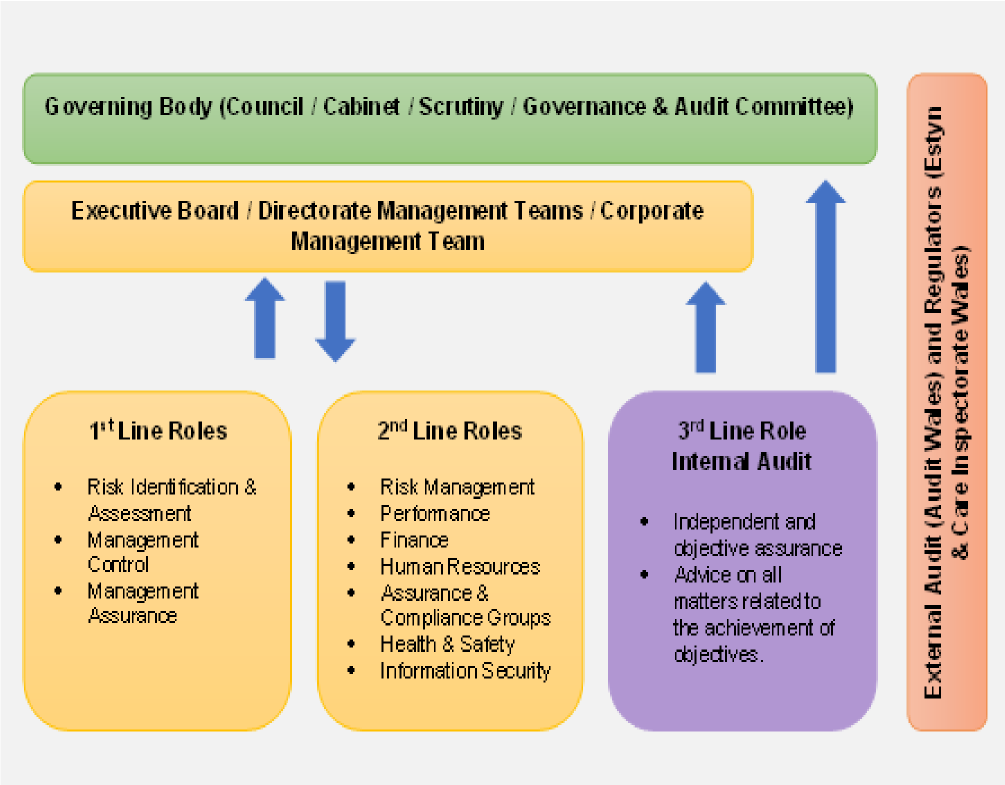
Risk Management Policy and Risk Appetite Statement

The draft Risk Management Policy has been developed considering best practice from the UK Government 'Orange Book' and the Committee of Sponsoring Organisations of Treadway Commission (COSO) risk management framework. In the policy's development we have consulted with the Council's Cabinet and senior leadership team (Directors and Heads of Service) to understand their views on risk and risk management. The views of other teams involved in risk activity such as the Council's Health and Safety team, Finance, Internal Audit, Civil Contingencies, Insurance, programme and project management were also considered.

In developing the Council's overall risk appetite statement, it is important to recognise that risk and the Council's risk appetite statement is not a single or fixed concept and that there is a range of appetites for different risks over time. To support this position, the Council has adopted to take 'Well-managed' opportunities and risks based on informed, evidence-based decisions to ensure long-term sustainability of services, social value and to deliver best value. Ten risk areas have been proposed to support the range of activities the Council undertakes supported by a risk appetite level of ***Averse, Minimalist, Cautious, Open and Eager***. Full descriptions of their meaning can be found in the Risk Management Policy. Summary of the risk areas is below:

1. Strategy and Policy risks – Open
2. Governance, Legal and Regulatory risks – Minimalist
3. Business Continuity and Operational risks – Minimalist
4. Reputational risks – Cautious
5. Financial including Commercial and Asset risks – Cautious
6. Technology and Information Security risks – Minimalist (Information Security) and Open (Technology)
7. People and Health & Safety risks – Minimalist
8. Safeguarding risks – Cautious
9. Climate Change and Environmental Protection risks – Cautious
10. Programme / Project delivery risks - Open

The Policy also outlines the governance arrangements and its three lines model (See diagram below) to support and embed the Council's Risk Management policy into its operational and strategic activities. The purpose of the three lines model is to support accountability and ownership of risk within Newport City Council. It also outlines the supporting role which corporate activities such as performance and risk, Finance, Health & Safety, information security etc have to make sure risks are managed effectively and efficiently. Finally the role of Internal Audit and External regulators is important to provide assurance to stakeholders on the effectiveness and efficiency of the Council's governance, risk management and internal control arrangements.



Risk Management Process (For Information)

To support the embedding of the Policy into practice, the Council has produced a separate procedure document. This procedure document outlines how service areas identify, assess, and monitor the opportunities and risks, which could impact on the delivery of services and achievement of the Council's strategic priorities.

The procedure note has been developed to reflect the governance arrangements in the Council and the risk assessment matrix has been updated to align with the proposed risk appetite statement. The matrix will be incorporated into the risk assessment documents and will support officers considering risks based on the new risk appetite areas. The new procedure note and assessments will be adopted for the new financial year 2024/25.

Following the approval of the new Policy, the risk management procedure document will be shared and communicated with the Council's officers through its Intranet with ongoing training and support.

Risk Management Policy and Risk Appetite Monitoring

The Council's Risk Management Policy and appetite statement will be subject to regular review throughout the delivery of this Corporate Plan to ensure that it reflects the Council's risk position and to reflect any emerging opportunities and risks. The risk management procedure will also be subject to review and updated to reflect any changes to process, governance and/or any internal and external review. The Council's Annual Governance Statement and Internal Audit team will also undertake regular reviews of the Council's risk management arrangements to ensure it maintains best practice.

Next Steps

Feedback and comments from the Council's Governance and Audit Committee will be considered and as necessary included in the final version of the Policy which will be presented to the Council's Cabinet for approval. The final version of the Policy will be shared with the Governance & Audit Committee and will support future quarterly updates to the committee. Following its approval the Policy, Procedure and documents will be communicated to the Council's staff and training provided to support officers in embedding the Policy.

Appendix 1 – Draft Risk Management Policy
Appendix 2 – Fairness and Equality Impact Assessment

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 have an effective Risk Management Policy to support the delivery of its strategic objectives and statutory duties.	M	L	Draft Risk Management Policy will be approved by the Council's Cabinet and shared with all key stakeholders. Ongoing training and support will be provided by the Council's Transformation & Intelligence team to embed the policy and procedures. Regular monitoring and reporting on the effectiveness of the policy and arrangements through Annual Governance Statement, Internal and External Audit reviews.	Directors, Heads of Service, Service Managers Transformation & Intelligence team (People, Policy & Transformation).

*Taking account of proposed mitigation measures

Links to Council Policies and Priorities
Corporate Plan 2022-27
Service Plans
Performance and Planning Policy

Options Available and considered.

1. For the Governance and Audit Committee to comment and recommend on the Council's Risk Management Policy and risk appetite statement prior to its presentation to the Council's Cabinet.
2. For Governance and Audit Committee to reject the policy and for an updated policy to be re-submitted prior to approval by the Council's Cabinet.

Preferred Option and Why

1. Option 1 is the preferred option with comments and recommendations raised by the Audit Committee to be considered prior to the finalisation of the Risk Management Policy by Cabinet.

Comments of Chief Financial Officer

As outlined in the report, there are no direct financial implications arising from the implementation of the Risk Management Policy.

However, there are clear links between this policy and the Council's financial planning and management activities, and it is important that there is alignment between the two. For example, the risk appetite towards certain activities needs to take account of the financial context that the Council is working within. In broad terms, this is reflected in the fact that the majority of risk appetites are identified as cautious or minimalist. However, it is important that each risk, including the financial aspects, are individually assessed and that any implications are either mitigated or escalated, as appropriate. Therefore, when services are setting plans and assessing risk as part of that process, the financial aspects need to be considered in parallel.

In addition to service specific risks, the Risk Management Policy also outlines the Council's approach to managing financial risk in overall terms. A cautious approach to risk management in a financial context will be taken, as stated in the policy, however it is important that this level of risk is not applied to all financial matters in general. It will still be necessary for each activity to be individually assessed and the appropriate approach to risk selected, with the overriding aim for any decisions around investment, for example, to be backed by robust evidence, with the appropriate mitigations in place.

Comments of Monitoring Officer

There are no legal implications arising directly from this report. The Risk Management Policy once adopted will set out guidelines for members and officers to consider when deciding whether to pursue a given course of action. As such, the risks and benefits of a particular course of action would need to be assessed prior to applying the Policy and the adoption of this Policy is not a substitute for such assessment. Whilst there are likely benefits to the Council taking a less risk-averse approach in certain circumstances, it is nonetheless important that potential risks are understood, acknowledged and accepted prior to proceeding.

The Head of Law and Standards will be advised in more detail on the potential legal risks and consequences of specific proposals and should be consulted at an early stage where a higher-risk course of action is being contemplated.

Comments of Head of People, Policy and Transformation

It has been important throughout the development of the Risk Management policy to consult and seek the views of the Council's Cabinet, senior leadership team and risk experts in the organisation to ensure that the Policy reflects the Council's appetite managing risk and taking opportunities to improve the delivery of services. The implementation of the updated Risk Management policy will support officers and the Council's Cabinet to make effective evidence based decisions. This will also support the Council to deliver on its strategic aims and priorities outlined in the Council's Corporate Plan, other strategic documents and statutory duties.
The service area will champion and support service areas to embed the principles of this Policy through its ongoing risk management activity.

Scrutiny Committees

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

Fairness and Equalities Impact Assessment (FEIA)

A FEIA has been completed in the development of the Policy (Appendix 2). As it is an internal Policy document it will not have a direct impact on the external stakeholders. No external consultation is required. The aim of the Policy is to support effective and evidence-based decisions considering the opportunities and risks which could impact on the delivery of services, strategic decision making and compliance with its statutory duties.

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 – The implementation of the Policy will support the Council in making effective and evidence based decisions on the short, medium and long term objectives of the Council. The Policy supports the delivery of the Council's medium to long term strategies such as the Corporate Plan 2022-27, Climate Change Plan, Digital Strategy, Finance policies, and other key strategic decisions. The Policy will also support the Council to effectively identify and manage new and emerging opportunities and risks which could impact on the delivery of its statutory services.
Preventative – The Risk Management Policy will enable the Council to effectively identify, assess and ensure robust arrangements are in place to mitigate and prevent new, emerging and existing opportunities and risks. The Policy and risk appetite statement will ensure decisions are based upon the best available data and evidence to ensure necessary actions are taken to reduce and prevent incidents. Service areas will continuously monitor and report on the management of risk through its existing governance arrangements.
Collaborative – The development of the risk management policy has been developed in collaboration with Cabinet, senior leadership team and risk management experts within the Council. The Council has also considered risk management best practice from the UK Government, Institute of Risk Management, Institute of Internal Auditors and the COSO Treadway Commission.
Involvement – As above in the Collaboration section the Council has involved key stakeholders from across Newport City Council to inform and support the development of the Policy. The Council will also involve the Governance and Audit Committee to review and provide feedback on the proposed Policy. The views of the committee, officers and Cabinet will support the development and implementation of the Policy.
Integration – The development of the Policy has incorporated the Well-being of Future Generations Act, Local Government and Elections Act as well as risk management best practice. The Policy and supporting appetite statement have been developed in line with the Council's Corporate Plan, strategic priorities and statutory duties. The Policy and supporting processes are embedded into the Council's performance and risk management arrangements which are subject to regular monitoring and reporting through its governance processes.

Consultation
As this is an internal Policy document, no external consultation is required. The Council’s Risk Management Policy has been consulted with the Council’s Cabinet, senior leadership team (Directors and Heads of Service), Governance and Audit Committee and other Council services managing risk.

Background Papers
Corporate Plan 2022-27

Dated: 16th January 2024

Fairness and Equalities Impact Assessment (FEIA)

This integrated impact assessment aims to ensure Newport City Council makes fair decisions, considers relevant evidence, and seeks to secure the best outcomes for our communities. **A FEIA must be used to inform the first steps of decision-making at the concept stage, not when a decision is already made or cannot be influenced**. This impact assessment considers our legislative responsibilities under:

- The Equality Act 2010, including the Socio-economic Duty
- The Well-being of Future Generations (Wales) Act 2015
- The Welsh Language (Wales) Measure 2011
- The Armed Forces Act 2021

What do we mean by Fairness?

The Newport Fairness Commission is an independent body which advises the council on the best use of resources and powers to achieve the fairest outcomes for local people. The Fairness Commission has established four **Principles of Fairness** which should be considered as part of any decisions that the council make – the questions below are useful to reflect on before you start your FEIA.

- **Equity**
  - Are people being treated in a consistent way, whilst acknowledging their differences (for example, need, barriers to accessing services)?
  - Will the gap between those with more, and those with less be reduced?
  - Have the interests of different groups affected (including minority or disadvantaged communities) been taken into account?
- **Priority**
  - Have the needs of the most disadvantaged and vulnerable across the city been given priority?
  - Have you considered possible indirect consequences for minority/disadvantaged communities when other priorities are directing decisions?
- **Inclusion**
  - Will the voices of all those affected by your decision be heard?
  - Are people able to participate in and shape a service, as well as receiving it?
  - Have you considered the impact of your decision on the relationship between communities, and the spaces they share?
- **Communication**
  - Are decisions being made transparently and consistently?
  - How will decisions be communicated to people who are affected in a clear way, with the opportunity for feedback?

Part 1: Identification

Name and Role of Officer	Service Area	Date	Head of Service who approved FEIA
Paul Flint, Performance and Programme Manager	People, Policy & Transformation	2/1/2024	Tracy McKim, Head of People, Policy & Transformation

1. What is being assessed? (Please tick on the relevant box(es) as appropriate)

- [X] New or revised policies, practices or procedures (which modify service delivery or employment practices)
- [ ] Service review or re-organisation proposals which affect the community and/or staff
- [ ] Efficiency or saving proposals
- [ ] Setting budget allocations for new financial year and strategic financial planning
- [ ] Decisions affecting service users, employees or the wider community including (de)commissioning or revising services
- [ ] New project proposals affecting staff, communities or access to the built environment
- [ ] Local implementation of National Strategy/Plans/ Legislation
- [ ] Medium to long term plans (for example, corporate plans, development plans, service delivery and improvement plans)
- [ ] Major procurement and commissioning decisions
- [ ] Decisions that affect the ability (including external partners) to offer Welsh language opportunities and services
- [ ] Other please explain in the box below:

2. Please describe the overall aims, objectives and intended outcomes of your decision.

The Council's Risk Management Policy is an internal policy document designed to support officers in making effective and evidence-based decisions to maximise the opportunities and manage the risks that may prevent the Council from achieving its objectives and statutory duties.

3. Who are the main stakeholders who may be impacted by your decision and what data do you hold on them? Consider communities of place (people who live in the same geographic area) and communities of interest (people who share particular characteristics but may live in different geographic areas). Stakeholders may include residents, local businesses, community groups, staff or partners.

The proposed policy is an internal document for use by the Council's officers and Cabinet Members and Democratic functions. There are no external communities or stakeholders impacted by the implementation of this policy.

Part 2: Engagement

When completing this section, you need to consider whether you have sufficient information about the views and experiences of people who your decision will impact upon. If you don't, you may need to undertake a period of engagement/consultation before continuing. An FEIA is a live document, so can be updated with consultation findings, and amended as needed during the decision-making process.

The council has a duty to consult and engage with people who may experience inequalities as a result of your decision. This includes people who share Protected Characteristics (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation), people who have lived experience of socio-economic disadvantage and members of the Armed Forces community. The council's Youth Promise also requires us to ensure all young people in Newport are listened to and included in decisions affecting them.

The council also has a duty to ensure that any consultation is available bilingually (in Welsh as well as English), and you may like to consider any other community languages that are spoken by people who may be impacted by your decision. Below are some questions that should be included in any public consultation relating to a decision which may impact on the use of Welsh language in Newport:

1. Do you believe that the proposed decision/policy will have a positive or negative effect on opportunities to use the Welsh language?
2. If you think it will have a negative effect, what steps could we take to lessen or remove this and improve positive effects?
3. Do you believe that the proposed decision/policy will treat the Welsh language less favourably than the English language?

1. How have you engaged with people who may be affected by your decision (the stakeholders you have identified)? More Info

We have engaged with the Council's Cabinet, Senior Leadership Team (Chief Executive, Directors and Heads of Service) and risk management experts from different disciplines in the Council including Internal Audit, Civil Contingencies, Finance, Human Resources, Programme and Project Management, Digital Services, Health & Safety and Insurance.

2. What do you know about the views or experiences of people who may be affected by your decision? More Info

Not applicable as this is an internal document.

Part 3: Assessment

This section requires you to assess the potential impact of your decision on a range of groups who may experience specific disadvantages. Your assessment should be supported by evidence – either from your own engagement/consultation, similar or previous engagement, what you already know about the people who access your service, or from local and national sources of information.

Useful documents which set out information about how communities are impacted by inequalities include EHRC – Is Wales Fairer? and the council's COVID-19 Community Impact Assessment. Your decision may have both positive and negative impacts – if this is the case, please place a cross in both boxes.

1. Impact on people that share Protected Characteristics

Protected Characteristics are defined under the Equality Act 2010, and describe groups of people who are protected from discrimination, either in the workplace, or through the provision of goods and services. The council must consider how decisions may impact on people differently because of a protected characteristic, and how any negative impact could be reduced. National guidance on assessing equality impacts and the Public Sector Equality Duty can be found here. You can also access further advice and examples of positive and negative impacts here.

2. Impact on Welsh Language

The Welsh Language (Wales) Measure specifies that for all policy decisions, the council must consider the effects (both positive and negative) on the Welsh language. For further guidance on Welsh language considerations see here.

3. Impact on Armed Forces Community (Education, Housing and Healthcare only)

The Armed Forces Covenant Duty relates to the functions of education, housing and healthcare. It requires the council to pay due regard to the principles of the Armed Forces Covenant and consider the needs of the Armed Forces community when making decisions about the development, implementation or review of a policy or delivery of services.

Protected Characteristics

Provide further details about the nature of the impact on the following protected characteristics below, considering the Public Sector Equality Duty that the council has to:

1. Promote equal opportunity across different groups
2. Promote community cohesion
3. Help eliminate unlawful discrimination/ harassment/ victimisation

Protected characteristic	Impact: **Positive**	**Negative**	**Neither**	
Age More Info	☐	☐	☒	There is no evidence to suggest that this proposal will positively or negatively impact people who share this protected characteristic.
Disability More Info	☐	☐	☒	There is no evidence to suggest that this proposal will positively or negatively impact people who share this protected characteristic.
Gender Reassignment More Info	☐	☐	☒	There is no evidence to suggest that this proposal will positively or negatively impact people who share this protected characteristic.
Marriage or civil partnership More Info	☐	☐	☒	There is no evidence to suggest that this proposal will positively or negatively impact people who share this protected characteristic.

Pregnancy or maternity More Info	☐	☐	☒	There is no evidence to suggest that this proposal will positively or negatively impact people who share this protected characteristic.
Race More Info	☐	☐	☒	There is no evidence to suggest that this proposal will positively or negatively impact people who share this protected characteristic.
Religion or Belief or non-belief More Info	☐	☐	☒	There is no evidence to suggest that this proposal will positively or negatively impact people who share this protected characteristic.
Sex More Info	☐	☐	☒	There is no evidence to suggest that this proposal will positively or negatively impact people who share this protected characteristic.
Sexual Orientation More Info	☐	☐	☒	There is no evidence to suggest that this proposal will positively or negatively impact people who share this protected characteristic.

Impact on Welsh Language

The Welsh Language (Wales) Measure specifies that for all policy decisions, the council must consider the effects (both positive and negative) on the Welsh language. For further guidance on Welsh language considerations see here.

	Impact:			
	Positive	Negative	Neither	
Welsh Language **More Info**	☐	☐	☒	There is no evidence to suggest that the proposal policy will positively or negatively impact the Welsh Language or compliance with Welsh Language Standards.

Please describe how you have ensured your engagement has considered the view of Welsh speakers in Newport.

N/a

Impact on Armed Forces Community

The Armed Forces Community consists of: members of the regular forces and the reserve forces; former members of any of His Majesty's forces ('veterans') who are ordinarily resident in the UK; members of British overseas territory forces who are subject to service law; and relevant family members.

Consider the way your decision impacts the Armed Forces Community and pay due regard to the principles of the Armed Forces Covenant which are:

1. *the unique obligations of, and sacrifices made by, the armed forces.*
2. *the principle that it is desirable to remove disadvantages arising for Service people, as a result of membership of the armed forces*
3. *the principle that special provision for Service people may be justified by the effects on such people of membership, or former membership, of the armed forces.*

The statutory guidance gives examples of the kinds of disadvantage a member of the Armed Forces Community may face in accessing education, housing or healthcare.

	Impact:			
	Positive	Negative	Neither	
Armed Forces Community	☐	☐	☒	N/a

4. The Sustainable Development Principle

The Well-being of Future Generations Act puts in place a sustainable development principle which helps organisations consider the impact they could have on people living in Wales in the future, and ensure they are focused on tackling long-term challenges. Below, consider how your decision promotes, advances, or contradicts the 5 ways of working which underpin the sustainable development principle. You can access further guidance on considering the sustainable development principle here.

Long Term

The importance of balancing short-term needs with the need to safeguard the ability to also meet long-term needs.

We are required to look beyond short term timescales for financial planning and political cycles and instead plan with the longer term in mind (guidance says at least 10 years, but preferably 25). Consider what impact your decision will have on the community in the long term, both for current and future generations.

The development of the Policy has incorporated the Well-being of Future Generations Act, Local Government and Elections Act as well as risk management best practice. The Policy and supporting appetite statement have been developed in line with the Council's Corporate Plan, strategic priorities and statutory duties. The Policy and supporting processes are embedded into the Council's performance and risk management arrangements which are subject to regular monitoring and reporting through its governance processes.

Prevention

Putting resources into preventing problems occurring or getting worse

When developing your decision have you considered what the root causes of the issue are? Are you addressing the root causes and prevent them from occurring or getting worse?

The Risk Management Policy will enable the Council to effectively identify, assess and ensure robust arrangements are in place to mitigate and prevent new, emerging and existing opportunities and risks. The Policy and risk appetite statement will ensure decisions are based upon the best available data and evidence to ensure necessary actions are taken to reduce and prevent incidents. Service areas will continuously monitor and report on the management of risk through its existing governance arrangements.

Integration

Considering how the public body's well-being objectives may impact upon each of the well-being goals, on their other objectives, or on the objectives of other public bodies.

Consider how your decision impact on the Well-being Goals for Wales, the council's Well-being Objectives or Well-being Objectives from other organisations. It is important to use the hyperlinks to ensure you understand the definitions of each of the goals, and taking steps to meet one well-being goal / objective should not be at the detriment of other well-being goals / objectives).

Wales' Well-being Goals

- *A prosperous Wales*
- *A resilient Wales*
- *A healthier Wales*
- *A more equal Wales*
- *A Wales of more cohesive communities*
- *A Wales of vibrant culture an thriving Welsh Language*
- *A globally responsible Wales*

Newport City Council's Well-being Objectives

- *Newport is a thriving and growing city that offers excellent education and aspires to provide opportunities for all.*
- *Newport is a city that seeks to protect and enhance our environment whilst reducing our carbon footprint and preparing for a sustainable and digital future.*
- *Newport is a supportive city where communities and care are at the heart of what we do.*
- *Newport City Council is an inclusive organisation that places social value, fairness, and sustainability at its core.*

The development of the Policy has incorporated the Well-being of Future Generations Act, Local Government and Elections Act as well as risk management best practice. The Policy and supporting appetite statement have been developed in line with the Council's Corporate Plan, strategic priorities and statutory duties. The Policy and supporting processes are embedded into the Council's performance and risk management arrangements which are subject to regular monitoring and reporting through its governance processes.

Collaboration

Working together to deliver objectives.

Have you considered how acting in collaboration with any other person, organisation or any other part of our organisation could help meet this proposal and meet our well-being objectives?

The development of the risk management policy has been developed in collaboration with Cabinet, Senior Leadership Team and risk management experts within the Council. The Council has also considered risk management best practice from the UK Government, Institute of Risk Management, Institute of Internal Auditors and the COSO Treadway Commission.

Involvement

Involving those with an interest and seeking their view - ensuring that those people reflect the diversity of the area.

Who are the stakeholders who will be affected by your proposal? Have they been involved? Do you plan to involve them in the future? Do those people *reflect the diversity of the area which is served?*

The Council has involved key stakeholders from across Newport City Council to inform and support the development of the Policy. The Council will also involve the Governance and Audit Committee to review and provide feedback on the proposed Policy. The views of the committee, officers and Cabinet will support the development and implementation of the Policy.

5. Socio-economic Duty

The Socio-economic Duty is set out in the Equality Act 2010, and requires the council, when making strategic decisions, to pay due regard to the need to reduce the inequalities of outcome that result from socio-economic disadvantage. Inequalities of outcome are felt most acutely in areas such as health, education, work, living standards, justice and personal security, and participation.

A 'strategic decision' is defined by Welsh Government as a decision **which affects how the council fulfills its statutory purpose over a significant period of time and does not include routine 'day to day' decisions**. Strategic decisions include:

- Corporate plans
- Setting well-being, equality and other strategic objectives
- Changes to, or development of public services
- Strategic financial planning
- Strategic policy development

If you do not think your decision meets this definition, and you do not plan on carrying out a Socio-economic Duty Assessment in this section, please provide your rationale below. Any decision which is presented to a Cabinet Member, at Cabinet or Council will be viewed as a strategic decision.

As this is an internal policy document, there is no direct impact on the communities or those identified in the assessment below.

If your decision does meet the definition, please consider the impact of your decision on the socio-economically disadvantaged groups, and areas of inequality that may arise from socio-economic disadvantage contained in the matrix below. The groups listed are not exhaustive and you should consider any additional groups relevant to your decision who may experience socio-economic disadvantage in the following ways:

- **Low Income/Income Poverty** – cannot afford to maintain regular payments such as bills, food, clothing, transport etc.
- **Low and/or no Wealth** – enough money to meet basic living costs and pay bills but have no savings to deal with any unexpected spends and no provisions for the future
- **Material Deprivation** – unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, hobbies etc.)
- **Area Deprivation** – where you live (rural areas), where you work (accessibility of public transport)
- **Socio-economic Background** – for example, parents' education, employment and income

Indicate a positive or negative impact, or both where they apply, and the severity of this impact by coding the sections of the grid based on the below. If there is no/neutral impact, please leave blank.

Negative Impact		**Positive Impact**	
N1	Negative impact – mild	P1	Positive impact – mild
N2	Negative impact – moderate	P2	Positive impact – moderate
N3	Negative impact – significant	P3	Positive impact – significant
N4	Potential for negative impact (but unsure)	P4	Potential for positive impact (but unsure)

Areas of inequality that may arise from socio-economic disadvantage – definitions

Education: The capability to be knowledgeable, to understand and reason, and to have the skills and opportunity to participate in the labour market and in society.

Work: The capability to work in just and favourable conditions, to have the value of your work recognised, even if unpaid, to not be prevented from working and to be free from slavery, forced labour and other forms of exploitation.

Living Standards: The capability to enjoy a comfortable standard of living, in appropriate housing, with independence and security, and to be cared for and supported when necessary.

Justice, Personal Security and Community Safety: The capability to avoid premature mortality, live in security, and knowing you will be protected and treated fairly by the law.

Health: The capability to be healthy, physically and mentally, being free in matters of sexual relationships and reproduction, and having autonomy over care and treatment and being cared for in the final stages of your life.

Participation: The capability to participate in decision making and in communities, access services, know your privacy will be respected, and express yourself.

Groups	Living Standards	Work	Health	Education	Justice & community safety	Participation	Physical Environment
Children living in poverty	-	-	-	-	-	-	-
Low income households without dependent children	-	-	-	-	-	-	-
Unemployed young people	-	-	-	-	-	-	-
Long term unemployed	-	-	-	-	-	-	-
Homeless households	-	-	-	-	-	-	-
Refugees, migrants and asylum seekers	-	-	-	-	-	-	-
Deprived neighbourhoods - WIMD rank in 10% most deprived LSOA	-	-	-	-	-	-	-
People on Universal Credit / income related benefits	-	-	-	-	-	-	-
Adults with no qualifications or low qualifications	-	-	-	-	-	-	-
People living in low quality housing or in Houses of Multiple Occupation	-	-	-	-	-	-	-

1. **What evidence do you have about socioeconomic disadvantage and inequalities of outcome in relation to this decision?**

Please expand on the information provided in the matrix, giving reasons for your assessment of both positive and negative impacts. You may like to consider your experience of current service delivery, recent engagement or consultation or any national/local research relevant to your policy decision.

For any positive impacts, please indicate the [Wellbeing Goal] and/or [Wellbeing Objective] that this contributes to as set out in the previous section.

N/a

2. **Does this decision contribute to a cumulative impact?**

A. Consider your decision in the wider context of your service area and the organisation. Is this part of, or does it contribute to, a series of decisions that have negative impacts for the same groups of people, or the same area of Newport (e.g. withdrawal of multiple services).

B. Consider whether your decision has a cumulative impact because of intersectionality – i.e. have you identified impacts on people that share Protected Characteristics who will be further disadvantaged by socio-economic impacts.

N/a

Part 4: Actions and Outcomes

Considering any negative impacts that you have identified, indicate below how you will reduce these, increase the potential for positive impacts, and how you will monitor those impacts. You must cover:

- Impacts on people who share protected characteristics
- Impact on Welsh Language
- Socio-economic impacts
- Sustainable Development Principle
- Armed Froces Community

Summary of impacts	Actions to reduce negative impact / opportunities to increase positive impacts	How these impacts will be monitored	Owners
N/a	N/a	N/a	N/a

Newport City Council requires all assessments to be published on our website. Please send a copy of this assessment to nccequality@newport.gov.uk for publication.

Newport City Council

DRAFT Risk Management Policy 2024-27

Introduction

Newport City Council is responsible for delivering a multitude of different services both statutory and non-statutory to residents, businesses and other service users. The Council faces many complex, wide ranging opportunities, challenges and threats that could prevent us from delivering these services effectively. The Council's Corporate Plan 2022-27 has set four Well-being Objectives that support the Council's mission to deliver an *Ambitious, Fairer and Greener Newport for everyone*. To deliver these objectives and its services the Council will need to take well managed opportunities and risks in the decisions that are made at all levels of the organisation. The purpose of this Risk Management Policy is to:

i) Outline the Council's commitment to Risk Management, providing a framework for continuing to embed risk management across the organisation.
ii) Set the Council's appetite for managing risk(s); and the risk culture of the organisation to deliver the Council's Corporate Plan, strategic objectives and statutory duties.

To support this policy and embed the Council's risk appetite, a separate Risk Management Procedure and supporting documents are available.

Background

This Risk Management Policy supports several key legislative and statutory requirements within which the Council delivers its services. This Policy and the supporting Risk Appetite statement has been developed considering best practice of the UK Government 'Orange Book' and Committee of Sponsoring Organisations of the Treadway Commission (COSO) risk management framework.

Well-being of Future Generations Act

The Wellbeing of Future Generations (Wales) Act 2015 requires all public bodies in Wales, including Newport City Council, to think about the long term impacts of our decisions. The Act is about sustainable development to improve the social, economic, environmental and cultural wellbeing of Wales. To do this the Council is required to set and publish Wellbeing Objectives that maximise our contribution to each of the wellbeing goals and taking reasonable steps to meet these objectives. Also, in the decisions that we make we are required to consider the 5 ways of working principles:

Local Government and Elections (Wales) Act 2021

The Local Government Act 2021 introduced new requirements on local authorities to demonstrate and evaluate the effectiveness of its Corporate Governance and Performance arrangements to oversee the delivery of its strategic priorities, meet its statutory / legislative requirements and deliver best value to citizens. Two requirements of the Act for local authorities to deliver are:

1. To undertake an annual Self-Assessment of its performance and governance arrangements to ensure its functions are using its resources economically, efficiently and effectively.
2. To undertake an independent Panel Performance Assessment once every electoral term to assess the extent to which the Council is meeting its performance requirements.

Both of these areas are covered in further detail in the Performance and Planning Policy.

The Council's Governance Framework also outlines seven key principles of good governance in local government as per the CIPFA /SOLACE Framework. One of the key principles is *'Managing risks and performance through robust internal control and strong public financial management.'* The Framework requires local authorities to:

- Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making.
- Implement robust and integrated risk management arrangements and ensure that they are working effectively.
- Ensure that responsibilities for managing individual risks are clearly allocated.

Risk and Risk Management – Definition

Risk is the combination of the probability of an event and its consequence. Consequences can range from positive to negative.

Risk Management – is the process which helps the organisation to understand, evaluate and take action on their opportunities and risks with a view to increase the probability of success and reduce the likelihood of failure.

Having effective risk management and governance arrangements enables the Council to:

• Support the achievement of the Council's strategic priorities and objectives	• Deliver effective change programmes and projects
• Protection of the Council's finances, assets, and deliver best value	• Safeguard and protect service users, staff and citizens.
• Make informed decisions based upon best information and data available	• Demonstrates good governance and transparency
• Protect the reputation of the Council.	• Maximise opportunities to improve services and deliver best value
• Ensure compliance with legislative and regulatory requirements.	• Reduce unwelcomed surprises.

There will always be some opportunities and risks which the Council cannot control whether this is because it is outside of its legislative and statutory duty or is the responsibility of other public sector, private and/or not-for-profit organisations which Newport City Council is not affiliated to and/or in partnership or contract with. These organisations are expected to have their own risk management arrangements in place to manage the impact and probability of these opportunities and risks.

Risk Appetite Statement

This Risk Appetite statement sets out how Newport City Council balances threats and opportunities in the pursuit of achieving its objectives. Understanding and setting a clear risk appetite level is essential to achieving an effective risk management framework and enable the Council to make informed management decisions. The risk appetite statement is not a single or fixed concept and there is a range of appetites for different risks over time.

To support the overarching Risk Appetite statement, the Council has assessed its position based on the following definitions:

Risk Appetite	Description
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is a key objective. Activities undertaken will only be those considered to carry virtually no inherent risk
Minimalist	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

<u>Newport City Council's Risk Appetite Statement</u>

Newport City Council does not have a single risk appetite, but rather appetites across a range of activities outlined below. The Council recognises that in pursuit of its strategic goals and delivery of statutory duties it may choose to accept different degrees of risk in different areas. The Council is encouraged to take 'well-managed' opportunities and risks based on informed, evidence-based decisions which will ensure the long-term sustainability of services (under the Well-being of Future Generations Sustainable Development principles); will provide social value to citizens and deliver best value. Where the Council chooses to accept an increased level of risk it will do so, subject always to ensuring that the potential benefits and threats are fully understood, and proportionate measures in place to mitigate risk before actions are authorised.

Business Area Risk Appetite Levels

The Council's risk appetites across a range of activities are articulated as follows:

<u>Strategy and Policy Risks</u>

In the pursuit of the Council's strategic objectives and policy development the Council will be **'Open'** to this risk where there is evidence to demonstrate it aligns to national, regional and local priorities, provides social value, complies with statutory duties and delivers best value. All strategic priorities and policy development will be taken in consideration of the Council's Constitution and other key policies set in its Policy Framework.

<u>Governance, Legal and Regulatory Risks</u>

Newport City Council will take a **'Minimalist'** position in the management of its governance, legal and regulatory requirements such as social services, housing, finance, Well-being of Future Generations, Welsh Standards and Equalities. The Council will ensure that decisions are made in accordance with the Council's Constitution and that activities undertaken by the Council are compliant with necessary legislative and regulatory requirements.

Business Continuity and Operational Risks

As part of the Council's Civil Contingencies duty, including business continuity to maintain the delivery of its services to residents, businesses and visitors that use it, the Council will take a **'Minimalist'** approach to this risk. The Council will take all reasonable steps in collaboration with its strategic partners, other public, private and other sectors to minimise the inherent risk and impact to the Council, communities and people who use our services.

Reputational Risks

To deliver the Council's Corporate Plan and our statutory duties we rely on our reputation to influence and secure the engagement of our constituents, businesses, partners (private, public and not-for-profit) and other stakeholders. The decisions made by the Council, Cabinet and officers are bound by its Constitution, Corporate Values and where applicable legislation and regulation. The Council will retain a **'Cautious'** approach with regard to our reputation where our services could have a significant impact on our stakeholders. The Council is prepared to take opportunities that may be opposed by some of our stakeholders where there is robust evidence, which demonstrates the long term benefits for the Council and its stakeholders.

Financial inc Commercial and Asset Risks

Overall, the Council will be **'Cautious'** in the management of its finances and assets. Newport City Council has a duty to protect the public purse and to ensure that its controls remain effective to protect its finances from misappropriation, mismanagement, poor decision making, fraud, bribery and corruption.

Aligned to the Council's overall capital and treasury management strategies, the Council takes a prudent approach to ensure investments and borrowing provide long-term financial sustainability for its stakeholders. The Council will seek to take opportunities with its capital investments and borrowing where there is robust evidence to support regeneration, create an income and protect the long-term sustainability of its services and assets. Across its capital and treasury portfolio the Council will strike an appropriate balance between risk and return, minimising the risk of incurring losses. It will invest its funds prudently and have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.

Technology and Information Security Risks

Newport City Council will take a **'Minimalist'** approach with the security and protection of data and information managed across its services, aligned with the Council's Information Management Policy. The Council will ensure that effective governance and control arrangements are in place to comply with its legislative requirements and to ensure the continuity of services delivered to its stakeholders. This is supported by the other risk appetite statements relating to Business Continuity and Governance, Legal, and Regulatory risk in this policy.

However, in the delivery of the Council's services, and strategic priorities (Corporate Plan, Digital Strategy), Newport City Council will seek to take a more **'Open'** approach to embrace digital innovation, where there is evidence that it will provide best value for the Council and will enhance the experience of its stakeholders in accessing services.

People / Health & Safety Risks

The Council will take a **'Minimalist'** stance towards the health, safety and welfare of its employees, and all other people who are involved with the Council's business activities. Everyone in the Council has a duty to ensure the welfare of its staff and that suitable and effective health & safety arrangements are in place. The Council's Health & Safety team will support and assess the effectiveness of these arrangements across the Council.

Safeguarding Risks

The Council will continue to take a **'Cautious'** approach towards the safeguarding of children, young people, adults and carers that are in our care or we come into contact with. All representatives of the Council including third parties operating on our behalf will adhere to the Council's Safeguarding policies and procedures and necessary legislative requirements.

Climate Change and Environmental Protection Risks

Newport City Council will take a **'Cautious'** position towards Climate Change and Environmental Protection in the pursuit of its ambition to become a net zero carbon organisation. The Council will take on additional risk where there is evidence that it will contribute towards reducing the Council's carbon emissions and enhance the environment of the city. However, the Council will also seek protect its environment where there is significant evidence that it will harm and/or threaten the long-term environment, bio-diversity of the City and wider region.

Programme / Project Delivery Risks

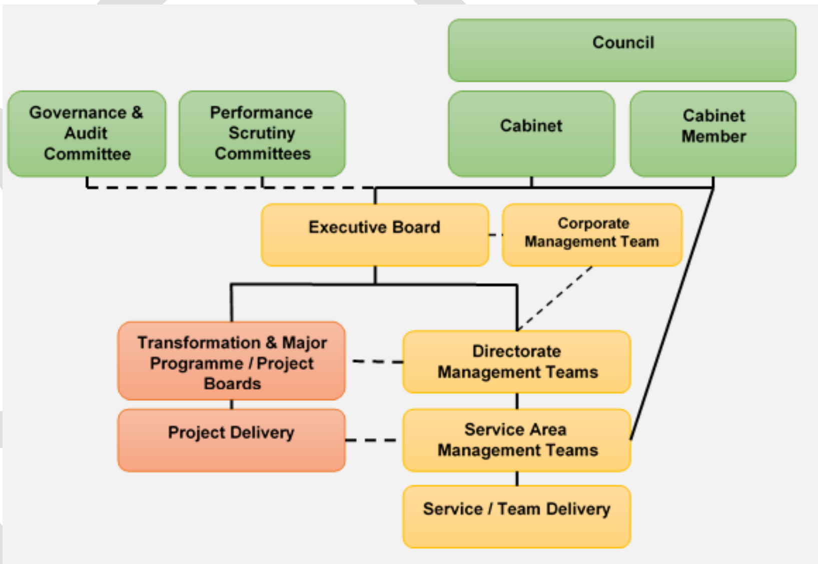
In the pursuit of the Council's own strategic priorities as well as regional and national priorities, the Council will take an **'Open'** approach towards programme and project delivery. The Council will seek opportunities where innovation and transformational change will provide benefits to both efficiency and effectiveness in the delivery of services, social value and value for money. Through the delivery of programmes and projects the Council will ensure that opportunities and risks are fully considered and evidence to support the decisions made at all levels of the organisation.

Further information on how the Council implements its risk appetite is included in the Risk Management Process.

Risk Management Governance and Assurance

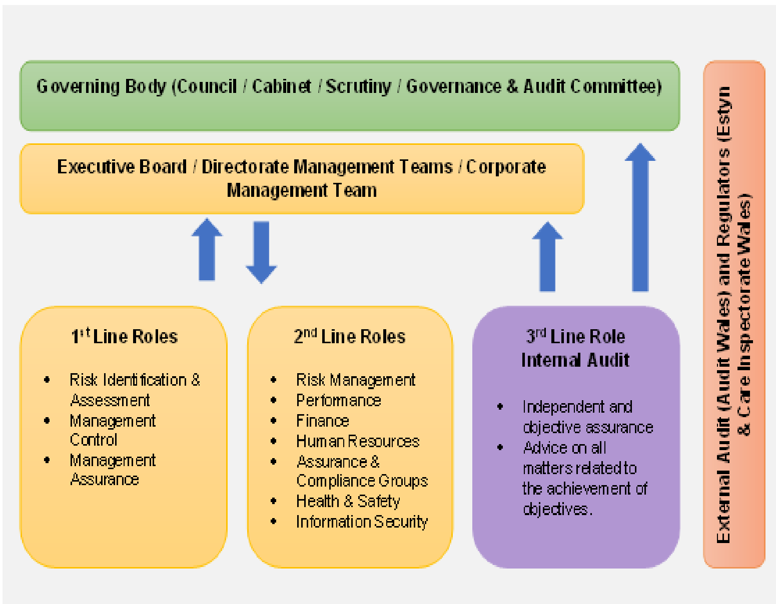
This Risk Management Policy supports the Council's [Performance and Planning Policy] to undertake strategic planning, performance and risk management.

The democratic and officer governance structure supports the [Council's Constitution] to discharge all its powers and duties in accordance with the law, the Council's standing orders and the Constitution.



Newport City Council Three Lines Model

Everyone in Newport City Council is responsible for ensuring opportunities and risks are identified and managed at all governance levels. To support this, Newport City Council has adopted the Institute of Internal Auditor's (IIA) Three Lines Model to ensure good governance in risk management is operated throughout the organisation. The Council works under the decision making model described as a Leader and Cabinet. The Leader makes appointments to the Cabinet and decides on the portfolios within the Cabinet.



Responsibility for decision making rests with the Council, the Cabinet, individual Cabinet Members, Regulatory Committees (Planning and Licensing Committees) and employees depending on the decisions taken.

The Council's Cabinet has overall responsibility and oversight for the effective implementation of Council policy and for delivering services in line with those policies and budget. It is also Cabinet's role to determine the overall risk appetite for the Council and its risk management arrangements.

It is the responsibility of senior management to lead and direct (including the management of risk) to achieve the objectives of the Council. The Council's Executive Board (Chief Executive & Directors) maintains a continuous dialogue with the Council's Cabinet and democratic functions and reports on planned, actual and expected outcomes linked to the objectives of the organisation and risk.

Performance Scrutiny Committees hold the Council's Cabinet and Executive Board to account by considering the performance of services and monitoring the outcomes of decisions taken by the Executive. The Scrutiny committees also monitor areas of high risk and assess the effectiveness of actions to mitigate these risks.

Governance and Audit Committee is responsible for reviewing and monitoring the effectiveness of the Council's internal control, corporate governance and risk management arrangements.

1st Line Roles – Managers and staff are responsible for leading and directing actions (including risk) to achieve the Council's objectives. It is also responsible for establishing and maintaining appropriate structures and processes for the management of operations and risks.

2nd Line Roles – Provides complementary expertise, policies, frameworks, tools, techniques and support to enable risks to be managed effectively and ensure compliance by management (1st line role). Risk is also considered in other corporate activities in the Council and support managers to provide necessary expert and technical advice. These services include Risk Management, Finance, Human Resources, Digital Services including Information Security, Performance Management, Health & Safety, Civil Contingencies, Project Management, and Insurance.

3rd Line Role (Internal Audit) – Internal Audit maintains primary accountability to the Council's Executive Board and independence from the responsibilities of management. Internal Audit provide independent, objective assurance and advice to management and the Executive Board on the adequacy and effectiveness of the Council's governance and risk management (including internal control) to support the achievement of its strategic objectives and facilitate continuous improvement.

External Audit (Audit Wales) and its Regulators (Estyn and Care Inspectorate Wales) also seek / provide assurances on the Council's governance arrangements to secure best value, safeguarding and ensure the Council is discharging its statutory / legislative duties effectively.

Further information on the Council's governance arrangements can be found in the Risk Management procedure and the Council's Constitution.

Review and Publication

This policy will be made available in Welsh and English on the Council's website and will be reviewed every two years or as directed by the Council's Executive Board.

Mae'r dudalen hon yn wag yn

Report

Governance and Audit Committee

Part 1

Date: 25 January 2024

Subject **Audit Wales and Regulatory Bodies Published Reports 2023/24 (April to December 2023)**

Purpose To present an update on Audit Wales and Regulatory (Care Inspectorate Wales / Estyn) bodies reports / inspections published between April 2023 and December 2023 including updates on ongoing recommendations / actions.

Author Head of People, Policy and Transformation

Ward All

Summary The Governance and Audit Committee is required under its terms of reference 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.

There are three external regulators: Audit Wales, Care Inspectorate Wales, and Estyn. Each body is responsible for providing assurance that the Council is fulfilling its statutory duties and providing value to the public. This report covers the regulatory reports / inspections completed by each body between April 2023 and December 2023 including a summary of the Council's response (where applicable), and any additional actions which the Council is undertaking to respond to the recommendations.

The report also includes an update with any actions in progress from the previous report to Governance & Audit Committee.

Proposal The Governance and Audit Committee is asked to consider the contents of this report of the regulatory activity completed and, where recommendations have been raised, the Council is taking necessary action.

Action by Corporate Management Team and Heads of Service

Timetable Immediate

This report was prepared after consultation with:

- Corporate Management Team

Signed

Background

In May 2021, the terms of reference for the Governance and Audit Committee (GAC) was updated to align with the Local Government & Elections (Wales) Act 2021. One of the functions outlined in the terms of reference of the Committee is:
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.

In June 2021, the Auditor General also requested all Council's Governance and Audit Committees to formally consider all reports of external review bodies – principally: Audit Wales (AW), Estyn, and Care Inspectorate Wales (CIW).

All reports received by the Council are considered by the relevant Directors and Heads of Service impacted by the report. Reports are shared with relevant Cabinet Member(s). Where recommendations are raised for the Council to consider / action, the relevant service area(s) are required to confirm their response. These may already be actions identified in their service plans, risk mitigation response, programmes / projects being delivered by the service area or bespoke actions. Where service areas are not able to implement the recommendations e.g. resources, prioritisation etc, they are asked to provide an explanation to support their decision.

This report provides an overview of the reports that have been published by the three regulatory bodies between April 2023 and December 2023. Where recommendations have been highlighted, service area(s) response to these recommendations and action(s) are detailed in Appendix 1. The report also provides an update on actions reported in the previous report.

Audit Wales (Appendix 1)

Audit Wales (AW) is the statutory external auditor of most of the Welsh public sector and its role is to examine how public bodies manage and spend public money including achieving value in the delivery of their services. Reports produced by AW cover either national (thematic) areas or local studies of the Council / public body.

For the period covered in this report, AW have published three reports: 4 national (thematic) reports and 2 local (Newport City Council) reports. Each of these reports and the Council's response is outlined in Appendix one of this report where recommendations have been raised for Council to consider and if applicable implement necessary actions.

Additionally, we have also provided updates, where applicable on progress against other Audit Wales reports. These were originally reported to the Governance & Audit Committee in July 2023.

Care Inspectorate Wales (Appendix 2)

Care Inspectorate Wales (CIW) are the independent regulator of social care and childcare in Wales. CIW are responsible for registering, inspecting and taking action to improve the quality and safety of regulated services and local authority social services. CIW also undertake national (thematic) reviews of social care services and inspect social care and childcare services across local authority areas. CIW publish inspection reports of adult residential homes on their website. Children's homes, secure accommodation and residential family inspections cannot be publicly reported by CIW to protect the privacy of children and people using the services. For information, Newport City Council is responsible for 11 services (4 adults and 7 children's) in Newport. All inspection reports and action plans for improvement are reported to the Social Service Directorate Management Team, Executive Board and shared with Social Services Cabinet Members.

In the period covered in this report, two national reports were published by Care Inspectorate Wales. One inspection of an adult residential provision was also completed. Full information on the reports and inspection are included in Appendix 2 of the report.

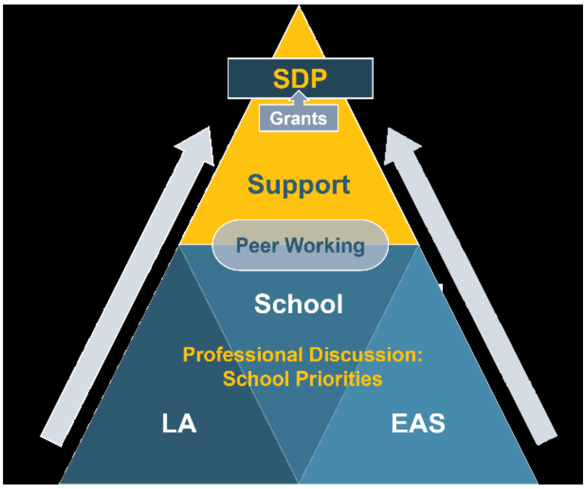
Estyn (Appendix 3)

Estyn is the independent inspection and advice service on quality and standards in education and training provided in Wales. Estyn inspect quality and standards including all schools, further education, adult community learning, local government education services, teacher education and training, Welsh for adults, work-based learning, and others. Below is an overview of how Newport Council, the Regional School Improvement Partners (EAS) and schools collaborate to monitor and implement recommendations and actions from Estyn Thematic, local and School inspection reports. Where the Council and schools are cited for good practice these are highlighted in appendix 3 of the report.

Appendix 3 of this report provides an overview of Estyn activity completed in 2023/24 with 5 national (thematic) reviews published and 6 school inspections. Links are available for further information.

Estyn / Newport Council School Inspection and Assurance Overview.

Newport Council's Education Service works in partnership with its School Improvement Partners [Education Achievement Service](#) (EAS), Gwent Regional group) to ensure that schools in Newport have the bespoke support they require to meet the recommendations in Estyn inspection reports and to monitor their progress against the recommendations.



This is achieved through the Regional Approach to School Improvement (see diagram to the right). To support the process the Council's Education Service alongside the school and EAS collaborate to monitor and assure that recommendations and actions are delivered to improve performance.

The following activities are undertaken:
- **School Development Planning (SDP) Professional Discussion** – Annual professional discussion with the school leaders, Chair of Governors to assess performance, progress against their priorities, Estyn, Internal Audit recommendations.
- **Termly Supported Self-Evaluation** – Quality assure areas of strength and development including self-evaluation against any Estyn recommendations.
- **Team Around the School Meeting (identified school) -** Collaborative meetings between a school, the LA and EAS which are held on a 4-6 weekly cycle, for schools identified as requiring targeted, intensive support and are focussed on the forensic needs of the school.
- **Multi-Agency Meetings (secondary schools in Special Measures) -** These meetings are held on a termly basis, for secondary schools in the Estyn category of Special Measures. The outcome of these meetings and next steps, are reported and discussed with the EAS through the monthly partnership meeting, with the LA.

Appendix 1 – Summary of Audit Wales reports
Appendix 2 – Summary of Care Inspectorate Wales reports
Appendix 3 – Summary of Estyn reports

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?

Recommendations and actions are not implemented by the Council to improve the delivery of services to the public / service users.	M	L	All Regulatory reviews and reports are shared with the relevant Senior Officers and Cabinet Members. Recommendations and Actions are delivered and monitored by the relevant service area(s) with corporate monitoring by People, Policy and Transformation	Corporate Management Team

*Taking account of proposed mitigation measures

Links to Council Policies and Priorities
Corporate Plan 2022-27

Options Available and considered.
1. To consider the contents of this report and to make any comments on the progress made in response to recommendations raised by the regulatory bodies.
2. To request further information or reject the contents of this report.

Preferred Option and Why
1. Option 1 is the preferred option with the Audit committee to consider the contents of this report and progress made by service areas.

Comments of Chief Financial Officer
There are no adverse budgetary impacts as a result of this report. Any recommendations made by the regulatory bodies in the reports issued during the first nine months of the financial year will be addressed through existing resources. Where this is not possible, consideration will need to be given to alternative mitigation or the impact will need to be factored into the Council's medium term financial planning. Some of the recommendations make specific reference to financial considerations and these will be reflected, as appropriate and practicably, within key financial plans, such as the annual budget report and Capital Strategy.

Comments of Monitoring Officer
There are no specific legal issues arising from the report. In accordance with the Local Government (Wales) Measure 2011, as amended by the Local Government and Elections (Wales) Act 2021, there are a number of statutory functions that the Governance and Audit Committee have to discharge and there are other non-statutory functions that can also be included within the terms of reference of the Committee. One of the additional functions that the Council has previously delegated to this Committee is the responsibility for receiving and considering inspection reports from external regulators and inspectors, making any necessary recommendations and monitoring implementation and compliance with agreed action plans. This also meets the requirements of the Auditor General in terms of ensuring that all reports from external regulators are reported to the Council and there is a process in place for monitoring compliance. The role of the Governance and Audit Committee is to consider this overview report on the regulatory activity undertaken during the past 6 months period and to satisfy itself that appropriate action has been taken to address the issues identified by the regulators. Responsibility for individual actions, as identified in the responses to the specific regulatory reports, is a matter for the relevant officers and Cabinet Members but the Committee needs to be satisfied that robust procedures are in place to identify and monitor those actions.

Comments of Head of People, Policy and Transformation
Newport City Council has a responsibility for ensuring that its services provide value for money to the taxpayer and that we are fulfilling our statutory duties. This report to the Governance & Audit Committee outlines the regulatory activity completed this financial year to date and will provide necessary assurances that our governance, internal control, and risk management processes are operating effectively. We maintain a positive and ongoing working relationship with the three regulatory bodies and support their work completed throughout each year.

Local issues
None.

Scrutiny Committees
Not applicable as this report will be presented to the Council's Governance and Audit Committee. However Scrutiny Committees have oversight of service area progress through service plans.

Fairness and Equality Impact Assessment:

- **Wellbeing of Future Generation (Wales) Act**

The regulatory activity completed by the three bodies all consider the Wellbeing of Future Generations Act in its findings and recommendations for the Council. The Council's response also considers the five ways of working (Long term, Collaboration, Preventative, Involvement, Integration) to deliver improvement.

- **Equality Act 2010**
- The regulatory activity completed by the three bodies all consider the Equalities Act in any recommendations to the Council.
- **Socio-economic Duty**

Not applicable as this is an information only report to the Governance and Audit Committee.

- **Welsh Language (Wales) Measure 2011**

All reports published by the three regulatory bodies are available in Welsh and English.

Consultation
Consulted with Director of Social Services, Head of Children Services and Head of Education Services.

Background Papers
Audit Wales
Care Inspectorate Wales
Estyn

Dated: 16th January 2024

The appendices below provides a summary of any new Audit Wales (Appendix 1), Care Inspectorate Wales (Appendix 2) and Estyn (Appendix 3) reports (national, local and inspections) published between 1st April 2023 and 31st December 2023. Where recommendations have been raised, the Council's response and further actions have been included. Updates have been provided for the where recommendations and actions were marked as 'In Progress' in the Governance and Audit Committee report from July 2023.

Appendix 1 - Audit Wales Reviews

Audit Wales Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Audit Wales Recommendation(s)	NCC Action / Update	Completion by (Service Area / Date)
National Report **Corporate Joint Committees (CJCs) – commentary on their progress.** **South East Wales CJC / Cardiff Capital Region** November 2023	**For information report.** AW examined the progress of the 4 CJCs across Wales and their progress in developing the arrangements to meet their statutory duties. NCC is represented at the South East Wales CJC. Overall for South East Wales CJC AW are assured that the CJC has taken a considered and proportionate approach to determine and develop its governance arrangements. There were no recommendations for the Council to consider. Report findings will be considered by the CJC.	**Cabinet Member** Councillor Jane Mudd, Leader of Newport City Council **Directorate / Service Area** Transformation & Corporate / Law & Standards. Chief Executive Directorate / Regeneration & Economic Development	No recommendations	Report has been shared with relevant Cabinet Member and senior officers for information.	Not Applicable
National Report **Covering teachers' Absence: follow-up 2023** October 2023	**For information report.** Follow up review completed on the provision of supply teachers across Wales and progress against the report's findings in 2020. The report is directed at Welsh Government (WG) and Public Accounts & Public Administration Committee. The report concluded that WG has taken a range of relevant actions which it mostly accepted. However, similar issues to those	**Cabinet Member** Councillor Deb Davies, Deputy Leader and Cabinet Member for Education & Early Years. **Directorate / Service Area** Chief Executive Directorate / Education Services	No Recommendations	Report has been shared with relevant Cabinet Member and senior officers for information.	Not Applicable

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	raised in the previous report remain e.g. gaps in data, for example on take-up of professional learning opportunities, a lack of evaluation to date and the absence of a clear picture of what constitutes good quality and sufficient supply across the education system. There were no recommendations for the Council to consider.				
National Report **[Approaches to achieving Net Zero across the UK.]** September 2023	**For information report.** This is a joint report of the 4 Audit bodies across the UK. The report is an insight and summary of the progress which the UK Government and its devolved governments making towards achieving net zero. The report identified 4 key themes: i) The 4 nations have different emissions profiles and varied approaches to achieving net zero, but the choices they make must ultimately deliver net zero at a UK level. ii) Given the different net zero targets, Carbon budgets and policies across the nations, there will be opportunities for the governments to learn from each other. iii) Achieving net zero in any one nation depends on UK-level action and vice versa. iv) Effective working relationships and close engagement between the UK and devolved governments will be vital to achieving the overall aim of net zero.	**Lead Cabinet Member** Councillor Yvonne Forsey, Cabinet Member for Climate Change and Bio-diversity **Directorate / Service Area** Environment & Sustainability / Environment & Public Protection	No recommendations raised.	Report has been shared with relevant Cabinet Member and senior officers for information.	Not Applicable

Audit Wales Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Audit Wales Recommendation(s)	NCC Action / Update	Completion by (Service Area / Date)
	There were no recommendations raised for local authorities to consider.				
Local Report Cyber Security Review – Newport City Council August 2023	Audit Wales examined the extent to which the Council's arrangements for cyber resilience meet the 10 steps to Cyber Security produced by the National Cyber Security Centre. Details of the report and its findings cannot be published to protect the Council's cyber security arrangements. Audit Wales raised 4 recommendations to strengthen the Council's cyber resilience arrangements.	**Cabinet Member** Councillor Dimitri Batrouni, Cabinet Member for Organisational Transformation. **Directorate / Service Area** Transformation & Corporate / People, Policy & Transformation	**Recommendation 1** The Council should regularly review and update all cyber and IT security strategies, policies and supporting arrangements to ensure that they are aligned with current working practices.	**In Progress** Policies are reviewed on a rolling basis and reported in the Annual Information Ris Report. Policies reviewed and updated to support and reinforce cyber security: information risk management, information security incident reporting, records management and information retention and disposal.	People, Policy & Transformation January 2024
			Recommendation 2 The Council should provide Cyber, IT and Information Security training for members as a matter of urgency and in future deliver this in a timely way and at an appropriate frequency.	**Completed** All elected members and staff undertake initial online training. Further training of elected members originally took place in July 2023. A further session took place in October 2023. Following this session a total of 36 of 51 members completed the training. This equates to 71% attendance. This is supplemented by online training accessible by all staff and members.	People, Policy & Transformation March 2024
			Recommendation 3 The Council should review its contracts for outsourced IT systems and services to ensure effective supply chain management in relation to cyber security risks.	**In Progress** To complement the initial checks undertaken, the Council is developing regular checks for suppliers of cloud systems in line with the NCSC's supply chain security guidance.	People, Policy & Transformation June 2024
			Recommendation 4 The Council should put in place Business continuity plans at corporate and service area level and test them.	**In Progress** Work continues as programmed for the completion date of the 31st March 2024 in ensuring that business continuity management	Infrastructure (Business Continuity) and People, Policy & Transformation March 2024

Audit Wales Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Audit Wales Recommendation(s)	NCC Action / Update	Completion by (Service Area / Date)
				plans for all service areas are completed. Existing Business Impact Assessments (BIA's) continue to be updated to reflect service area realignment following the Council reorganisations and any changes to service area delivery that may have an impact on the continued delivery of critical services during periods of disruption. In addition, the development of the Corporate Business Continuity Management Plan is underway Q1 23/24. However, the Business Continuity Institute published its edition 7.0 of the Business Continuity Good Practice Guidelines in November 2023. This is significant as together with ISO22301:2019, the Council's business continuity arrangements are based upon these guidelines and work is now ongoing to ensure that the Council's Business Continuity Management Policy and Programme reflect these updated guidelines. The Council continues to routinely demonstrate its ability to identify and ensure the continuation of critical services during unforeseen disruptive events, which is built around the principles of robust business continuity policies and practices.	
National Report **Cracks in the Foundations – Building Safety in Wales**	Audit Wales undertook a review examining Building Control and Building Safety in response to the Grenfell Tower Fire tragedy. This review examined Welsh	**Cabinet Member** Councillor James Clarke, Cabinet Member for	**Recommendation 1 (Audit Wales Report Recommendation 5)** Local authorities should develop local action plans that articulate a clear vision for building control to be	**In Progress** Discussions have been held with Local Authority Building Control (LABC) (the body representing	Regeneration & Economic Development December 2024

Audit Wales Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Audit Wales Recommendation(s)	NCC Action / Update	Completion by (Service Area / Date)
August 2023	Government's, local authorities and their key partners in implementing the requirements of the Building Safety Act 2022. Audit Wales' overall conclusion is that responsible bodies – particularly local authorities and fire & rescue are unable to effectively discharge their responsibilities and ensure buildings in Wales are safe. Welsh and UK Governments are diverging in key policy areas and some doubt remains on how the Act will be implemented in Wales. This is creating uncertainty for local authorities. Additionally the report found local authorities have an ageing workforce, poor succession planning and wider lack of investment in services, training and development. Overall 8 recommendations were raised: 4 – Directed towards Welsh Government to consider and implement 4 – Directed towards local authorities to consider and implement.	Strategic Planning, Regulation and Housing. **<u>Directorate / Service Area</u>** Chief Executive Directorate / Regeneration & Economic Development.	able to plan effectively to implement the requirements of the Act. The Plans should: • Be based on an assessment of local risks and include mitigation actions; • Set out how building control services will be resourced to deliver all their statutory responsibilities; • Illustrate the key role of building control in ensuring safe buildings and be linked to well-being objectives and other corporate objectives; and • Include outcome measures that are focused on all building control services, not just dangerous structures.	Building Control Authorities in England and Wales) and other local Building Control Authorities on format and approach in order to ensure consistency. However, the current priority for the service relates to the introduction of a new Building Control Competency Registration requirement Framework that is being introduced in April 2024, requiring all Building Control Officers to have a minimum level of competency in order to undertake their role. Without this registration the service is unable to operate. It is recognised that the Action Plan is an important piece of work and will be progressed as soon as possible.	
			Recommendation 2 (Audit Wales Report Recommendation 6) Local authorities should urgently review their financial management of building control and ensure they are fully complying with Regulations. This should include: • Establishing a timetable of regular fee reviews to ensure charges reflect the cost of services and comply with the Regulations; • Annually reporting and publishing financial performance in line with the Regulations; • Ensuring relevant staff are provided with training to ensure they apply the Regulations and interpret financial reporting correctly; and • Revise fees to ensure services are charged for in accordance with the Regulations.	**<u>In Progress</u>** The Building Control budget in Newport is reviewed and monitored regularly and managed prudently in line with regulations and guidance. Financial performance will be published in a new format at the end of this financial year and fees have been reviewed for this year. However it should be noted that Building Control compete against the private sector and therefore have to ensure the service is competitive and value for money. Staff training is provided, and Officers are required to register and maintain their qualifications under the new competency framework. The service will continue to monitor performance, and look at ways to improve efficiency, including exploring opportunities for	Regeneration & Economic Development June 2024

Audit Wales Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Audit Wales Recommendation(s)	NCC Action / Update	Completion by (Service Area / Date)
				collaboration and sharing best practice with other Authorities. Timetable for review will be included in a Local Action Plan (see recommendation 1 above).	
			Recommendation 3 (Audit Wales Report Recommendation 7) Local authorities should work with partners to make better use of limited resources by exploring the potential for collaboration and regionalisation to strengthen resilience through a cost benefit analysis of partnering with neighbouring authorities, establishing joint ventures and/or adopting a regional model where beneficial.	**<u>In Progress</u>** Partnering arrangements already exist in Building Control, an example being with the Indoor Market project where the Vale of Glamorgan were responsible for the first stage 'Plan Check' and Newport oversaw Inspections throughout the construction stage. Newport has experienced, and continues to have issues with staff recruitment/ retention. However this is a national issue and not limited to Building Control but work is being prioritised and undertaken to the required standard. The service will continue to explore options, and look at ways to improve efficiency, through collaboration and sharing best practice with other Authorities on a regional or sub-regional basis.	Regeneration & Economic Development December 2024
			Recommendation 4 (Audit Wales Report Recommendation 8) Local authorities should review risk management processes to ensure that risks are systematically identified, recorded, assessed, mitigated and subject to regular evaluation and scrutiny.	**<u>Complete</u>** Risk management approach is already in place and is currently subject to an audit review and internal Health and Safety review. Relevant senior managers are made aware of any risks identified and actively look to identify ways to resolve. Key risks addressed through established corporate governance arrangements involving identifying risks in Service Plan and/or Corporate Risk Register as necessary.	Regeneration & Economic Development

Audit Wales Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Audit Wales Recommendation(s)	NCC Action / Update	Completion by (Service Area / Date)
Local Report **[Counter Fraud Arrangements – Newport City Council]()** July 2023	In 2020, Audit Wales published a report on fraud and made 15 recommendations for public bodies in Wales to consider and implement where necessary. Audit Wales examined the progress NCC has made in implementing the recommendations. Overall, Audit Wales found that the Council's counter-fraud arrangements have key weaknesses which potentially expose the Council to increased risk of fraud. Audit Wales raised 2 recommendations to strengthen the Council's arrangements.	**Cabinet Member** Councillor Jane Mudd, Leader of Newport City Council. **Directorate / Service Area(s)** Transformation & Corporate / Finance Service	**Recommendation 1** The Council should review the cost-benefits of its current counter fraud arrangements from a value for money perspective to assure itself that arrangements are commensurate with its own objectives for counter fraud. When doing so, the Council may find it useful to reflect on the recommendations of the Auditor General in his 2020 Report.	**In Progress** The Council's Internal Audit partners (South West Audit Partnership, SWAP) have been asked to undertake a Fraud Risk Assessment as part of the 2023/24 audit plan. This will in due course be used to inform annual audit plans going forward.	Finance Service Area March 2024
			Recommendation 2 The Council should strengthen reporting on counter fraud to the Governance and Audit Committee to enable the Committee to become fully engaged with counter-fraud arrangements.	**In Progress** The Fraud Risk Assessment completed in recommendation 1 will be taken to the Governance and Audit Committee. Future audit plans will identify and report on specific work resulting from this review.	Finance Service Area July 2024
Three National Themed Reports – Alleviating and Tackling Poverty. **[National Report – Poverty in Wales *'Time for Change'*]()** November 2022 **[National Report – Social Enterprises *'A Missed Opportunity'*]()** December 2022 **[Together We Can – Community Resilience and Self-Reliance.]()** January 2023	In 2022/23 Audit Wales published three reports looking at how local government is alleviating and tackling poverty. The first report 'Time for Change' examined impact of poverty across Wales and the response of national / local government. Six recommendations raised for local authorities to consider. The second report examined how local authorities are working to grow and expand social enterprises to help deliver more services and reduce demand. Three recommendations were raised for local authorities to consider.	**Cabinet Member(s)** Councillor Deb Harvey - Cabinet Member for Community Well-being. **Lead Directorate / Service Area(s)** Social Services / Prevention and Inclusion. Environment & Sustainability / Housing & Communities. Supporting: Education Services and People, Policy & Transformation.	There were 11 recommendations raised in total for local authorities to consider. Summary of the recommendations are: 1. In Progress - Local strategies, targets and performance reporting for tackling and alleviating poverty. 2. Complete - Leadership on the poverty agenda. 3. In Progress - Experience mapping to create inclusive services for people in poverty. 4. Complete - Web Landing page for people seeking help. 5. Complete - Streamlining and improving application and information services for people in poverty. 6. Complete - Complying with the Socio-Economic Duty.	**In Progress** Since the previous update in [July 2023]() to the Governance & Audit Committee, the Council has progressed development in the Council's strategic and delivery of services. Some of these include: • Strategic Poverty Working Group lead by the Director of Social Services is developing the Council's Poverty Strategy and an action plan which will be published in 2024. • The Council's Director of Social Services provides regular updates to Cabinet Members on its progress across the poverty agenda. • The Council is reviewing its customer contact service including experience mapping. Findings and conclusions will	Council response / Social Services Directorate Lead. June 2024

Audit Wales Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Audit Wales Recommendation(s)	NCC Action / Update	Completion by (Service Area / Date)
	The third and final report examined how local authorities are creating the conditions needed to transform ways of working and empower communities to thrive as independently as possible. Two recommendations have been raised for local authorities to consider.		7. Complete - Self-evaluation of social enterprises across local authorities and create an action plan. 8. Complete - Create. monitor and report progress against the action plan. 9. Complete - Integrate the use of social enterprises into Director of Social Services report. 10. Complete - Local authorities use the Audit Wales evaluation tool to assess community resilience. 11. Complete - Create, monitor and report on an action plan.	inform future developments and projects. • The Council's website project is redeveloping the website and a new website will be launched in 2024.	
Local Review – Assurance and Risk Assessment Review November 2022	To identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of its resources. Focused on the following areas of the Council: • Financial Position • Local Government & Elections Act 2021 • Carbon Reduction Plan • Newport Intelligence Hub Two Recommendations for NCC consideration. One action was completed and the remaining action is in progress.	**Cabinet Member(s)** Cllr Jane Mudd, Leader of Newport City Council **Lead Directorate / Service Area(s)** Environment & Sustainability / Environment & Public Protection	**Recommendation 1 – *Carbon Reduction Planning Arrangements*** The Council should ensure its proposed actions to reach net zero carbon by 2030 are: • Fully costed in terms of their carbon reduction impact to enable them to be evaluated and prioritised. And • Fully reflected in its financial planning.	**In Progress** Funding plan currently under development as part of the Climate Programme work. This will not include buildings costs. A buildings assessment is currently underway to fill this gap which should be complete in March 2024 and will also be used to inform the asset rationalisation programme. A full funding plan is under development as part of our climate change work. The Council will be assessing its funding plan across Climate Change Plan themes and as part of the Council's Medium Term Financial Planning (revenue and capital).	Environment & Public Protection and Finance Service Areas March 2024

Audit Wales Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Audit Wales Recommendation(s)	NCC Action / Update	Completion by (Service Area / Date)
National Review – National Fraud Initiative 2020/21 October 2022	NFI outcomes in Wales decreased by £1.5 million to £6.5 million in the 2020/21 exercise. Primarily due to fewer ineligible claims for Council Tax Single Persons Discount and Housing Benefit claims detected. While the majority of Welsh NFI participants display a strong commitment to counter fraud, 13 of the 22 Welsh local authorities identified 95% of the fraud and error outcomes achieved by the sector. This suggests that some local authorities have either failed to recognise the importance of the exercise or are unwilling to allocate adequate, skilled counter-fraud resources to investigate the NFI matches. Three recommendations were raised in the report. Since the last update, two actions were completed and one remains in progress.	**Lead Cabinet Member(s)** Cllr Jane Mudd, Leader of Newport City Council. **Lead Directorate / Service Area(s)** Transformation and Corporate / Finance	**Recommendation** Audit committees, or equivalent, and officers leading the NFI should review the NFI self-appraisal checklist. This will ensure they are fully informed of their organisation's planning and progress in the 2022-23 NFI exercise.	**In Progress** The NFI co-ordinator will review the NFI self-appraisal checklist and ensure the Governance and Audit Committee is made aware of the Council's involvement with the 2022/23 NFI exercise. Due to the resources challenge in Internal Audit, we have had to put this on hold pending recruitment exercise and review of the service. There are ongoing conversations between NCC and SWAP (Internal Auditor partner) to coordinate the Council's involvement in the NFI data / checking exercise.	Finance December 2024
Local Review – Springing Forward Workforce. October 2022	How the Council strategically plans for its workforce requirements both now and in the future, how it monitors its workforce and how it reviews and evaluates the effectiveness of its arrangements. **Overall Conclusion** – Newport Council has applied the sustainable development principle to develop a clear vision for its workforce that is supported by effective implementation arrangements. Two Recommendations were raised for NCC consideration. Since the last update one recommendation was completed	**Lead Cabinet Member(s)** Cllr Dimitri Batrouni, Cabinet Member for Organisational Transformation **Lead Directorate / Service Area(s)** Transformation and Corporate / People, Policy & Transformation	**Recommendation 1 – *Sustainable Development Principle*** The Council should use the sustainable development principle to shape the revision of its People and Culture Strategy, considering longer-term workforce risks and opportunities.	**Complete** The People Plan is a core document that supports our Corporate Plan. Following approval of the new Corporate Plan, we have engaged with the workforce to develop the People Plan. This was completed and presented to Scrutiny Committee in December 2023 and has since been approved by Cabinet, January 2024. The People Plan will be monitored through the Council's performance monitoring arrangements and both considers the 5 ways of working	People, Policy & Transformation

Audit Wales Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Audit Wales Recommendation(s)	NCC Action / Update	Completion by (Service Area / Date)
	and one remained in progress from the July 2023 update.			and fairness through a published Fairness Equality Impact Assessment.	
National Review - Direct Payments for Adult Social Care April 2022	This report looks at how local authorities provide Direct Payments (DP) services to adults, examining their impact and value for money. Overall Conclusion - Direct Payments support people's independence and are highly valued by service users and carers, but inconsistencies in the way they are promoted and managed by local authorities mean services are not always equitable and it is difficult to assess overall value for money. Ten recommendations are raised in the report: One recommendation (8) for consideration by Welsh Government and nine recommendations for local authorities to consider. Eight recommendations were complete and one remained in progress in the progress update from the July 2023 update.	**Lead Cabinet Member(s)** Cllr Jason Hughes and Cllr Stephen Marshall, Cabinet Members for Social Services **Lead Directorate / Service Area(s)** Social Services / Adult Services	**Recommendation 10 - *Effectively manage performance to judge impact and value for money.*** Annually publish performance information for all elements of Direct Payments to enable a whole system view of delivery and impact to support improvement.	**Complete** The Council publishes performance of the Direct Payment service through the annual Director Social Services report and also through service plans. These provide a rounded assessment of the impact which Direct Payments have on individual care where it is taken up.	Adult Services

Appendix 2 – Care Inspectorate Wales (CIW) Thematic Reports and Inspections of Adult and Children service provisions 2022/23

Below is a summary of CIW thematic reports published between April and December 2023. Where recommendations have been raised for local authorities to consider, the council's response and action(s) have been included.

CIW Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Recommendation(s)	NCC Action / Update	Completion by (Service Area / Date)
Thematic Report – Report on care homes for children operating without registration (1st April 2022 to 31st March 2023) November 2023	**For Information** One of CIW's core functions is to ensure only those people who are judged to be fit and are likely to provide good quality care are registered to do so. The registration process acts as a gatekeeper for those wishing to provide a regulated service and CIW monitor / inspect ensures providers continue to provide high quality and safe services. In conclusion: • There is a lack of appropriate provision for children and young people with most complex range of needs resulting in too many children being placed in unregistered services. • Majority of services operating without registration are being directly provided by local authorities. • Whilst some children achieve positive outcomes in a temporary service which is operating without registration, some do not, including several moves from one service operating without registration to another. • Often the premises used for unregistered services and/or the standard of the arrangements made for children falls below those required for registration. • In many cases, staffing arrangements to provide care and support have been ad hoc and subject to frequent change. The deployment of staff who are not trained to meet the care and support needs of the child or young person and the over reliance on agency staff is of particular concern.	**Lead Cabinet Member(s)** Cllr Jason Hughes and Cllr Stephen Marshall, Cabinet Members for Social Services **Lead Directorate / Service Area(s)** Social Services / Adult Services	Not Applicable	Whilst there were no recommendations raised in the report, the Council's Children Services is fully aware of the situation in relation to placing children into settings operating without registration and the report has been shared with the respective Cabinet Members for information. The circumstances for placing children into these settings is complex and are always thoroughly assessed and monitored throughout the process. The service area has reviewed the report's findings and where the report has noted weaknesses, the service area can assure the committee that these arrangements are subject to regular review and assurances that arrangements meet necessary legislative requirements. As part of the Welsh Government's Eliminate profit from Children's Care, Newport Council is leading alongside other Gwent local authorities and other key stakeholders to deliver the Eliminate programme which is reported through the Children Services Service Plan. Additionally, the Council's Corporate Risk Register includes this as a risk and is reported to the	Not Applicable

CIW Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Recommendation(s)	NCC Action / Update	Completion by (Service Area / Date)
	• For some children, stable placements have not been secured for some time, creating uncertainty for the child, and making it difficult for longer term plans to be made for them and their families. No Recommendations were raised for local authorities to consider.			Governance and Audit Committee and Cabinet every quarter. Finally, the Council is also working at local, regional and national levels as well as reporting to CIW on its arrangements.	
Thematic Joint Review (CIW and Estyn) – Rapid Review of Child Protection Arrangements September 2023	This is a joint report between CIW, Estyn and the Healthcare Inspectorate. In October 2022, Welsh Government requested a joint review of decision making around child protection in response to a number of tragic child deaths across Wales and England. The review's key findings are: • Overall, information sharing between agencies needs improving. The lack of a central information sharing IT platform is compounding this. • Workforce instability and vacancy gaps across a range of organisations that are involved in child protection can lead to instability for children and their families as they experience numerous changes in social workers. This is despite great efforts locally and nationally to address the workforce shortfall. • The child's voice is an integral part of safeguarding decision making and there should be a consistent approach across Wales to ensure the voice of the child is heard. • Regular multi-agency training is needed to ensure there is a consistent approach and shared vision on safeguarding procedures and the threshold for significant harm across Wales.	**Lead Cabinet Member(s)** Cllr Jason Hughes and Cllr Stephen Marshall, Cabinet Members for Social Services Cllr Deb Davies, Cabinet Member for Education and Early Years **Lead Directorate / Service Area(s)** Chief Executive / Education Services Social Services / Children Services	The review identified 20 recommendations across the 6 key lines of enquiry. In Appendix A of the report, the recommendations have been aligned to the relevant responsible bodies. Note: some recommendations have been allocated to more than one responsible body. • 9 recommendations for Multi-agency bodies to consider. • 5 recommendations for Children Services to consider. • 6 recommendations for Regional Safeguarding boards to consider. • 2 recommendations for national Independent Safeguarding Boards to consider. • 2 recommendations for Welsh Government to consider. • 2 recommendations for Health to consider. • 1 recommendation for Education services (this recommendation is led by Welsh Government).	**In Progress** Following the report's publication, Newport City Council and other partners from the Gwent Regional Safeguarding Board have commenced a review to examine report's recommendations. For the 5 recommendations raised for Children Services to consider the service the safeguarding Hub is currently being remodelled to ensure there are sufficient staff to meet demand. Multi agency working is a key factor to all work we complete within CS and the sharing of information is an integral part of the process. We have positive multiagency working relationships, with Police, Education, Preventions, Intensive Support Teams, Domestic Violence Services and Probation all being part of our multi agency arrangements. A central system is being considered by WG but this is currently in its infancy. This is a need that is recognised but having a platform to support a	Children Services December 2024

CIW Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Recommendation(s)	NCC Action / Update	Completion by (Service Area / Date)
				national system would need to be led by WG. There is a nationwide shortage of social workers at present and there is work being undertaken nationally to support this. In Newport we have signed up to the Welsh Pledge of not taking on agency social workers if they have worked for an LA in the past 6 months. This is to support Social Workers remaining in LA's in Wales. We do have a very loyal workforce in Newport and we have a number of staff in the Child Protection teams who have been with us for a number of years. The Team Managers are very experienced and are nurturing to our social work students. We 'grow our own' social workers and sponsor social work assistants to undertake the degree. In 2020 all our documentation around the child protection process was reconsidered to ensure the voice of the child is heard, this is a key part of information within these reports. The Safeguarding Board may offer further recommendations in relation to this which we will readily adopt. There is regular training that is rolled out by the safeguarding board that is multi agency and will be an action taken up via the working group moving forward. For the recommendation raised to Education services this recommendation is to be led by Welsh Government.	

CIW Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Recommendation(s)	NCC Action / Update	Completion by (Service Area / Date)
				The Safeguarding Board will be implementing a multi-agency action plan which Newport City Council will be contributing towards. Progress against the delivery of the action plan will be reported to the regional Safeguarding Board.	

Service Provision	Service Area	Last Inspection Completed	Further Comments
Blaen Y Pant Home	Adult Services	02/05/2023	**Complete** No non-compliance was identified in the report. 2 areas of improvement were raised and have been actioned by the home.

Appendix 3 - Estyn Thematic Reports and Inspections

The table below provides an overview of Estyn Thematic Reports and a summary of inspections completed of Newport City Council schools between 1st April 2023 and 31st December 2023.

Note: A joint Rapid Review Report on Child Protection arrangements is included in appendix 2 above.

National (Thematic Reviews)

Estyn Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Estyn Recommendation(s)	NCC Action / Update Position Statement	Completion by (Service Area / Date)
Thematic Review – The new Additional Learning Needs System: Progress of schools and local authorities in supporting pupils with additional learning needs. October 2023	Following the implementation of the Additional Learning Needs and Education Tribunal (Wales) (ALNET) Act 2018, local authorities and schools have been transitioning into the ALNET Act with the Act to be fully implemented by August 2025. The review focused on how well local authorities and schools were transitioning into the new Act. As part of the review, Estyn visited NCC and John Frost school was one of the schools involved in the review. John Frost was cited for its integrated planning by senior leaders and the Council's Education services also cited for its use of provision mapping and dashboards across schools to monitor the progress of pupils. 10 recommendations were raised for schools (3), local authorities (4) and Welsh Government (3) to consider and implement. Implementation of the recommendations by the Council and schools will be completed through the Education Achievement Service.	**Lead Cabinet Member(s)** Cllr Deb Davies, Cabinet Member for Education and Early Years **Lead Directorate / Service Area(s)** Chief Executive / Education Services	**Recommendation 4** Ensure that all schools are aware of their duties under the ALNET Act	**Completed** All schools are aware of their duties under the new Additional Learning Needs and Education Tribunal (Wales) Act 2018 (National Assembly for Wales, 2018). Nearly all school ALNCOs have received training and support from the local authority on the new ALN system. A particular focus has been on writing IDP's, and the Additional Learning Provision (ALP) put in place to support the child or young person's additional learning needs.	Education Services
			Recommendation 5 Provide clear, accurate and up-to-date information to stakeholders, in particular in relation to: • what constitutes additional learning provision in its schools • those IDPs that are to be maintained by the local authority and those to be maintained by schools	**In Progress** A comprehensive Consideration Tool has been developed to give clarity to schools on what constitutes Additional Learning Provision (ALP) for learners. The Tool has been consulted with the LAs Inclusion Partnership Forum (which consists of eleven head teacher representatives from all sectors) and is due to be finalised by the end of January 2024. This document will form an appendix to the LA overarching Principle's document which is in the process of development and will provide clarity on those IDPs that are to be	Education Services March 2024

Estyn Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Estyn Recommendation(s)	NCC Action / Update Position Statement	Completion by (Service Area / Date)
				maintained by the LA and those that are to be maintained by schools. In addition to the Consideration Tool and the Principle's document; a draft Early Years consideration Tool has been developed and the LA ALN Policy is in the process of being updated to ensure all documents are aligned. The timeframe for completion of these documents is the 31st of January 2024.	
			Recommendation 6 Continue to quality assure and review practice and additional learning provision to ensure funding and professional learning supports roll out effectively for: • Person centred practices • Individual development plans • Welsh-medium services, resources and provision	**<u>In Progress</u>** Schools are being supported and assessed against progress towards implementation, this is being monitored/tracked at a local level by LA Inclusion Officers. Support has been provided to schools to develop a consistent provision mapping system; through the introduction of EduKey across all of Newport's schools. The LA uses dashboard functions to check on the quality of, for example, one-page profiles, individual development plans and timelines for holding reviews on pupil progress. This was highlighted within the thematic review as good practice. As EduKey is a new system, the provision mapping element was developed over the last academic year, 2022–23-year period. The LA is now able to access data from the system to identify outcomes of interventions, costs, and areas of development. The LA will moderate provision maps on an annual basis, across all schools in partnership with ALNCos and school leaders. An initial QA of provision maps will take place in spring 2024. The financial tools within EduKey will be further	Education Services May 2024

Estyn Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Estyn Recommendation(s)	NCC Action / Update Position Statement	Completion by (Service Area / Date)
				developed with schools during spring 2024 to ensure they have accurate financial data which will inform the LA of ALN expenditure, which will be reviewed by the ALN Implementation funding formula group. The Assistant Head of Education - Inclusion is in liaison with WG colleagues to ascertain the requirements of the Welsh-Medium provision review when there are very limited resources, interventions, or specialist staff available in the medium of Welsh. A meeting is to be arranged by WG early spring term to discuss and agree a review format. The Assistant Head of Education-Inclusion is also a member of the National task and finish group to support the development of National ALN resources and interventions.	
			Recommendation 7 Develop and publish their strategy for post-16 learners with ALN	**<u>In Progress</u>** As Post 16 ALN is a new duty for LAs it has taken time to develop new systems and train central staff in this new area of work. We are now at a stage where a strategy for Post-16 Learners with ALN is in the process of being drafted in liaison with social services and Coleg Gwent which is planned to be completed by the end of summer term (April-July) 2024.	Education Services July 2024
<u>Thematic Report – Jobs Growth Wales+ youth programme: Autumn 2023 insights.</u> **<u>Regional report on Jobs Growth Wales+ youth programme in South East Wales</u>** October 2023	Estyn completed a review of Jobs Growth Wales+ programme included in the Young Person's Guarantee. The programme is an individualised training, development and employability support programme for 16-19 year olds who are not in full-time education, employment or training (NEET). The review considered the reports of the 4 regions which Newport is part of the	**<u>Lead Cabinet Member(s)</u>** Cllr Jane Mudd, Leader of the Council **<u>Lead Directorate / Service Area</u>**	**Recommendation 1** Develop information sharing protocols and procedures across providers and referral agents, including engagement and progression co-ordinators, to enable better targeting and monitoring of referrals	**<u>In progress</u>** NYA (Newport Youth Academy) is leading the way in targeting the appropriate young people who may be interested in joining the provision. This has been a part of a wider project which includes marketing and awareness raising of the provision itself from both stakeholders (Careers Wales) and end user (YP).	Regeneration & Economic Development March 2024

Estyn Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Estyn Recommendation(s)	NCC Action / Update Position Statement	Completion by (Service Area / Date)
	South East region. In Newport, Newport Youth Academy was considered in the review. A copy of the regional reports is also linked. No recommendations were raised in the main report. 2 recommendations were raised in the regional report for lead providers (Newport Youth Academy), Working Wales and partners to consider.	Chief Executive / Regeneration & Economic Development.	onto the programme, particularly to support those young people who are not in education, employment or training or who have significant barriers to learning.	It has also included working close with the gateway team at Careers Wales to ensure they are familiar with the project and also the product we offer. This has developed to a point where we now have an `onsite` Careers Wales officer who works from out of the NYA once a week. This person will complete the referral process and help with walk-ins as well as gain knowledge and understanding of the provision.	
			Recommendation 2 Develop the number and range of work placements available for participants on the programme.	**<u>In Progress</u>** This was identified as an area for development by the NYA's Self-Assessment Report and #Quality Development Plan (QDP) – and so it being recognises as part of the Estyn process built a level of confidence that we understand the provision and its current gaps. As part of the QDP, we had already planned the recruitment, through SPF Funding, of an Employment Liaison Officer who's priority KPI's will be the engagement with both internal (NCC) and external employers to create realistic and sustainable employment opportunities. This role is also targeted, as a phase 1 of 2 approach, to source placements with employers aligned to the young people's career goals and aspirations.	Regeneration & Economic Development March 2024
<u>[Thematic Report – Equity of curriculum experiences for pupils who are educated other than at school (EOTAS).]()</u> June 2023	Estyn completed a review following a response to a request for advice from the Minister of Education and the Welsh Language. It evaluates the equity of curriculum offer for pupils placed in EOTAS provisions. The review found that there has been an increase in referral rates since the pandemic. Pupil Refferal	**<u>Lead Cabinet Member(s)</u>** Cllr Deb Davies, Cabinet Member for Education and Early Years **<u>Lead Directorate / Service Area(s)</u>**	**Recommendation 3** Support more pupils to return to mainstream school where appropriate through: • Strengthening short term intensive support in EOTAS provision.	**<u>In Progress</u>** Newport LA were cited for its short-term Pupil Referral Unit (PRU) intervention at both Key Stage (KS) 2 and KS3 and the outreach provided to support reintegration back into mainstream school.	Education Services March 2024

Estyn Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Estyn Recommendation(s)	NCC Action / Update Position Statement	Completion by (Service Area / Date)
Tudalen 76	Units (PRUs) are making appropriate progress towards the delivery of the Curriculum for Wales. Whilst local authorities expect EOTAS to have access to full time education too many pupils only have access to part-time education. There have been improvements in the use of decision making panels but the processes for agreeing the length of EOTAS placements and review of placements arrangements remain inconsistent. Too many primary and younger aged secondary pupils remain long-term in EOTAS providers. As a result only a very few of these pupils return successfully to mainstream school. 8 recommendations were raised for Pupil Referral Units and mainstream schools (2); local authorities and school improvement services (5); and Welsh Government (1).	Chief Executive / Education Services	• Ensuring placement decisions are taken promptly and identify an agreed duration, clear roles and responsibilities and a review date.	During the autumn term 2023 the Bridge Achievement Centre's (BAC) referral processes were reviewed and discussed at the Inclusion Partnership Forum. The new referral process aligns with ALN reform and requires schools to refer to ALN Panel for specialist/longer term placements to ensure pupils have their needs appropriately identified and the correct provision agreed. The implementation of the new referral process will take place in spring (January-March) 2024. This will require training for both managed move panel representatives and ALNCos to ensure there is a coherent and consistent approach to referrals being made in a timely manner.	
			Recommendation 4 Secure curriculum provision in PRUs which meets the needs of all pupils working with the management committee and teacher in charge	**<u>Completed</u>** The Assistant Head of Education – Inclusion, directly line manages the Manager of The BAC and is a member of the Management Committee. This ensures close partnership working with regards to curriculum development. Estyn Report / Date Reported Report Overview Lead Cabinet Member(s) / Directorate & Service Area Estyn Recommendation(s) NCC Action / Update Position Statement Completion by (Service Area / Date). The BAC have developed their curriculum offer using the Curriculum for Wales EOTAS guidance. They have a shared vision around how pupils learn encouraging pupils to be independent learners through the use of bespoke plans. Planning is developed around learners	Education Services

Estyn Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Estyn Recommendation(s)	NCC Action / Update Position Statement	Completion by (Service Area / Date)
				developing their ability to apply, use and extend their skills. Staff develop assessment in learning and day-to day teaching of the plan teach assess cycle. Estyn completed a follow up monitoring visit at The Bridge Achievement Centre in March 2022. Two of the recommendations they focussed upon were in relation to the quality of teaching and planning, and curriculum and learning opportunities at KS4. Estyn commented that "the consistent use of the personalised plans by most staff and pupils is contributing to strengthening a consistent approach to teaching across the PRU well" and "Over time, the qualification pathways available to all Key Stage 4 pupils have increased significantly. This broader range of qualifications is available to pupils across all six sites, with a minimum offer of five qualifications available to all pupils. In addition, pupils can access two options from a broad range and, in total, the PRU currently has 15 qualification pathways available.	
			Recommendation 5 Secure curriculum provision in EOTAS providers other than PRUs	**Completed** Where the LA has commissioned an Independent Education Provider through a tendering process a contract is in place with a quality assurance framework which the provider has to adhere to completing on an annual basis with LA Officers. For spot purchases at Independent Education Providers a new Education Services Contract for day placements was developed with the Procurement and Commissioning team during the autumn term 2023.	Education Services

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				This outlines expectations in regard to curriculum provision. Quality Assurance visits take place on an annual basis with both Independent Education Providers and Alternative Providers commissioned by the BAC to ensure effective delivery of the curriculum offer along with other key areas such as safeguarding procedures.	
			Recommendation 6 Strengthen the quality assurance and monitoring processes to ensure effective delivery of the curriculum offer in all EOTAS providers	**<u>Completed</u>** Newport was cited in the thematic review for “it’s robust quality assurance cycle. This involves the school improvement partner, and the local authority. Professional discussions are held using the Team Around the School (TAS) approach which includes the PRU leader. Areas for discussion include the curriculum offer in the PRU which is tailored to meet the range of ages and needs of pupils across the PRU sites.”	Education Services
			Recommendation 7 Robustly challenge and monitor the attendance of pupils across EOTAS providers including the appropriate use of part-time timetables and pastoral support programmes	**<u>In Progress</u>** The BAC has robust systems in place to address poor attendance. They work closely with the Education Welfare Service, have contact with parents on the first day of absence and carry out home visits. During a recent rapid review of the BAC, it was deemed that: “There are very strong and effective links with local authority officers and agencies linked to the prevention of Neets and those linked to supporting attendance. An effective tracker linked to pupil attendance is maintained by the BAC to look at historical and bespoke support provided. This allows BAC staff and	Education Services July 2024

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				EWS to carefully consider next steps and reflect on what actions have been successful in improving attendance. This is highly valuable. The tracker also enables the Youth Engagement and Progression Coordinator to link effectively with young people, their dual settings and families to ensure they have secure destinations in education, employment or training." Although there is an expectation that weekly attendance data is submitted by both the commissioned Independent Education Providers and the spot purchased Independent Education Providers, a minority of the spot purchase providers do not provide the LA with this data. The newly developed Education Services Contract for day placements makes clear the expectation on commissioning of the service to provide this data, so its introduction will be beneficial. Internal systems for monitoring the attendance of pupils in out of county provisions need to be reviewed to ensure they are effective in tracking non-attendance.	
Thematic Review – School Governors Acting as critical friends and the impact of governor training. May 2023	This report focuses on important aspects of the work of governing bodies schools across Wales. Estyn found that most governors are enthusiastic and passionate about their responsibilities. They are highly committed to the role that they play in their school. Many governors talk knowledgably about the communities that their schools serve, and they often understand the particular needs of those communities. However, the majority of governing bodies do not reflect the	**Lead Cabinet Member(s)** Cllr Deb Davies, Cabinet Member for Education and Early Years **Lead Directorate / Service Area(s)** Chief Executive / Education Services	**Recommendation 5** Evaluate the quality of their governor training more rigorously to make improvements where needed	**In Progress** The EAS completes an annual evaluation of Governor training through an Evaluative Impact Record (EIR). This uses a range of feedback data from governors. The EAS also uses the annual survey, for feedback from governors to inform future programmes. The current programme ends March 2024 and evaluation will take place across the Spring term, including consultation with the Governor Strategy Group,	Education Services August 2024

Estyn Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Estyn Recommendation(s)	NCC Action / Update Position Statement	Completion by (Service Area / Date)
	diverse make up of their local community well enough. In most schools, governors work productively with the senior leaders and are supportive of their work. However, Estyn found that in a majority of schools, governors do not hold leaders to account for educational performance well enough. In addition, they do not have a wide enough understanding of their role in ensuring high expectations in all aspects of the school's work. This is because they do not challenge senior leaders sufficiently well. 2 primary schools in Newport were involved in the review and cited for good practice in the report. Survey data was also used as supporting evidence. 10 recommendations were raised for: governing bodies and schools (4); local authorities and school improvement services (3); and Welsh Government (3).			where Newport Association is represented, to inform next year's programme.	
			Recommendation 6 Collaborate to ensure greater coherence and consistency in high-quality training opportunities between different parts of the country	**<u>In Progress</u>** The Governor Support service has been provided on a regional basis since 2012. In addition to the core programme, Newport local authority offers a range of training for governors in retained areas of responsibility. Collaboration between the Newport and the other 4 local authorities continues, with LA training materials being shared on the regional website for governors from Spring 2024.	Education Services May 2024
			Recommendation 7 Provide more effective support and advice to governing bodies to help them in their role as effective strategic leaders	**<u>In Progress</u>** This is included in the full governor Professional Learning Programme. This includes all mandatory training, pathways for governors, and bespoke training for clusters (Llanwern will be the first in Spring) 2024. The School Improvement Partner also reports annually to the governing body. In addition, bespoke training, support and advice is available for any governing body that requires it through the bespoke support plan.	Education Services May 2024
<u>Thematic Review - Developing pupils' English Reading Skills from 10-14 years of age.</u> May 2023	**For Information Report** Estyn completed this review in response to a request from the Minister for Education and the Welsh Language. In conclusion the report found that the pandemic had a negative impact on many pupils' reading skills but particularly on those pupils eligible for free school meals or from disadvantaged backgrounds.	**<u>Lead Cabinet Member(s)</u>** Cllr Deb Davies, Cabinet Member for Education and Early Years **<u>Lead Directorate / Service Area(s)</u>** Chief Executive / Education Services	Not Applicable	This report is shared with all schools and EAS.	Not Applicable

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	Standards in reading are beginning to improve but recent inspection findings show that wide variations in pupils reading skills remain both within and across schools. 2 schools (Glan Usk Primary school and St Julian's school) from Newport supported the review. 7 recommendations were raised for school leaders (3); teachers and classroom based support staff (2); school improvement partners (1) and Welsh Government (1).				

Estyn Report / Date Reported	Report Overview	Lead Cabinet Member(s) / Directorate & Service Area	Estyn Recommendation(s)	NCC Action / Update Position Statement	Completion by (Service Area / Date)
Thematic Review – Effective approaches to assessment that improve teaching and learning. October 2022	This report is written in response to a request for advice from the Minister for Education and the Welsh Language in his remit letter to Estyn for 2021-2022. It focuses on how maintained primary, secondary, all-age and special schools are developing effective approaches to assessment that improve teaching and learning. Six recommendations raised of which four (1 to 4) aimed at schools and two (5 and 6) for Welsh Government, Education Consortia and local authorities to implement. 1 out of 2 actions was marked as complete in the previous update to Governance & Audit Committee.	**Lead Cabinet Member(s)** Cllr Deb Davies, Cabinet Member for Education and Early Years **Lead Directorate / Service Area(s)** Chief Executive / Education Services	**Recommendation 6** Facilitate and support collaboration across schools to develop leaders' and teachers' understanding of progression and share effective practice in formative assessment.	**Completed** Every school cluster attended a curriculum conversation to provide an update of progress towards Curriculum for Wales and their collaborative work across the cluster. Every school has completed a self-assessment exercise against their current progress and emerging practices. The EAS has targeted support and professional learning, to meet the needs of individual schools and clusters. Seven out of the nine Newport Clusters are continuing to engage with the action research programme with Professor Mick Waters on developing a range of approaches to establish an agreed understanding of learner progression, across the cluster. The Curriculum for Wales design networks are supporting the sharing of practice in approaches to curriculum design, progression and assessment. The Local Authority have audited cluster plans and will be providing feedback to each cluster and will be providing guidance, example plans and case studies for sharing across all schools.	Education Services

School Inspections

Inspections completed of NCC schools are for information only to the Governance and Audit Committee. Links are provided to view full inspection reports. See Inspection process overview in report.

School Inspected	Date of Inspection	Date Reported
Pillgwenlly C.P. School	April 2023	June 2023
St Mary's Roman Catholic Primary School	May 2023	July 2023
Ysgol Gyfun Gwent Is Coed	July 2023	July 2023
Pentrepoeth C.P. School	May 2023	July 2023
St Woolos Primary School	May 2023	July 2023
Ysgol Gymraeg Bro Teyrnon	October 2023	December 2023

Mae'r dudalen hon yn wag yn

Report

Governance & Audit Committee

Part 1

Date: 25 January 2024

Subject **2024/25 Capital Strategy and Treasury Management Strategy**

Purpose The purpose of this report is to gather the Committee's views and responses to the Council's draft Capital and Treasury Management strategies. These views and responses will then be reported to both Cabinet and Council, to inform their respective considerations of these documents. Both strategies are appended to this report.

To aid the Committee's deliberations, the covering report summarises the key aspects to both strategies, as well as well as highlighting the main implications and risks arising from them. In addition, to assist Committee in navigating the strategies, paragraph 8 includes a series of questions that the Committee may wish to use as a guide for their deliberations and to enable focus on the strategic aspects of Capital and Treasury Management.

Author Assistant Head of Finance

Ward General

Summary As set out within the Corporate Plan, the Council has ambitious plans for the city, with the Capital Programme a key enabler in delivering this ambition. The current programme runs from 2023/24 to 2027/28. In line with the rolling programme management approach, the next iteration of the five-year programme will run from 2024/25 to 2028/29. The next iteration of the programme will predominantly comprise of annual recurring allocations and a number of ongoing schemes from the existing programme.

This report includes both the Capital and Treasury Management Strategies which, at their core, (i) confirm the Capital Programme, as part of the Capital Strategy and (ii) the borrowing limits and other indicators which govern the management of the Council's borrowing and investing activities, as part of the Treasury Management Strategy.

The Capital Strategy also sets out the long-term context (10 years) in which capital decisions are made. It demonstrates that the Council's approach to taking capital and investment decisions is in line with service objectives, whilst giving consideration to risk, reward and impact. It also demonstrates that these decisions are taken whilst having proper regard to stewardship of public funds, value for money, prudence, sustainability and affordability.

The capital plans of the authority are inherently linked with the treasury management activities it undertakes and, therefore, the Treasury Management Strategy is included alongside the Capital Strategy.

The main recommendations arising from the two strategies are outlined in this covering report.

Proposal Governance & Audit Committee is asked:

- To provide comment on the Capital Strategy (Appendix 2), including the draft Capital Programme within it (shown separately in Appendix 1), and the borrowing requirements/limits needed to deliver the new programme.

- To provide comment on the Treasury Management Strategy and Treasury Management Indicators, the Investment Strategy and the Minimum Revenue Provision (MRP) policy for 2024/25. (Appendix 3)

- As part of the above:

  - To note, and comment as needed, on the increasing debt, and corresponding revenue cost of this, in delivering the Capital Programme, and the implications of this over both the short and medium to long term with regard to affordability, prudence and sustainability.

  - To note and comment on the Head of Finance recommendation to Cabinet and Council that borrowing needs to be limited to the extent that it meets the objective of stabilising, and ideally reducing, the Council's Capital Financing Requirement, and the recommended prudential indicators on borrowing limits to achieve this.

Action by Head of Finance

Timetable Immediate

This report was prepared after consultation with:

- Leader of the Council
- Chief Executive
- Strategic Directors
- Head of Finance
- The Council's Treasury Advisors

Signed

Background

Governance and requirement of councils

1. In November 2022, the Cabinet approved the Council's new Corporate Plan, which set out how it would achieve the ambition of an *Ambitious, Fairer, Greener Newport for everyone*. This mission is underpinned by four wellbeing objectives and supported by a transformation plan. Achievement of the four wellbeing objectives will be pursued via a series of actions and individual service plans. In some instances, these actions will involve activity and projects of a capital nature.

2. Whilst Cabinet makes decisions regarding the capital projects to be included in the programme, it is full Council that approves the borrowing limits that the overall programme must remain within. Many projects are funded from capital grants, capital receipts and specific reserves, which do not impact on borrowing levels, but, where borrowing is required, it is important that those limits are not exceeded. This is an important area of overall financial management governance in that debt funded capital expenditure, and the external borrowing that results, lock the Council in to a long-term liability for the associated revenue costs. These costs, known as 'Capital Financing Costs' are comprised of the external loan interest costs and the provision for financing the debt funded capital expenditure, known as Minimum Revenue Provision (MRP).

3. As in previous years, the Council continues to work within a constrained financial situation. This is particularly evident within the revenue budget, where high inflation and increasing demand for services has created significant budget pressure, but also within the capital budget and programme. This is evidenced by the relatively low level of capital resources available, considering the demand for capital resources, and the fact that the existing capital programme does not contain any provision for expenditure funded through new borrowing. The constraint on the availability of capital resources has been heightened by the high interest rate environment which, in effect, means that the Council's capital financing budget, which forms part of the overall revenue budget, does not stretch as far, due to more of it having to be used to meet external interest costs. Whilst interest rates appear to have now settled, and may start to reduce, they are still much higher than in recent years and will continue to limit the amount of new borrowing that can be committed to.

4. In light of the scarcity of capital resources, but ever-present demand for them, the Council has taken steps to strengthen its capital programme governance arrangements, by introducing a Capital Assurance Group (CAG). The CAG is comprised of senior officers, who periodically review the delivery of the capital programme and hold Heads of Service to account, where delays in delivery or rising costs of schemes are being experienced. Through this new arrangement, it is hoped that the levels of slippage seen in previous years will be reduced, thus reducing the risk that unnecessary external borrowing will be undertaken. As well as this, the group is also responsible for undertaking the initial review of new capital bids, both internally and externally funded, prior to formal consideration by Cabinet. This process will ensure that the Council's overall capital programme remains manageable by not committing to an undeliverable number of schemes, but also that Council capital resources are only committed to the highest priorities.

5. In addition to the continuation of a challenging financial environment, the introduction of a new accounting standard, IFRS16 Leases, will impact upon the Capital and Treasury Management Strategy. This standard will take effect from 1st April 2024 and will require all councils to treat leasing arrangements as capital expenditure, rather than revenue expenditure. As a result of this, the previous revenue cost of leasing arrangements, met from service area budgets, will be replaced by an MRP charge. Overall, in broad terms, this change is expected to have a neutral financial impact, as the charges against the revenue budget will be of equivalent value to current leasing charges. However, by treating the full cost of the lease as capital expenditure, it will increase the Council's Capital Financing Requirement (CFR) and impact upon the prudential indicators, especially the Operational Boundary and Authorised Limit. The estimated financial impact of this change is reflected throughout the report and the figures contained within it.

6. The key governance documents that underpin this area of local authority finances are:

Capital Strategy

This, at its core:

i) Sets out the long-term context (10 years) in which capital decisions are made and includes the medium-term Capital Programme;

ii) Demonstrates that the local authority takes capital / investments decisions in line with service objectives, giving consideration to risk, reward and impact;

iii) Shows how the Council takes account of stewardship of public funds, value for money and affordability, sustainability and prudence in its decisions and plans.

Treasury Management Strategy

This, at its core:

(i) Sets out the Council's longer term borrowing requirement and approach, which is driven mainly by the Capital Programme requirements and, in Newport specifically, the reducing 'internal borrowing' capacity;

(ii) Outlines how the Council will manage and invest any surplus cash;

(iii) Includes additional guidance, namely the Welsh Government Investment Guidance and the MRP Policy.

Both these strategies are a requirement of CIPFA's Prudential Code, which ensures, within the frameworks that these documents set, and a suite of prudential indicators, that capital expenditure plans are:

- **Affordable –** there must be sufficient resources to be able to meet the capital financing consequence of debt-funded capital expenditure within the overall revenue budget. There must also be sufficient capital resources for any non-debt funded capital expenditure. In addition, total capital expenditure is to be within **sustainable** limits. Councils are required to consider their current and estimated future resources available, together with the totality of their capital expenditure and income forecasts in assessing affordability.

- **Prudent –** it is important that whilst capital expenditure and capital financing costs are affordable, they are also proportionate. I.e. it is important that an appropriate proportion of the revenue budget is allocated for the purpose of financing past capital expenditure and that this is **sustainable**. Consideration as to overall financial **sustainability** is a key aspect to this. The operational borrowing limit should provide for the most likely level of borrowing, not the worst case, with the authorised limit providing sufficient headroom to enable day to day cash management. There should be alignment with the treasury management policy statement and practices and investing activities should strike an appropriate balance between security, liquidity and yield, in that order.

- **Sustainable –** sustainability is a key theme when considering both affordability and prudence and is something that should be assessed in terms of the long-term financial picture.

7. The Capital Strategy and Treasury Management Strategy are inherently linked and the main recommendations and observations arising from these are summarised in the following sections. In light of the requirement for full Council to ultimately provide approval of these strategies, the Governance & Audit Committee are asked to review and provide comments on both strategies, and the limits and prudential indicators contained within them, as necessary, to enable Cabinet, and then Council, to appropriately consider and then approve each strategy as required.

8. To assist the committee in their deliberations, and retain focus on the aspects that pertain to the committee's terms of reference, the following questions are provided as a guide:

    i. The borrowing strategy proposes that no additional borrowing for the next three financial years, over and above that already approved, will be included within the Capital Programme because of affordability challenges. Does the committee feel that is an appropriate position to take?
    ii. As outlined in the document, new borrowing of circa £7m per year could be affordable from 2027/28 and the proposed Capital Programme indicatively includes this. The proposal to potentially introduce new borrowing from 2027/28, and not earlier, is aimed at stabilising the Capital Financing Requirement over the long term. Does the committee feel as though the desire to stabilise the CFR is an appropriate one?
    iii. The report outlines the Council's borrowing approach, where available cash balances and investments are used in lieu of external borrowing (known as internal borrowing), thus deferring the need to undertake external borrowing and incur interest payable costs for as long as possible. Does the committee feel as though that this is the appropriate approach to take?
    iv. The report outlines the new governance arrangements that the Council has introduced regarding the Capital Programme. Does the committee feel as though the new arrangements are adequate and sufficiently robust?

Capital Strategy 2024/25 to 2034/35

Capital Programme to 2028/29

9. The Council's current capital programme, which covers the period 2023/24 to 2027/28, amounts to £248m, with £93m allocated in 2023/24 alone. Current forecasts suggest slippage £9m against this financial year, which will be transferred into future years. As mentioned previously, the current programme includes a very limited amount of borrowing headroom, due to the funding challenges already outlined over the medium-term period. However, whilst borrowing headroom is limited, some capital headroom exists via the Capital Expenditure Reserve and Capital Receipts Reserve and can be used to meet the costs of new schemes or the increasing costs of existing schemes.

10. The proposed programme for the period covering 2024/25 to 2028/29 largely comprises ongoing or previously approved schemes, including slippage from 2023/24, as well as annual sums for activities such as asset maintenance and fleet renewal. However, whilst the current programme only includes a limited amount of approved borrowing headroom, the new programme does, indicatively, reflect the potential for new borrowing capacity from 2027/28 onwards, amounting to £7m per year. These new allocations will only be approved closer to the years in question, once it is clear that they are affordable, prudent and sustainable. However, their inclusion does allow for some preliminary planning to take place around potential future schemes. Because of the high level of slippage forecasted in 2023/24, it means that the new programme will still be significant in scale and, because of this, remains a challenge in terms of deliverability.

11. The proposed programme is set out in the table that follows. It shows a total programme of £125.6m, comprising annual sums of £30.5m and ongoing schemes totalling £80.0m. Borrowing headroom stands at £15.057m, comprising £57k of unallocated existing headroom, £1m of existing headroom that is ringfenced specifically in relation to the Council's Levelling Up bid and £14m of indicative future borrowing. Significant schemes included within the proposed programme include the completion of the Council's Sustainable Communities for Learning Band B programme, the new leisure and wellbeing

provision, the Transporter Bridge refurbishment and the Council's contribution towards the Cardiff Capital Region City Deal (CCRCD). The total value of the programme in 2024/25 stands at £66.2m, which is significantly more than has been spent in previous years and could be a challenge to deliver without any slippage occurring. It should be noted that the Council will be required to meet CCRCD beyond 2028/29. These previously approved commitments will represent the first call upon any new borrowing capacity.

Table 1: Prudential Indicator: Estimates of Capital Expenditure and Capital Financing in £ millions

	5-YEAR CAPITAL PROGRAMME					Total programme
	2024/25 Budget £m	**2025/26 Indicative £m**	**2026/27 Indicative £m**	**2027/28 Indicative £m**	**2028/29 Indicative £m**	**£m**
Annual Sums	7.4	5.8	5.8	5.8	5.8	**30.5**
Ongoing Schemes	58.7	17.2	2.9	0.0	1.1	**80.0**
Uncommitted borrowing*	0.0	1.1	0.0	7.0	7.0	**15.1**
TOTAL EXPENDITURE	**66.2**	**24.1**	**8.7**	**12.8**	**13.9**	**125.6**

Affordable borrowing limit

12. Capital Expenditure funded by debt increases the need to undertake external borrowing, unless it is possible to bridge this need via 'internal borrowing', which is the use of existing cash resources which are underpinned by the overall level of earmarked reserves. As the capacity to internally borrow reduces, as reserves are utilised as intended, the need for external borrowing increases. This is particularly the case for this Council, which has had a high level of internal borrowing in the past, but is now seeing that capacity reducing over the medium-long term. Because of this, coupled with an increased level of unfunded capital expenditure, the Council is committed to be a net borrower for the long term. To ensure this borrowing is affordable and sustainable, Council is required to set an affordable borrowing limit each year.

13. The affordable borrowing limit, also termed the 'Authorised Limit' for external debt, is the absolute maximum amount of borrowing that can be undertaken, in order to manage the overall, day to day, cash requirements of the Council. It also allows for a level of borrowing in advance of need to be undertaken, where appropriate and affordable. In addition, the Council needs to set an 'Operational Boundary', which is the expected level of borrowing required to finance the current Capital Programme. Any increase required to the Operational Boundary needs to be approved by full Council.

Table 2: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2023/24 limit	2024/25 limit	2025/26 limit	2026/27 limit
Authorised limit – borrowing	246	251	248	238
Authorised limit – PFI and leases	39	51	49	47
Authorised limit – total external debt	**285**	**302**	**297**	**285**
Operational boundary – borrowing	150	157	161	155
Operational boundary – PFI and leases	39	51	49	47
Operational boundary – total external debt	**189**	**208**	**210**	**202**

14. Over the medium term, it is anticipated that the level of borrowing required to facilitate the capital programme will be substantial. As outlined in Table 2, it is projected that long-term borrowing will reach £161m, excluding PFIs, compared with the £135.6m that is currently held. It can also be seen that there is a significant difference between the Authorised Limit and the Operational Boundary. This is because of the level of internal borrowing available, underpinned by the level of cash backed reserves, which have increased significantly over recent years. However, the level of reserves will reduce over the medium-long term, in particular the PFI reserves, and, therefore, it will become necessary to undertake external borrowing in lieu of this reducing capacity. This will have a revenue impact because of the interest costs that will be incurred as a result of the external borrowing, compared to the lower cost of internal borrowing, which, in essence, is represented by interest income foregone.

15. It should be noted that the two limits described above only place a theoretical limit on borrowing that can be undertaken to fund new capital expenditure. This is particularly relevant where there is evidence of slippage occurring across the programme. As a consequence, in theory, additional borrowing could be undertaken over and above that budgeted in the existing Capital Programme, because the slippage means that the operational boundary, for example, would not be reached. This would present a risk that, ultimately, the cumulative level of borrowing could exceed that which is deemed affordable. Therefore, to ensure a measure of control on borrowing undertaken to fund new capital expenditure, a local indicator was introduced for 2022/23, which is directly linked to the level of borrowing headroom within the Capital Programme. The limit amounts to only £1.057m in 2024/25, with only £57,000 not earmarked already, and will apply until the new borrowing headroom is formally agreed.

16. The commitment to increase external borrowing leads to increasing capital financing costs. Because the financial impact of the current borrowing commitments was funded up front in the 2021/22 revenue budget, the existing revenue budget is already sufficient. The current and planned future budgets are set out in Table 3, below. The table also shows the value of capital financing costs as a proportion of the total revenue budget. The percentages quoted are lower than in previous years, largely because of the capital financing budgets remaining stable at a time when the overall revenue budget is increasing, due to funding increases to cover pressures in key services. There remains uncertainty regarding local authority settlements beyond 2024/25 and, therefore, affordability of new borrowing and corresponding capital financing increases could remain a challenge.

Table 3: Capital Financing Budgets

	2024/25 budget	**2025/26 budget**	**2026/27 budget**	**2027/28 budget**	**2028/29 budget**
Provision for repayment of debt (MRP)*	10.0	10.8	10.8	10.8	10.8
Net interest cost	6.9	7.0	7.0	7.0	7.0
Total capital financing (exc PFI)	**16.9**	**17.8**	**17.8**	**17.8**	**17.8**
PFI & Leases	6.5	6.5	6.7	6.7	6.7
Total Financing costs* (£m)	**23.4**	**24.3**	**24.5**	**24.5**	**24.5**
Proportion of net revenue stream	5.9%	6.0%	6.0%	6.0%	6.0%

*includes charges direct to service areas

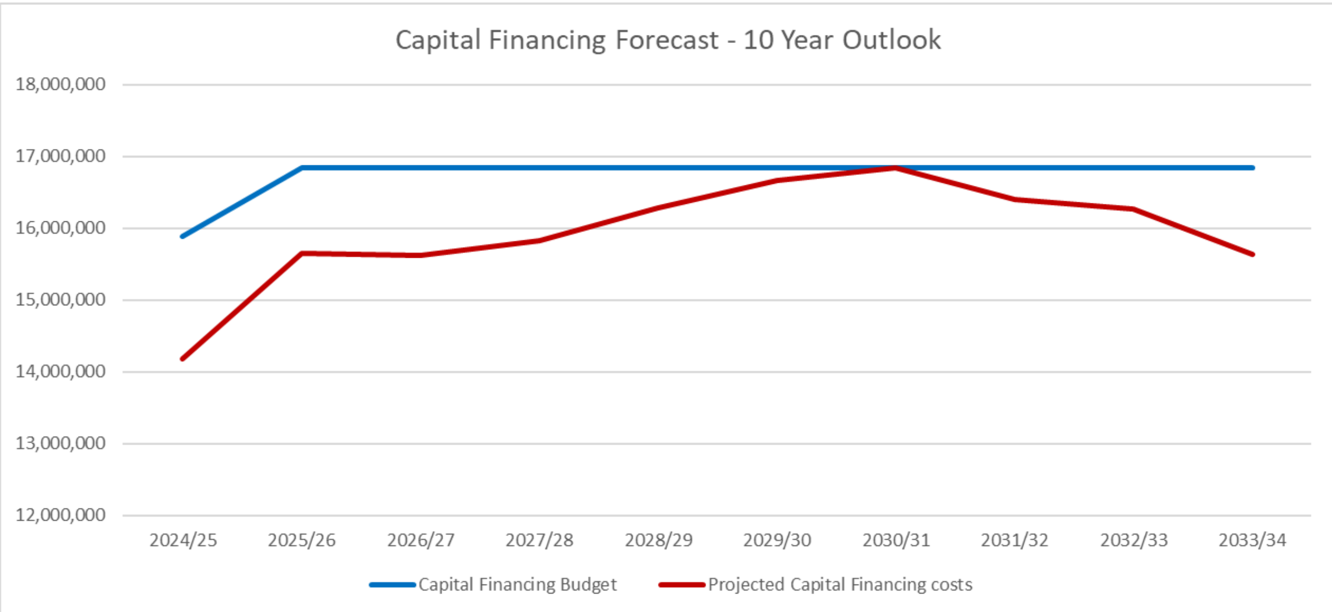
Longer term outlook

17. As well as considering the medium-term outlook, there is a need to look beyond this timeframe. This is particularly relevant when considering the long-term implications that capital financing decisions have. As outlined earlier, the overriding objective is to ensure that capital expenditure plans are affordable, prudent and sustainable, requiring a limit to be placed upon debt funded capital expenditure over that period. When looking longer term, the following points will need to be considered:

- the high level of forecast borrowing and corresponding higher level of capital financing cost over the next few years.
- the anticipated reduction in reserves and consequent capacity to be internally borrowed, requiring a continuing increase in external borrowing to replace it.
- the need to refinance existing maturing borrowing, which could incur a higher interest cost than currently being incurred.
- the Council's methodology for charging MRP, which realised a budget saving when changed in recent years, but which increases the charge each year from that point and will continue to do so going forward.
- the challenging medium-term outlook driven by inflationary pressures, increasing demand for services and external funding constraints.

18. In light of the points above, the proposed programme does not include any provision for new borrowing in the short to medium term. However, at the point at which the existing new borrowing commitments subside (2027/28 onwards), indicative new borrowing capacity totalling £7m per year is included. It is important to note that these allocations will remain indicative until the point at which there is comfort that such commitments would meet the test of being affordable, prudent and sustainable, which would not be possible until closer to the years in question. Current assumptions and calculations would suggest that new borrowing from 2027/28 would be affordable and this is demonstrated in the graph that follows. As well as this, it would also achieve the aim of stabilising the Capital Financing Requirement and reducing it over a sustained period of time.

Chart 1: Capital Financing Cost Forecast, excluding PFI



19. The above graph demonstrates the impact that the existing programme, coupled with new indicative borrowing capacity from 2027/28, has on the capital financing requirements, denoted by the sharp increase in costs over the short term. Beyond that, there is a levelling off before a more gradual

increase over the middle years. There is then a drop-off, largely because of some current significant MRP commitments coming to an end. Whilst this could, theoretically, release budget to allow further borrowing to be undertaken, it wouldn't necessarily achieve the aim of stabilising the underlying need to borrow (CFR). Alternatively, any headroom created within the capital financing budget could be released as a budget saving for the purposes of assisting with balancing the revenue budget at that point in time.

Accountability and Responsibility for delivery of the Capital Programme

20. As outlined in the main strategy report, and capital monitoring reports throughout recent years, there has been a general challenge in relation to slippage. A part of this was caused by the COVID-19 pandemic, which led to delays in scheme delivery, amongst other challenges. However, there are also instances of other issues, such as overly optimistic profiling and a degree of placeholding each time a new programme is developed, which have had an impact. As a consequence of slippage, there is a risk that revenue budget is provided in advance of need and external borrowing is undertaken before required. This is an issue that has been recognised as needing addressing and, as a result, the Council has taken steps to introduce new governance arrangements with the aim of ensuring closer management and oversight of the Capital Programme.

21. To address this issue, a new Capital Assurance Group has been introduced, comprising senior management representatives and senior finance officers. This group provides assurance to the Council's Executive Board and, ultimately, Cabinet. It has a remit to scrutinise progress in scheme delivery and hold Heads of Service and Project Managers to account for the schemes for which they are responsible. The introduction of this group has not diminished the responsibilities of Cabinet, who remain responsible for approving the overall programme and subsequent additions and amendments, but should improve internal control and reduce the scale of slippage experienced in recent years. In addition, the group is responsible for reviewing new bids for capital resources, whether that be internal or external resources. By introducing this additional step in the process for securing capital resources, it is intended to ensure that only those schemes with a realistic prospect of being delivered, both within budget and timeframe, are added to the capital programme. This should result in a more manageable programme and, again, reduce the instances of slippage and overspending.

Treasury Management Strategy

22. The Council's detailed Treasury Management Strategy for 2024/25 and beyond is included as Appendix 3, as are the various treasury management indicators. Key points of interest are summarised below.

Borrowing Strategy

23. As outlined in earlier sections of this report, the Council is committed to being a net borrower over the life of the proposed Capital Programme. In particular, a significant increase in the need to borrow is being projected to the 2025/26 financial year. However, the Council's preferred strategy is to maximise the level of internal borrowing, facilitated by the level of cash-backed earmarked reserves held. Therefore, whilst the overall Capital Financing Requirement is set to increase, the need to undertake new borrowing will be deferred for as long as possible.

24. However, the capacity to internally borrow is planned to reduce over the medium to long term. In addition, some existing sizeable loans are due to mature within the next two years. These two factors, will mean that some new borrowing will be required simply to maintain the status quo, before considering any overall increase in the CFR. As well as this, in light of the Council's position as a committed long-term borrower, the decision could be taken to undertake borrowing in advance of need. This would only be done in consultation with the Council's treasury advisors and where it was felt to be appropriate, and affordable, in order to mitigate against future interest rate rises. This is especially

relevant considering the known need to refinance existing loans by the end of 2024/25 and the relatively uncertain interest rate market.

25. When the need to undertake borrowing arises, the Council will need to give consideration as to the time period over which to borrow. The guiding principle will be to achieve a low, but certain cost of finance. This will generally mean long term borrowing, as this can provide certainty for periods of more than 50 years, if desired. However, there is currently little difference between long and short-term borrowing rates and, therefore, with there being potential for long-term borrowing interest rates to reduce over the medium term, the Council could decide to undertake a degree of short-term borrowing as a way of buying time before rates reduce. Also, this would achieve a more balanced borrowing portfolio, but also assist with mitigating the risk of locking into high long-term borrowing rates prior to rates dropping. Again, individual borrowing decisions would only be taken in consultation with the Council's treasury advisors, but also whilst considering the maturity profile of the current borrowing portfolio, as well as overall affordability.

Investment Strategy

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

27. In line with the intention originally outlined in the 2021/22 Capital Strategy, the Council has recently diversified its investment portfolio by investing £10m into a product known as covered bonds. These bonds have been committed to for periods of up to six years and, in doing so, has secured a reasonable yield, when compared to current interest rates, whilst ensuring the highest level of security available. By investing in these bonds, the Council has also ensured that it meets its MIFID II requirements and retains it professional client status for the purpose of accessing external finance. Over and above the minimum £10m investment requirement, the Council will continue to invest any surplus cash balances with secure investors, such as the Debt Management Office and other local authorities, both of which are currently providing competitive rates of return. The detail regarding the approved counterparty list and limits is shown in Appendix 3.

Head of Finance Summary

28. The Council's Capital Strategy, and in particular the Capital Programme itself, are, from a financial perspective, decisions with long term implications and where decisions today 'lock-in' the impact on budgets once projects have progressed and borrowing taken out. As explained in the first part of this report, the core requirement for councils is to make decisions whilst taking into account affordability, prudence and sustainability:

29. In terms of the Council's proposed Capital Programme to 2028/29:

Affordability

- There is a significant increase in the Council's projected level of external borrowing and the associated capital financing costs over the next two to three years, in particular. As has been reported in previous years, adequate revenue budget has been in place since 2021/22 to meet the anticipated costs of the full programme as it was at that point. As no new borrowing headroom has been introduced since then, this remains the case. The current capital programme is therefore affordable, in totality, as a result of this. In addition, based on current assumptions, indicative new borrowing capacity of £7m per year from 2027/28 would also be affordable from within the planned capital financing budget. This is an important position because the Council has an unbalanced medium term financial position currently, due to high inflation driving up costs and increased demand for services. There is also a risk that funding constraints could arise over the medium term. Having already fully funded the revenue impact of the existing programme means that there is one less pressure on an already challenging outlook.

Prudence

- Prudent operational limits on the level of capital expenditure funded by borrowing have been recommended, which align with the proposed programme requirement and, therefore, the Council's priorities. These operational limits increase over the course of the programme and will result in the Council taking on more debt. Therefore, the Capital Programme needs to be strictly managed within those limits to ensure that the need to externally borrow does not increase and expose the Council to any further risk or interest costs.

Sustainability

- As outlined above, the revenue costs arising from the proposed Capital Programme have been fully funded within the overall revenue budget. Providing that the Council is able to meet the challenge of balancing its budget over the medium term, then the costs of borrowing are sustainable. In addition, current indications suggest that it will be possible to introduce new borrowing capacity from 2027/28. There is, however, a risk to this position, should funding constraints emerge over the medium term, which could present the need for the Council to take steps to balance its budget, one of which may be to review its capital financing budget and potentially scale back its capital programme aspirations. It is for this reason that this new headroom can only be introduced once there is greater certainty around the longer-term affordability of such a commitment.

30. It is recognised that whilst there are financial constraints to work within, there is also a need to invest in the Council's assets. It is therefore important that an appropriate balance is struck between financial restraint and the requirement to maintain and enhance the asset base. Therefore, whilst opportunities to introduce new borrowing capacity will be sought, it is also critical that all opportunities to increase the capital headroom via one-off sums need to be taken when available and potentially prioritised over other emerging pressures. This will assist with mitigating the impact of the maintenance backlogs and potentially avoiding the high-cost impact of asset failure. The absence of significant capital headroom will mean that other funding sources will need to be pursued for any new schemes, as well as maximising the ability to self-fund schemes. The new, strengthened, governance arrangements, will be a crucial part of managing the challenging situation over the medium to long term.

31. The Committee is asked to note the above confirmations and key messages as the Capital and Treasury Management strategies are reviewed, and provide comments to Cabinet and Council, including on the prudential indicators and limits contained within these strategies.

Risks

Risk Title / Description	**Risk Impact score of Risk if it occurs* (H/M/L)**	**Risk Probability of risk occurring (H/M/L)**	**Risk Mitigation Action(s)** What is the Council doing or what has it done to avoid the risk or reduce its effect?	**Risk Owner** Officer(s) responsible for dealing with the risk?
Increased need to borrow beyond	High*	Medium	Regular monitoring and reporting of available headroom should identify any issues at an early stage and	Members, Executive Board, Heads of Service

Risk Title / Description	Risk Impact score of Risk if it occurs* (H/M/L)	Risk Probability of risk occurring (H/M/L)	Risk Mitigation Action(s) What is the Council doing or what has it done to avoid the risk or reduce its effect?	Risk Owner Officer(s) responsible for dealing with the risk?
currently assumed levels.			keep Cabinet / Council updated. A mechanism exists for increasing borrowing limits and this should only be done where affordable, prudent and sustainable.	and Head of Finance.
Undertaking borrowing that is not ultimately required.	High	Low	Regular monitoring of schemes, and strengthened governance arrangements, means that potential for slippage should be identified at an early stage. Continued reprofiling to be undertaken to guard against slippage not being identified. Regular contact with WG regarding potential grant funding, which could negate the need to undertake borrowing.	Executive Board, Heads of Service and Head of Finance.
Investment counterparty not repaying investments.	High*	Low	The Council only invests with institutions with very high credit scores. It employs advisors to monitor money market movements and changes to credit scores and acts immediately should things change adversely. The lower levels of funds/duration available for relatively higher risk investment as measured by credit ratings will also alleviate the risk.	Members, Head of Finance, Treasury staff, based on advice from treasury advisors.
Interest Rates moving adversely against expectations.	Medium*	Medium	The interest rate climate has stabilised compared with the volatility shown over the last 12 months. Interest rate forecasts are regularly received from external treasury advisors and the Council is prudent when forecasting future interest payable. In addition, the Treasury Strategy provides for a balance between short and long-term borrowing as a means of managing this particular risk.	Head of Finance, Treasury staff, based on advice from treasury advisors.

** Impact is ultimately determined by the values involved, with the impact reducing as the values decrease.*

Links to Council Policies and Priorities

The Capital Strategy sets out the Capital Programme over a long-term context and demonstrates that the Capital Programme supports a number of the Council's aims and objectives.

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 Government that any investment decisions take account of security, liquidity and yield in that order.

Options Available and considered

To note and provide comment on both the Capital Strategy and the Treasury Management Strategy for 2024/25, including the prudential indicators contained within both documents.

Preferred Option and Why

The committee is asked to note and provide comment and, therefore, there are no alternative options.

Comments of Chief Financial Officer

This report, and the Capital and Treasury Management Strategies appended, both highlight the revenue implications from capital expenditure, and the need for the capital plans of the authority to be affordable, prudent and sustainable. The main financial implications are captured within the report and all appendices. However, it is important to note the following comments.

The Capital Strategy highlights the anticipated increase in borrowing and the revenue costs resulting from the proposed Capital Programme, which is largely comprised of ongoing schemes from the current programme. Whilst the short to medium term increase in borrowing is currently affordable from within the capital financing budget, over the longer-term, a position needs to be reached whereby debt funded capital expenditure is no greater than the annual MRP charge, allowing the CFR to stabilise or, ideally, reduce. This will be a key issue over the medium to long term, mainly due to the challenging financial outlook being faced by the Council. At a time when demand for revenue resources is high, due to rising costs and demand for services, it will be important that demand for capital financing is proportionate and, ideally, kept to a minimum.

The strategy includes indicative allocations of new borrowing capacity from 2027/28 onwards. Whilst this would currently appear to be affordable, based on current assumptions, it is important to note that this is included for indicative purposes only. Only once there is greater certainty regarding the affordability and sustainability of such a commitment can this be approved. However, it is also recognised that there is a pressing need for new capital resources and, therefore, an appropriate balance will need to be struck between prudence and investment. Because of this demand for capital resources, it will be vital that opportunities to increase capital headroom are taken and that issues surrounding asset maintenance are prioritised. This will assist the Council with being able to react to emerging needs and mitigate the chance of asset failure.

The Treasury Management Strategy confirms that there is a long-term net borrowing commitment, but also a short-term refinancing requirement due to loans maturing over the coming financial year. It is almost certain, therefore, that the Council will need to take on new external borrowing during the year. Consideration will be given as to whether this can be done early, to mitigate the risk of interest rate rises and remain within current set budgets. As ever, such decisions will be taken in light of advice received from the Council's treasury advisors and with the aim of securing a low but certain cost of finance.

Comments of Monitoring Officer

There are no specific legal issues arising from the report. The Capital Strategy will provide a framework for future capital and investment decisions, having regard to principles of affordability, prudence, sustainability and risk/reward. The Treasury Management Strategy sets out the financial management principles that will underpin the Capital Strategy. As such, both strategies will form part of the Council's overall budget framework and are required to be formally approved and adopted by full Council. Governance & Audit Committee have been asked to comment on the draft Capital Strategy and Treasury Management Strategy as part of its responsibility for reviewing and monitoring the effectiveness of the Council's system of internal controls and the proper administration of its financial affairs.

Comments of Head of People, Policy & Transformation

The Capital Strategy described within this report is considerate of, and meets the requirements of, the Wellbeing of Future Generations Act with a focus on long term planning and sustainability as part of the sustainable development principle. The Fairness and Equality Assessment completed and summarised below reinforces this element, along with the broadly positive/neutral impacts on protected groups.

Financial governance is a vital part of meeting the sustainable development principle and corporate objectives and it is noted that in light of scarce capital resources, despite demand for them, the Council has taken steps to strengthen governance, by introducing a Capital Assurance Group (CAG).

The report supports the Corporate Plan objectives which are ambitious and focused on working collaboratively with our staff, residents, and partners to improve service delivery across the city whilst supporting other related plans and strategies.

There are no direct human resources implications, however as the Council works towards the Corporate Plan and Capital Strategy, it will be necessary to consider the workforce requirements needed to achieve the objectives as set out. Any staffing impact will be considered, and consultation will take place as and when necessary.

Scrutiny Committees

N/A

Fairness and Equality Impact Assessment:

- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

The Council has a number of legislative responsibilities to assess the impact of any strategic decision, proposal or policy on people that may experience disadvantage or inequality. In relation to this strategy document, a Fairness and Equality Impact Assessment has been undertaken. The FEIA has been undertaken in light of this strategy being an overarching financial strategy, rather than a policy decision relating to one specific initiative or service. Therefore, there are elements to the assessment that don't lend themselves to this particular strategy. It should also be noted that there is a clear link between this strategy and the Council's revenue budget setting process, with the ultimate impact of debt-funded capital expenditure being felt within the revenue budget. Therefore, any consultation required will have been undertaken as part of the revenue budget setting process. Also, specific schemes within the Capital Programme will have been subject to an FEIA, where relevant.

The main conclusions to be drawn from the FEIA undertaken is that there is a clear link between the long-term nature of the Capital Strategy and the sustainable development principle of the Wellbeing of Future Generations Act. This is evidenced through the focus on ensuring affordability, prudence and, most relevantly, sustainability. Therefore, there is potentially a positive impact from the perspective of the younger age groups. In the case of the other protected characteristics, it is not felt that there is a specific impact, however this may not necessarily be the case for the individual schemes within the programme, which should have been subject to separate FEIAs. However, there are a variety of schemes within the programme that will, collectively, have had a positive impact upon groups with protected characteristics such as disability, language preference and socio-economic background.

Consultation

N/A

Background Papers

Report on Treasury Management for the period to 30 September 2023
Capital Monitoring and Additions Report – November 2023

Dated: 18th January 2024

Appendix 1 – Detailed breakdown of the proposed Capital Programme (excluding borrowing headroom) (£000)

	Budget 2024/25 (including slippage)	Indicative Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28	Indicative Budget 2028/29	Total
Annual Sums:						
People, Policy & Transformation:						
Asset Maintenance (including schools)	1,371	1,500	1,500	1,500	1,500	7,371
IT Replacement Schemes	289	202	150	150	150	940
Prevention & Inclusion:						
Disabled Facilities Grants	1,153	1,000	1,000	1,000	1,000	5,153
Safety at Home	283	300	300	300	300	1,483
Social Services:						
Disabled Equipment (GWICES)	165	165	165	165	165	825
Telecare	62	30	30	30	30	182
Infrastructure:						
Fleet Replacement	2,663	2,141	2,141	2,141	2,141	11,227
Highways Asset Maintenance	1,432	500	500	500	500	3,432
Annual Sums Total	**7,418**	**5,838**	**5,786**	**5,786**	**5,786**	**30,614**
Ongoing and Previously Approved Schemes:						
Education:						
Sustainable Communities for Learning - Band B	15,373	9,185	1,939	0	0	26,496
Welsh Medium Primary School (Pillgwenlly / Nant Gwenlli)	1,286	2,659	0	0	0	3,944
Pentrepoeth Primary School Accessibility Works	8	0	0	0	0	8
St Mary's Primary School	4,759	0	0	0	0	4,759
Education Maintenance Grant 2020/21	558	0	0	0	0	558
Education Maintenance Grant 2022/23	372	0	0	0	0	372
Capital Maintenance and Energy Works across the school estate	350	0	0	0	0	350
Education Accessibility Works - Phase 2	609	0	0	0	0	609

	Budget 2024/25 (including slippage)	Indicative Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28	Indicative Budget 2028/29	Total
Millbrook Primary School Demolition	550	0	0	0	0	550
Ysgol Gwent Is Coed Sports Hall	3,284	0	0	0	0	3,284
Education Total	**27,149**	**11,843**	**1,939**	**0**	**0**	**40,931**
Environment & Public Protection:						
Refit	226	0	0	0	0	226
Local Places for Nature	467	0	0	0	0	467
Parks Improvements	635	0	0	0	0	635
Cemeteries Improvements	275	0	0	0	0	275
Community Building Decarbonisation	250	0	0	0	0	250
Mon & Brecon Canal Works (SPF scheme)	994	0	0	0	0	994
Tredegar Park (SPF scheme)	1,665	0	0	0	0	1,665
Environment & Public Protection Total	**4,512**	**0**	**0**	**0**	**0**	**4,512**
Housing & Communities:						
Food Resilience Programme (SPF scheme)	60	0	0	0	0	60
Housing & Communities Total	**60**	**0**	**0**	**0**	**0**	**60**
Infrastructure:						
Carnegie Court Emergency River Works	19	0	0	0	0	19
Placemaking Capital Projects (Hostile Vehicle Mitigation)	962	0	0	0	0	962
Herbert Road Highway Works	88	0	0	0	0	88
Infrastructure Total	**1,070**	**0**	**0**	**0**	**0**	**1,070**
People, Policy & Transformation:						
Central Library Structural Works	490	0	0	0	0	490
People, Policy & Transformation Total	**490**	**0**	**0**	**0**	**0**	**490**

	Budget 2024/25 (including slippage)	Indicative Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28	Indicative Budget 2028/29	Total
<u>Regeneration & Economic Development:</u>						
Cardiff Capital Region City Deal – NCC Contribution	1,238	1,294	978	0	1,078	4,588
Mill Street Loan	261	0	0	0	0	261
Clarence House Loan	202	0	0	0	0	202
Transforming Towns	332	0	0	0	0	332
Transporter Bridge	5,651	0	0	0	0	5,651
Placemaking Capital Projects (Lighting Strategy)	500	0	0	0	0	500
New Leisure Centre	12,458	4,086	0	0	0	16,543
Newport Museum & Art Gallery	39	0	0	0	0	39
Regeneration SPF Schemes	4,093	0	0	0	0	4,093
Regeneration & Economic Development Total	**24,774**	**5,380**	**978**	**0**	**0**	**32,210**
<u>Social Services:</u>						
Cambridge House	681	0	0	0	0	681
Social Services Total	**681**	**0**	**0**	**0**	**0**	**681**
Total Capital Programme	**66,154**	**23,061**	**8,703**	**5,786**	**6,864**	**110,567**

	Budget 2024/25 (including slippage)	Indicative Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28	Indicative Budget 2028/29	Total
<u>Financed by:</u>						
General Capital Grant	4,286	4,286	4,286	4,286	4,286	21,430
Supported Borrowing	4,160	4,160	22	0	0	8,342
Unsupported Borrowing	11,179	1,863	978	0	1,078	16,155
External Grants	35,219	9,189	650	0	0	45,058
S106	701	2,062	0	0	0	2,763

	Budget 2024/25 (including slippage)	Indicative Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28	Indicative Budget 2028/29	Total
Other Contribution	276	0	0	0	0	276
Capital Receipts	2,461	0	0	0	0	2,461
Revenue Contribution	1,542	1,500	1,500	1,500	1,500	7,542
Reserves	6,329	0	1,267	0	0	7,596
Total Capital Programme Financing	**66,154**	**23,061**	**8,703**	**5,786**	**6,864**	**110,567**

Appendix 2

NEWPORT CITY COUNCIL
CAPITAL STRATEGY
2024/25 TO 2033/34

CONTENTS

EXECUTIVE SUMMARY

This Capital Strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and a summary of the implications for future financial sustainability.

Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and local policy framework, summarised in this report.

The report highlights that expenditure on capital needs to remain within affordable, prudent and sustainable limits. Demand for capital resources remains high and therefore, inevitably, prioritisation of projects, leveraging in other sources of funding and working with partners are required to address this.

The strategy highlights the key risks and recommendations:

- The Council's new rolling capital programme, a large proportion of which relates to ongoing and previously approved schemes, requires a substantial amount of borrowing to 2025/26, in particular. Whilst this is affordable, due to the revenue budget requirement being forward funded in the 2021/22 budget, it is necessary to exercise caution in introducing new borrowing capacity thereafter, especially given the current economic climate and pressures upon the Council's revenue budget.

- The Council's Medium Term Financial Plan does not reflect any provision for new borrowing over and above that already funded within the existing revenue budget. Therefore, any new borrowing capacity, which is indicatively included in the Capital Programme from 2027/28, needs to be afforded from within the existing capital financing budget. This position will be kept under review as certainty regarding the medium-term outlook increases.

- As per the agreed framework (detailed in the report), the programme needs to be maintained within the agreed limits and not result in a medium-term increase in the Capital Financing Requirement. This is to be achieved by limiting new borrowing capacity to that affordable from within existing revenue resources. Any required increase in the level of capital expenditure to be specifically funded by borrowing would need approval by full Council.

- Due to the pressure for additional capital resources, partly driven by the need for investment in existing assets (e.g. buildings and highways), there is a requirement to supplement the capital headroom with one-off resources, wherever possible. To achieve this, consideration should be given to using any revenue underspends over the medium term for increasing the capital headroom, as well as a focussing on generating additional capital receipts, via the Council's Asset Programme.

- The pressure upon the Capital Programme and the historic challenges in relation to programme delivery and slippage, necessitates the need for clear, robust, governance structures around the programme. This requirement has been addressed by the introduction of the Capital Assurance Group, which is responsible for holding Heads of Service and their project managers to account for capital project delivery, as well as acting as a gateway for all new capital bids.

- The prudential indicators, including borrowing limits, are in line with the Council's agreed Medium Term Financial Plan.

The strategy will be reviewed and updated on an annual basis alongside the Treasury Management Strategy.

OVERVIEW OF THE STRATEGY

1.1. INTRODUCTION

Capital expenditure can be defined as expenditure on assets, such as property or vehicles, that will be used for more than one year. In local government, this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to acquire assets. It is the Council's policy not to treat any expenditure under £10,000 as capital, and therefore anything under this value will be charged as revenue in the year of expenditure.

The Prudential Code for Capital Finance in Local Authorities (2017) placed a requirement on local authorities to determine a Capital Strategy, in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives, and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability.

Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and a local policy framework, summarised in this report.

The report sets out:

- The key objectives outlined in the Prudential Code and the governance arrangements for the Capital Strategy and programme, including the move towards a rolling approach to programme development and management (Section 2)

- The proposed capital programme to 2028/29, its financing, and the revenue implications arising from demands on capital expenditure (Section 3)

- The long-term (10 year) projection for the capital financing costs of the Council and where future demands arise from the various strategic plans across the Council for further capital resources. (Section 4)

- Links between the Capital Strategy and Treasury Management strategy, and treasury decision making. (Section 5)

- The commercial activity of the Council and the strategy going forward. (Section 6)

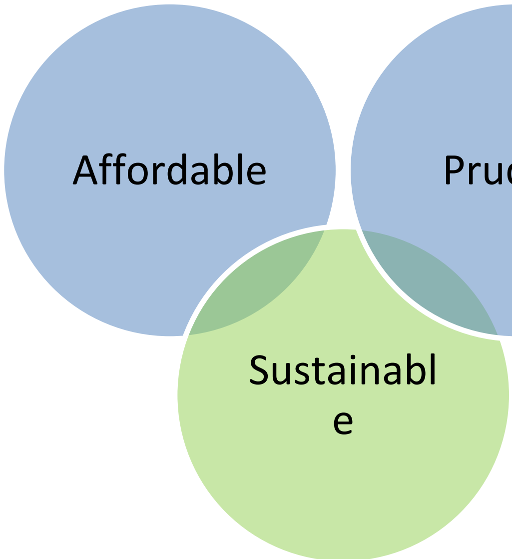
- Overview of other long-term liabilities the Council has, which members need to be aware of when looking at the Capital Strategy. (Section 7)

- Summary of the skills and knowledge the Council holds in order for it to carry out its duties for capital and treasury matters. (Section 8)

2. PRUDENTIAL CODE & GOVERNANCE

2.1. PRUDENTIAL CODE – KEY OBJECTIVES

The objective of the Prudential Code is to ensure, within a clear framework, that the Council's capital expenditure is affordable and prudent. In terms of both affordability and prudence, it is important that sustainability is considered and can be demonstrated;



AFFORDABLE

It is important that the Council's capital investment remains within **sustainable** limits. The Code requires authorities to consider the resources currently available to them and those estimated to be available in the future, together with the totality of the capital plans and income and expenditure forecasts. As well as capital expenditure plans, authorities should consider the cost of past borrowing, ongoing and future maintenance requirements, planned asset disposals and the MRP policy, which all impact upon affordability.

PRUDENT

The Council must ensure that its capital and investment plans are prudent and **sustainable**. As required by the Code, consideration should be given to the arrangements for the repayment of debt and the risk and impact on overall financial **sustainability**. The operational boundary for external debt should align with capital expenditure plans and provide for the most likely, not worse case, scenario. The authorised limit should provide sufficient borrowing headroom to enable day to day cash management. It is important that there is alignment with the treasury management policy statement and practices, and that risk management and analysis is taken into account. Borrowing in advance of need should only be undertaken where appropriate and affordable, and treasury management activities should find a balance between security, liquidity and yield reflecting the Council's risk appetite, but not prioritising yield over security and liquidity.

SUSTAINABLE

As highlighted above, the Council has to ensure sustainability when considering both affordability and prudence. In line with the long-term impact of decisions made in relation to capital investment plans, sustainability is considered over a minimum 10-year period.

In addition, the Council ensures that treasury management decisions are taken in accordance with good professional practice and with the full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation. As part of this, all local authorities are required to have regard to CIPFA's Prudential Code and Treasury Management Code when setting their strategies for the coming financial year.

2.2. GOVERNANCE FOR APPROVAL AND MONITORING OF CAPITAL EXPENDITURE

Member responsibility for strategic finance rests with the Cabinet Member for Economic Growth and Strategic Investment, currently the Leader of the Council. The main governance and approval process for capital expenditure is summarised as follows:

- Council approves the overall revenue and capital budgets following recommendations from the Cabinet. As part of this, Council approves the external borrowing limits, which place a cap on the level of borrowing the Council can undertake during the year. These limits are based around the level of unfunded capital expenditure, including uncommitted expenditure, within the capital programme. The limits will not include expenditure on any schemes where borrowing is required, but which finance themselves through the savings generated. These limits are a key performance indicator for treasury management and ensure that capital expenditure is limited and borrowing remains affordable. Any changes required to the borrowing limits must be approved by full Council.
- Council approves the Treasury Management Strategy, which is intrinsically linked to capital expenditure and the Capital Strategy. Further details of this are provided in section 5.
- The detailed capital programme, contained within the overall budget, is approved by Cabinet following individual project appraisals by officers, which include the views of the Head of Finance and the Capital Assurance Group.
- Items of capital nature are discussed at the Strategic Asset Management Group (SAMG), which is made up of senior officers from all service areas and the Council's property advisors, Newport Norse. Discussions centre on the asset management agenda and asset disposals. Other boards with capital considerations include the Education Service Capital Board.
- The Capital Assurance Group maintains oversight of the overall programme and holds individual services to account for the delivery of their schemes. In addition, the group acts as a gateway for all new capital bids, prior to formal approval being sought from Cabinet.
- Cabinet approves any new capital expenditure to be added to the capital programme, including that funded from external resources, such as specific grants. This will follow an initial review by the Capital Assurance Group of any new bids or requests for capital resources. Cabinet also approves any utilisation of the Council's capital headroom.
- Monitoring of Capital Expenditure is reported to Cabinet, including updates on capital receipts and the impact on the revenue budget of decisions made. Cabinet also approves the transfer of slippage from one financial year to the next.

Affordability and sustainability are key considerations when approving capital expenditure, and therefore the agreed framework detailed in section 3.1 is used. Included within Appendix 2a is the process map used for the approval of capital expenditure.

3. CAPITAL EXPENDITURE AND FINANCING

3.1. CURRENT CAPITAL PROGRAMME

The current capital programme covers the five-year period between 2023/24 and 2027/28. As previously agreed, the Council now has a rolling approach to programme development and, therefore, the new iteration of the programme will cover a new five-year period between 2024/25 and 2028/29. Because of the rolling approach, it means that certain schemes or allocations will be shown as indicative only, until the point at which the full funding is in place for the expenditure planned in that respective year (in the case of debt-funded expenditure, this would require the requisite capital financing budget to be in place).

Given the financial constraints that the Council has faced in recent years, and continues to face, Cabinet and Council established a framework for managing the programme, aimed at maximising capital expenditure but keeping new borrowing at a level that could be afforded within a sustainable revenue budget and, in doing so, not adding unnecessary pressure to the medium-term outlook. This framework is as follows:

a. Funding from sources other than borrowing needs to be maximised; for example, by securing grant funding whenever possible and maximising capital receipts;

b. Any change and efficiency schemes requiring capital expenditure, and generating savings as a consequence, would be funded by offsetting the capital financing costs against the savings achieved;

c. Schemes and projects which generate new sources of income would need to fund any capital expenditure associated with those schemes.

This framework ensures that the programme can be maximised but those schemes which cannot fund any resulting borrowing costs can be afforded and maximised within any capital headroom available. This available headroom is made up of residual borrowing headroom agreed within the previous programme and identified uncommitted capital reserves and capital receipts. The proposed programme indicatively includes new borrowing headroom from 2027/28 onwards, however this will not form part of the headroom until it is possible to formally approve this, once there is greater certainty regarding its affordability.

Because new headroom is not likely to be introduced until nearer the end of the five-year window, the proposed programme, in the first few years at least, will be made up of recurring annual sums, ongoing schemes and those schemes previously approved and funded, but not yet started. Any new schemes required will need to be financed in line with the above framework, or via the capital headroom. The current level of headroom is relatively limited and, as a consequence, it will be necessary to top-up the capital headroom whenever possible, using one-off resources. These one-off resources may include repurposing of existing earmarked reserves, future capital receipts and any underspends against the overall revenue budget.

The proposed new capital programme is summarised in the table below. For 2024/25, the programme contains approved capital schemes of £66.2m, and the overall programme to 2028/29, including uncommitted borrowing, is £125.6m. This total figure includes £1.1m of uncommitted borrowing headroom which is formally part of the capital headroom, (of which only £57,000 is not earmarked for specific schemes), plus £14m of indicative new borrowing headroom from 2027/28.

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	5-YEAR CAPITAL PROGRAMME					Total programme £m
	2024/25 Budget £m	2025/26 Indicative £m	2026/27 Indicative £m	2027/28 Indicative £m	2028/29 Indicative £m	
Annual Sums	7.4	5.8	5.8	5.8	5.8	**30.5**
Ongoing Schemes	58.7	17.2	2.9	0.0	1.1	**80.0**
Uncommitted borrowing*	0.0	1.1	0.0	7.0	7.0	**15.1**
TOTAL EXPENDITURE	**66.2**	**24.1**	**8.7**	**12.8**	**13.9**	**125.6**

** Uncommitted borrowing headroom to be invested in Council assets or regeneration.*

The proposed capital programme, including previously approved schemes, is large and leads to a sizeable increase in the Capital Financing Requirement (CFR) over the medium term. As a result, there is a consequential increase in capital financing costs. As part of the overall 2021/22 Council budget, a £2.1m investment in the capital financing budget was made in order to provide for the revenue costs arising from the full capital programme. By committing these resources in advance, it means that no additional investment is required over the medium term to meet these costs. In addition, current indications suggest that the capital financing budget over the medium term would be sufficient to enable new borrowing capacity to be introduced towards the end of the five-year window.

As well as providing the necessary coverage for the capital financing costs arising from previously agreed schemes, the forward funding of the capital financing budget has also provided an underspend in recent years. This has been used to offset other service area pressures, but has also contributed to opportunities to bolster the capital headroom. Should there be further slippage over the coming years, it may be possible to add to the headroom further, but this could also present opportunities to accelerate the repayment of historic unfunded capital expenditure, through Voluntary Revenue Provision, which would reduce the ongoing MRP cost by reducing the overall CFR.

In terms of funding, the WG General Fund Capital Grant in 2024/25 has been provisionally set at £4.286m, which is a marginal increase on the figure from 2023/24. This grant is used to fund the Council's annual sums allocations, which covers activities such as asset maintenance and fleet renewal.

The overall programme contains a number of key capital schemes, some of which will continue beyond the forthcoming 2024/25 financial year. These include:

- Sustainable Communities for Learning Band B Programme
- Transporter Bridge renovation
- Cardiff Capital Region City Deal (CCRCD)
- New Leisure & Wellbeing provision

There may be other requirements for capital funding for schemes that are not yet contained within the overall programme. Any new schemes that arise during the year will either need to be funded via specific funding sources (e.g. external grant) or will represent a call upon the residual headroom available. It is important that capital expenditure remains at an affordable level within the framework agreed and, therefore, prioritisation of capital expenditure is essential so that only the most critical schemes are taken forward.

Regular reviews of previously approved schemes, not yet started, will be undertaken to ensure that they remain affordable. This is especially relevant in the climate of recent high construction inflation and where capital expenditure is to be funded via borrowing, as there is a risk that the existing revenue budget may be insufficient. It will be expected that all necessary steps will be taken to ensure that existing budgets can be kept within, including reducing scope, seeking alternative funding sources and mitigating within a wider programme. As a last resort, consideration as to whether a scheme can still proceed will be required.

3.2. MEDIUM-TERM REVENUE IMPLICATIONS OF CAPITAL (CAPITAL FINANCING)

All capital expenditure must be financed, either from external sources, the Council's own available resources or debt (borrowing, leasing and Private Finance Initiative). All debt has to be repaid and this includes both the actual debt principal plus interest costs. The planned financing of the expenditure shown in Table 1 is as follows:

Table 2: Capital financing in £ millions

	NEW 5-YEAR CAPITAL PROGRAMME					Total new programme
	2024/25 Budget £m	2025/26 Indicative £m	2026/27 Indicative £m	2027/28 Indicative £m	2028/29 Indicative £m	£m
TOTAL EXPENDITURE	**66.2**	**24.1**	**8.7**	**12.8**	**12.8**	**125.6**
Financed by:						
Committed Grants and contributions	40.5	15.5	4.9	4.3	4.3	**69.5**
Committed Reserves, capital receipts, revenue	10.3	1.5	2.8	1.5	1.5	**17.6**
Committed new borrowing	15.3	6.0	1.0	0.0	1.1	**23.5**
TOTAL COMMITTED (Appendix 1)	**66.2**	**23.0**	**8.7**	**5.8**	**6.9**	**110.6**
Uncommitted borrowing	0.0	1.1	0.0	7.0	7.0	**15.1**
TOTAL UNCOMMITTED	**0.0**	**1.1**	**0.0**	**7.0**	**7.0**	**15.1**
TOTAL FINANCING	**66.2**	**24.1**	**8.7**	**12.8**	**13.9**	**125.6**

As outlined previously, when capital expenditure is initially financed by debt/borrowing, the Council is locked into a long-term revenue commitment to finance that expenditure over time. This financing is done via a mechanism known as the Minimum Revenue Provision (MRP). The available budget for MRP payments over the medium term (excluding PFI and leases and including where service areas are making contributions towards the capital financing costs of invest to save schemes) are as follows:

Table 3: Replacement of debt finance (MRP) in £ millions

	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
MRP budget*	10.0	10.8	10.8	10.8	10.8

**It should be noted that the MRP budget has been temporarily used in both 2023/24 and 2024/25 to supplement annual sums allocations, however the budget will be returned to its full value by 2025/26. In addition, there are planned transfers of budget from service area budgets to the MRP budget, in relation to the Council's new Leisure and Wellbeing provision.*

The Council's full MRP Policy is available within the Treasury Management Strategy, which will be approved alongside this Capital Strategy.

Although capital expenditure is not charged directly to the revenue budget, as discussed above, interest payable on loans and MRP (the "financing costs") are charged to revenue. The table below shows the financing costs as a percentage of the Council's net budget, which is one of the required prudential indicators.

Table 4: Prudential Indicator: Proportion of financing costs to net revenue stream

	2024/25 budget	2025/26 budget	2026/27 budget
Financing costs* (£m)	23.4	24.3	24.5
Proportion of net revenue stream	5.9%	6.0%	6.0%

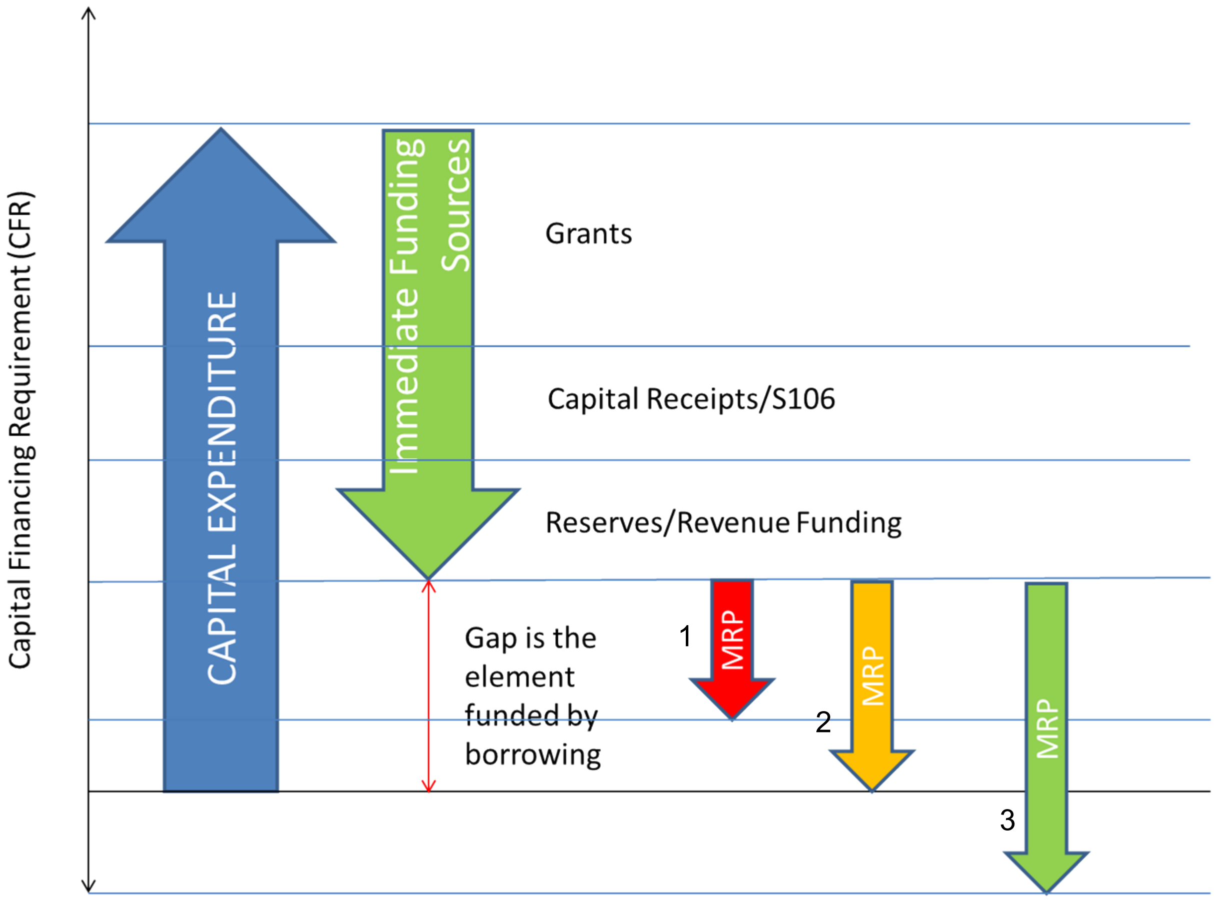
*includes capital financing costs of PFIs and leases

From the table above it is evident that the proportion of the budget set aside to finance capital expenditure is set to stay broadly level over the medium-term. This is largely because the Council's current Medium Term Financial Plan is predicated on an assumption that public sector funding will broadly flatline over the forthcoming years. Any increases in funding, through assumed Council Tax increases predominantly, are anticipated to be matched, or exceeded, by the aforementioned planned increases in the capital financing budget.

- Information on the revenue implications of capital expenditure is also included in the 2024/25 revenue budget report.

Capital Financing Requirement (the underlying need to borrow)

The Council's cumulative outstanding amount of debt finance is measured by CFR. This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The diagram below shows the impact of capital expenditure, financing and MRP on the CFR:



The diagram above shows the following:

- CFR **increases** when capital expenditure is incurred.
- CFR **decreases** when capital expenditure is immediately financed - i.e., through grants, capital receipts, revenue funding, reserves, S106 income.
- If the MRP charge is **less than** the capital expenditure funded by borrowing in any given year (Red [1]) the net CFR increases
- If the MRP charge is **equal to** the capital expenditure funded by borrowing in any given year (Amber [2]) the net CFR stays the same
- If the MRP charge is **more than** the capital expenditure funded by borrowing in any given year (Green [3]) the net CFR decreases

This is an important concept, as it demonstrates how decisions on the level of capital expenditure and MRP budget impact upon the Council's long-term borrowing requirements and consequent capital financing implications. However, it is important to note that the CFR is only an indicator as to the need to undertake borrowing, with the actual need to borrow ultimately being driven by the overall short and long term cashflow requirements of the organisation.

The table below provides the medium-term outlook for the Council's CFR, inclusive of the impact of PFI arrangements. This is based on the proposed programme, including the indicative new borrowing allocations from 2027/28. As can be seen, the CFR is expected to increase by £7.8m by the end of 2023/24 and then a further £18.6m during 2024/25 to £299.7m, before reducing over the remaining years (it should be noted that £15m of this increase is due to technical accounting considerations arising from the adoption of IFRS16 Leases from 1st April 2024). The anticipated position is higher than previous years, where the figure has generally stayed at around £273m, even after ignoring the impact of IFRS16.

This significant increase in capital expenditure, including that funded via other sources, will be a challenge to achieve, evidenced by the significant levels of slippage incurred during the 2021/22 and 2022/23 financial years. Therefore, it is important to recognise the likelihood that the actual CFR may turn out lower by the end of the 2023/24 financial year, in turn reducing the actual need to undertake external borrowing. This is a significant challenge for the Council, as it is important that ambitions for capital expenditure are not unrealistic, as this can result in unnecessarily committing resources towards the capital financing budget, which may result in other budget priorities not being able to be pursued.

Table 5: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31/03/23 Actual	31/03/24 Forecast	31/03/25 Budget	31/03/26 Indicative	31/03/27 Indicative	31/03/28 Indicative	31/03/29 Indicative
TOTAL CFR	**273.3**	**281.1**	**299.7**	**294.4**	**282.8**	**277.3**	**271.9**

With the introduction of the accounting requirements of IFRS 16 Leases, the CFR and debt identified as relating to leases has increased, due to the change in the way that finance leases for lessees are treated. The introduction of this new accounting standard had been deferred by CIPFA/LASAAC for a number of years, however it is now agreed that it will be introduced from 1st April 2024. Work has been undertaken across the Council, including schools, to gather the relevant information and fully understand the impact upon the Council. The figures contained within this strategy document reflect the estimated impact of this accounting regulation change.

Put simply, the greater the CFR, the larger the impact will be on the revenue budget, with that impact being exacerbated by an ongoing reduction in the availability of internal borrowing. Therefore, in the long-term, there will be a need to keep annual capital expenditure funded by borrowing at a level below the annual MRP budget in order to maintain the capital financing revenue budget at a broadly sustainable level.

4. LONG-TERM VIEW OF CAPITAL EXPENDITURE

Expenditure on capital assets/projects are often for assets which have a long-term life i.e. buildings may have an asset life in excess of 40 years. The financing of these assets could also be over a long-term period. Therefore, it is important to take a long-term view of capital expenditure plans and the impact that may have on the affordability and sustainability of capital expenditure. Once a decision has been made to initially fund capital expenditure from borrowing, the Council is locked into the revenue implications arising from that decision (i.e. the annual cost of MRP) for a long-term period.

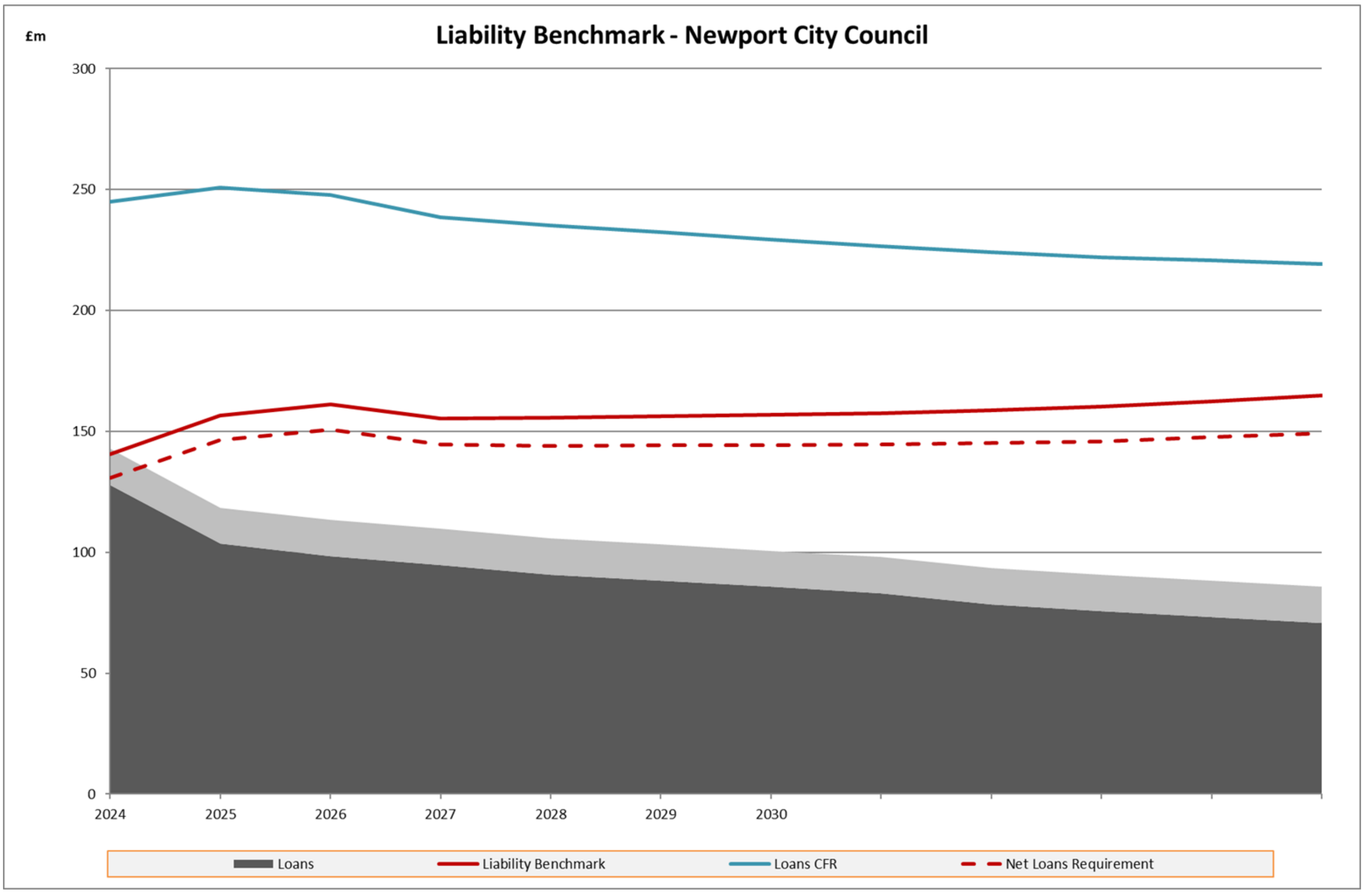
Due to the financial constraints that the Council continues to face, it is anticipated that revenue to fund capital financing will remain restricted over the long term. The capacity to use internal borrowing is also reducing, which means that the authority will face a challenge in relation to its medium to long term capital aspirations, particularly if there is a need or desire to incur a certain level of capital expenditure funded via borrowing. This comes at a time when the authority is facing challenges in relation to its existing asset base, in terms of maintenance backlogs, as well as demand pressures (e.g. increasing pupil numbers) adding to the need to invest in new and existing assets.

As already outlined, the scope for new borrowing over the medium to long term will be restricted to that that can be afforded from within the existing capital financing budget. The reason for this stance is to ensure that the CFR is stabilised and, ideally, reduced. If this was to be achieved, by ensuring that new capital expenditure funded by borrowing is less than the annual MRP charge, it would minimise the increase in associated capital financing costs and ensure that they remain affordable and sustainable. This is particularly relevant when considering the position outlined in the Medium Term Financial Plan and the competing financial pressures facing the Council.

The proposed programme includes indicative new borrowing of £7m in both 2027/28 and 2028/29. In addition, to assist with exemplifying the potential impact over the medium to long term, further annual £7m allocations of new borrowing have been modelled beyond 2028/29. It is important to note that the Council will be required to make further CCRCD contributions beyond the current programme. These contributions have been previously agreed and, therefore, represent an unavoidable commitment and the first call upon any new headroom.

The impact of this modelling is outlined in the chart below, in terms of the overall level of the CFR and the actual requirement to undertake external borrowing.

Chart 1 – Liability Benchmark - £7m additional borrowing per year from 2027/28



Charts 1, known as the Liability Benchmark, demonstrates the following, in terms of the impact of the proposed capital programme and the modelled scenario:

- The impact the current capital programme has in terms of the increasing CFR and consequent need for external borrowing, denoted by the steepness of the solid and dashed red lines over the first few years.
- A stabilisation, and then reduction, in the overall level of CFR, as shown by the trajectory of the solid blue line.

- A longer-term stabilisation of the need to undertake actual external borrowing, as shown by the trajectory of the dashed red line.
- The impact of the reducing capacity for internal borrowing, demonstrated by the convergence of the red and blue lines over the course of the 10-year period.
- The fact that a level of existing borrowing is scheduled for repayment (denoted by the shaded grey area) over the medium to long term, although the underlying need to borrow actually grows during that time, meaning that the repaid borrowing will need to be replenished.

The modelled scenario demonstrates that it would be possible to stabilise the CFR and actual need to borrow over the medium to long term, whilst introducing new borrowing capacity at £7m per year from 2027/28. This is critical if the increase in consequent capital financing costs is to be minimised and remain at a level which is prudent, affordable and sustainable over the medium term. However, as the following paragraphs and Chart 2 demonstrate, there are other factors which also impact upon the overall level of capital financing costs incurred.

Chart 2 – Capital Financing Cost Forecast

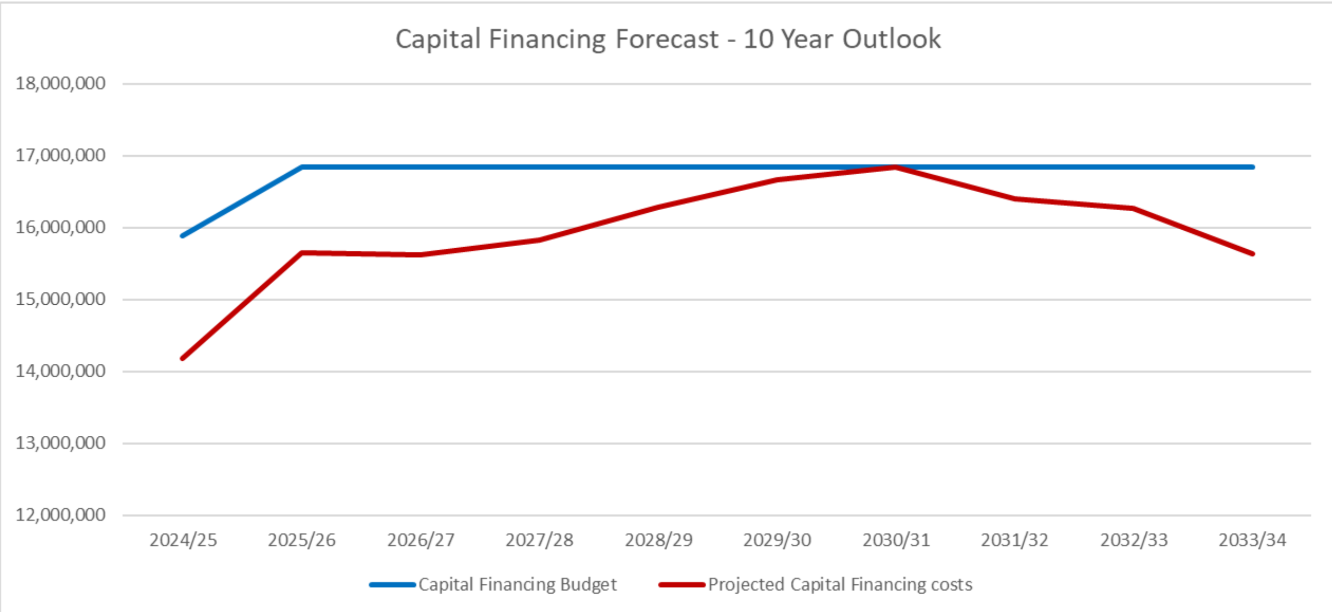


Chart 2 shows the projected capital financing costs over the next 10 years, inclusive of the indicative £7m new borrowing per year from 2027/28. The initial increase is driven by the capital programme that is proposed, resulting in a significant spike in capital financing costs to 2025/26. There is then a more gradual increase in costs, in line with debt-funded capital expenditure in each year being less from 2026/27 onwards. The drop-off in costs from 2030/31 is due to the fallout of MRP charges for historic schemes that will be fully paid off by that point. The budget line included in the graph is based on the existing and planned revenue budget. As can be seen, the peak of the projected costs would consume the full budget, however there could be a period before then whereby there is an underspend, which could be used to supplement the capital headroom or fund VRP, which would reduce the CFR and ongoing MRP charges.

Whilst it is seemingly positive that the existing budget can facilitate new borrowing capacity, it is important to note the risks that the revenue budget could be insufficient, should, for example, interest rates increase or the Council's internal borrowing capacity diminish more quickly than anticipated. What this means, in effect, is that additional external borrowing will need to be undertaken to replace the internal borrowing, just to maintain the status quo. The impact of this is that additional interest costs will be incurred and these will be borne by the capital financing budget. In the case of MRP, the annuity methodology for unsupported borrowing that the Council has adopted means that MRP charges are lower in earlier years and increase as assets move through their useful life. Therefore, there will be an annual increase in MRP charges, and consequent impact upon the revenue budget, even if no additional unfunded capital expenditure was undertaken.

It should be noted that the scenario above is for modelling purposes only, with assumptions included on the deliverability of the programme. In saying that, it is a good representation of the financial impact on Council finances given the potential levels of capital spend funded from borrowing.

The actual position will of course be impacted by a number of factors that will ultimately determine the level of borrowing and associated capital financing costs. These factors include:

- (i) availability of capital grant funding from Welsh Government and other bodies, (i.e. will there be the capacity or need to include those levels of capital expenditure funded by borrowing?)
- (ii) the delivery of capital receipts (i.e. as above)
- (iii) the utilisation and overall level of earmarked reserves (i.e. as above)
- (iv) the general level of slippage within the capital programme (i.e. will the Council spend at the rates modelled)

Sustainability and Ongoing Capital Programme Development

As already outlined, the long-term nature of the impacts arising from short to medium term capital expenditure and financing need to be understood in terms of its prudence, affordability and sustainability. The Head of Finance is satisfied that the current programme meets this key requirement, evidenced by the fact that the revenue implications are already fully funded. However, the key challenge facing the Council, in relation to capital, is the continuing pressure relating to the existing estate, in terms of maintenance backlogs and ensuring no expensive asset failures occur. The current annual sums allocations are not as high as would be ideal, meaning that it can be challenging enough to maintain the status quo in terms of backlogs, before considering reducing them. In addition, there is the potential for demand for new schemes to emerge over the medium term, especially in relation to pupil number increases, for example.

On the basis that the current Medium Term Financial Plan is not balanced, there would appear to be little scope to increase capital resourcing by way of external borrowing in the short term, as the revenue budget would not be able to cater for the increased MRP and interest costs. The MTFP challenge is likely to be especially acute between 2024/25 and 2026/27. Whether or not the challenge will ease beyond those years will largely depend upon the rates of inflation being experienced, the demand for services and the position in relation to core funding via UK and Welsh governments, especially with a general election on the horizon. Therefore, it is a positive position that the Council could potentially be able to commit to new borrowing headroom in future years, without the need to increase the capital financing budget. However, this is reliant upon core assumptions, such as interest rates and the rate of earmarked reserve usage, not adversely changing. It is also inherently dependent upon the Medium Term Financial Plan and whether there is a need to identify savings from all budgets in order to balance the Council's overall budget.

This potential scope for new borrowing will be of great benefit to the Council in that it would assist with addressing a number of likely capital pressures, whether new pressures or increases in existing pressures. However, clear prioritisation of schemes will still be required, in order to ensure that the limited resources available are used for only the most critical issues.

In light of this challenge, it is important that the authority understands the key drivers and risks associated with delivering an annually refreshed capital programme. These drivers are captured through various plans across the authority and are outlined in the diagram that follows. These plans will be subject to ongoing revision and it will be necessary for the authority to develop its understanding of the cost of key priorities arising from each plan, to inform what will potentially be a constrained programme in terms of the overall financial envelope.

There will be a range of priorities originating from these plans, particularly the Corporate Plan. As well as the priorities contained within the Corporate Plan, there is the aforementioned requirement to maintain the current asset base. This is something that has been severely impacted by constrained funding levels in previous years and has resulted in the maintenance backlog developing, which gives rise to the potential for major asset failures to occur where issues have developed over time. There is a particular risk surrounding highways and school buildings, although there are other asset bases that hold maintenance backlogs as well.

Therefore, whilst annual allocations are provided for asset maintenance, they are generally insufficient in value. The challenging revenue budget position does not provide an easy solution in increasing these allocations to a level that would, in the first instance, stop the backlogs from increasing. Because of this, it will be critical that opportunities to augment the annual sums, such as those outlined earlier in the strategy, are taken wherever possible. If it doesn’t prove possible to increase the annual sums, they should, as a minimum, ensure the highest priority backlog issues are addressed, first and foremost. However, they would, in most cases, be insufficient to address any asset failures.

In addition to the annual sums, other approaches need to be pursued in order to reduce the maintenance backlog. This would include the ongoing review of the asset base more generally and consideration to rationalising the number of assets, which forms part of the Transformation Plan. Rationalisation through the review programme could be achieved in a number of ways, such as closure or disposal of assets, asset transfers or schemes to refurbish/redevelop existing assets. Furthermore, it will be necessary to target external grant funding, such as Sustainable Communities for Learning funding, which will enable wholesale upgrade or replacement of existing assets, including those with significant maintenance backlogs.

Therefore, when developing future iterations of the capital programme, it will be necessary for decision-makers to ensure that the ongoing maintenance of existing assets is sufficiently addressed. However, there will be other priorities to be included within the programme at a point in the future, such as the need to address the climate emergency via a pursuit of carbon neutral assets, the next phase of WG's Sustainable Communities for Learning Programme and further regeneration schemes for the city. As already outlined, the pressure to support such initiatives will need to be carefully balanced against other competing priorities for revenue resources.

Although members will ultimately decide upon both the overall size of the new programme, and the schemes contained within it, it will be important that there continues to be appropriate governance surrounding the development of the programme. This will be especially important given the constrained funding outlook and the need to be absolutely clear as to where the highest priorities lie. To achieve this, the newly-constituted Capital Assurance Group will need to act as a gateway and ensure that only those schemes with a clear plan for delivery and where the necessary due diligence has been undertaken are recommended for addition to the programme. The group should also ensure that there is enhanced oversight and management of the programme on an ongoing basis and reduce the likelihood of slippage or grant funding being foregone in future years. As an outcome, a more realistic, deliverable and achievable programme should result.

5. <u>TREASURY MANAGEMENT</u>

The Treasury Management Strategy (detailed in Appendix 3) and Capital Strategy are inextricably linked, with both strategies being considered for approval by Council as part of the same meeting. The figures within the Treasury Management Strategy align with the level of borrowing resulting from this Capital Strategy. The Council will need to approve both the prudential indicators detailed below and the borrowing limits recommended.

5.1. TREASURY MANAGEMENT

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, whilst managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council limits the need to take out actual borrowing by using positive cashflow, largely underpinned by earmarked reserve balances, to fund capital expenditure funded by borrowing, known as internal borrowing.

As a result of decisions taken in the past, the Council as at 31st December 2023, has £140.6m borrowing at a weighted average interest rate of 3.7% and £47m treasury investments at a weighted average rate of 5.16%.

5.2. BORROWING STRATEGY

Whilst the current outlook is for the Council to have significant long-term borrowing requirements, the current strategy is to fund capital expenditure through reducing investments rather than undertaking new borrowing. To clarify, this means deferring new long-term borrowing and funding capital expenditure from day-to-day positive cashflows for as long as possible. By using this strategy, the Council can also minimise cash holding at a time when counterparty risk remains high.

Whilst investment counterparty risk is minimised through this strategy, the risk of interest rate exposure is increased, as the current longer term borrowing rates may rise in the future. However, long-term borrowing interest rates are broadly similar to short-term borrowing interest rates at present. Therefore, should there be a need to undertake borrowing at short notice, the current similarity in interest rates mitigates the risk to some extent and also ensures the Council is no worse off in the short term. The market position is being constantly monitored in order to manage this risk.

The Council's overall main objective when borrowing is to achieve a low but certain cost of finance, whilst retaining flexibility should plans change in the future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between short-term loans (which have traditionally been available at a lower cost) and long-term fixed rate loans where the future cost is known but higher. In the current economic context, short-term borrowing is not much cheaper than long-term borrowing, however this may revert to a more typical scenario in the medium term. The current availability of positive cashflow has meant that the Council has not been required to undertake any significant short-term borrowing recently, although this can change at relatively short notice.

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities and leases) are shown below, compared with the CFR (which has been detailed in earlier sections). It should be noted that the estimated projected debt is broadly in line with the Operational Boundary, which acts as a borrowing limit for delivering the Capital Programme, as highlighted in the paragraphs that follow.

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2023 Actual	31.3.2024 Forecast	31.3.2025 Budget	31.3.2026 Budget	31.3.2027 Budget
Debt (incl. PFI & leases and ST & LT borrowing)	169	177	206	208	199
Capital Financing Requirement	273	281	300	294	283

As outlined earlier, the forthcoming introduction of IFRS 16 Leases has will result in the CFR and debt identified as relating to leases increasing in future years. The estimated impact of this is reflected in the figures contained within this strategy.

Statutory guidance is that debt should remain below the CFR, except in the short-term. As can be seen from Table 6, the Council expects to comply with this in the medium term.

Operational Boundary: The Council is obliged to approve an operational borrowing limit. This boundary has been set in line with the expected borrowing required to finance the current Capital Programme until 2028/29, taking account of likely levels of internal borrowing and the indicative new borrowing previously outlined. If any increase to the operational boundary is required, this will need to be brought to Council for approval.

Authorised Limit: The Council is legally obliged to approve an affordable borrowing limit for external debt each year. This is the absolute limit for external borrowing and is set in line with the CFR. The authorised limit is greater than the Operational Boundary and provides a buffer for managing day to day cash requirements and undertaking borrowing in advance of need, where appropriate and affordable.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2023/24 limit	**2024/25 limit**	**2025/26 limit**	**2026/27 limit**
Authorised limit – borrowing	245	251	248	238
Authorised limit – PFI and leases	39	51	49	47
Authorised limit – total external debt	**284**	**302**	**297**	**285**
Operational boundary – borrowing	141	157	161	155
Operational boundary – PFI and leases	39	51	49	47
Operational boundary – total external debt	**180**	**208**	**210**	**202**

Whilst the above indicators place a theoretical limit upon the level of borrowing that a council can undertake, they do not, for example, make an allowance for any amount of slippage that may be incurred whilst delivering the Capital Programme, which is likely with such a large programme to deliver. Therefore, to ensure that the level of expenditure to be funded via borrowing is controlled, a local indicator exists which restricts any unfunded expenditure being added to the existing Capital Programme over and above the headroom that is already in place. This indicator is in line with Table 1 of this report and limits additional borrowing for new capital expenditure to £1.057m (to potentially be applied to any year within the programme and shown in 2025/26 for exemplification purposes). Should borrowing above this limit be required, it will need to be approved by full Council.

Table 8: Local Prudential Indicator: New capital expenditure to be funded via borrowing (£m)

	2024/25 limit	**2025/26 limit**	**2026/27 limit**
Borrowing headroom	0	1.1	0

5.3. INVESTMENT STRATEGY

Treasury investments arise from receiving, and then holding, cash before there is a need to pay it out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management. The Council's strategies in this area of Treasury Management are (i) to be a short term and relatively low value investor and (ii) investment priorities should follow the priorities of security, liquidity and yield, in that order.

Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Currently, the Council is holding a £10m long-term investment in covered bonds, in order to secure its professional client status as part of the MIFID II directive.

Table 9: Treasury management investments in £millions

	31.3.2024 Forecast	31.3.2025 Budget	31.3.2026 Budget	31.3.2027 Budget	31.3.2028 Budget	31.3.2029 Budget
Near-term investments	0	0	0	0	0	0
Longer-term investments	10	10	10	10	10	10
TOTAL	**10**	**10**	**10**	**10**	**10**	**10**

Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Head of Finance and relevant staff, who must act in line with the Treasury Management Strategy approved by Council. Half-year and end of year reports on treasury management activity are presented Council, with an update on compliance with prudential indicators reported quarterly. The Governance & Audit Committee is responsible for scrutinising treasury management decisions.

Loans to other organisations

The Council can and does make investments to assist local public services, including making loans to businesses to promote economic growth. The Council will assess these opportunities and will only plan that such investments at least break even after all costs. Loans to such organisations will be approved following a due diligence process and formal governance arrangements.

The Council will also use other methods of assisting businesses to promote economic regeneration by providing grants or by allowing rent free periods where the Council is the owner of the freehold.

Decisions on service investments are made by the relevant service manager in consultation with the Head of Finance and Monitoring Officer and must meet the criteria and limits laid down in the investment strategy.

6. COMMERCIALISATION

The 2019/20 Capital Strategy contained details of the Council's Commercialisation Strategy, which was agreed by Council during 2019. A feature of this commercial approach was to explore three areas of activity, all aimed at increasing income generation and contributing towards addressing the medium-term budget gap faced by the Council. The three areas of activity were:

1) Current services that could be provided on a more commercial basis - e.g. trade waste
2) New services that could be provided - e.g. energy services
3) Property investment – commercial and residential

As outlined in the 2022/23 strategy, the third element of this approach would entail, in essence, investment primarily for the purpose of yield. This type of activity is now precluded by the Public Works Loans Board no longer lending to local authorities for this purpose and the updated Prudential Code prevented investment funded by borrowing solely for the purpose of yield. Combined with the financial constraints currently being faced, and new borrowing not currently being considered affordable in the short term, this area of the Commercialisation Strategy is no longer being pursued. The first two elements of the strategy are still areas that the Council will consider and potentially pursue, subject to affordability, risk acceptability and the ability to contribute towards the medium-term financial challenges.

7. OTHER LONG-TERM LIABILITIES

In addition to debt of £140.6m outlined above, the Council has a number of other long-term liabilities, which represent potential future calls on Council resources, as follows:

Private Finance Initiative (PFI)

The Council has two PFI arrangements. These are for the provision of the Southern Distributor Road (20 years remaining) and for Glan Usk Primary School (10 years remaining). As at 31st March 2023, the combined value of the liabilities was £38.4m. The Council holds base budget and specific earmarked reserves to cover the future costs of the PFIs.

Pension Liability

The Council is committed to making future payments to cover its pension fund deficit (valued at £96.1m) as at 31st March 2023.

Provisions

The Council has set aside long-term provisions for risks in relation to landfill capping and aftercare, for example.

Contingent Liabilities

The Council also has a number of contingent liabilities, which may or may not ultimately materialise as a call on Council resources. These liabilities are detailed in the annual Statement of Accounts and include potential insurance claims and risks attached to loans extended to external developers. As well as this, the Council has also entered into a number of financial guarantees to act as a guarantor, in particular for the safeguarding of former employee pension rights when their employment is transferred to third party organisations.

8. KNOWLEDGE AND SKILLS

In-house expertise

The overall Capital Programme, Capital Strategy and Treasury Management Strategy are overviewed by the Head of Finance and Assistant Head of Finance, who are both professionally qualified accountants with extensive Local Government finance experience between them. There is a Capital Accounting team consisting of experienced qualified and part-qualified accountants who maintain Continuous Professional Development and attend courses on an ongoing basis to keep abreast of new developments and obtain relevant skills. In addition, there is a Treasury Management team who manage the day-to-day cash-flow activities and banking arrangements of the authority. Members of this team, again, attend the necessary courses and training and have an extensive amount of experience.

External expertise

All of the Council's main capital projects are overseen by project teams comprising the relevant professional disciplines from across the Council. When required, external professional advice is taken, primarily from the Council's property advisors, Newport Norse. The Council also engages with external treasury advisors for advice in relation to treasury management matters.

Members

Training is offered to members to ensure they have up to date skills to make capital and treasury decisions. Training has been provided as recently as December 2023. A register is also kept on member attendance. The Council also involves members at an early stage of a project's life cycle. In addition, the members of the Governance & Audit Committee have received specific treasury management training, delivered by the Council's external treasury advisors.

9. SUMMARY

- Capital expenditure plans for the Council need to be affordable, prudent and sustainable.

- The revenue budget includes the estimated revenue costs for the entire proposed capital programme, which includes a small level of approved headroom, and indicative borrowing headroom, for additional capital projects to be added without impacting further on the MRP budget, as per the agreed framework.

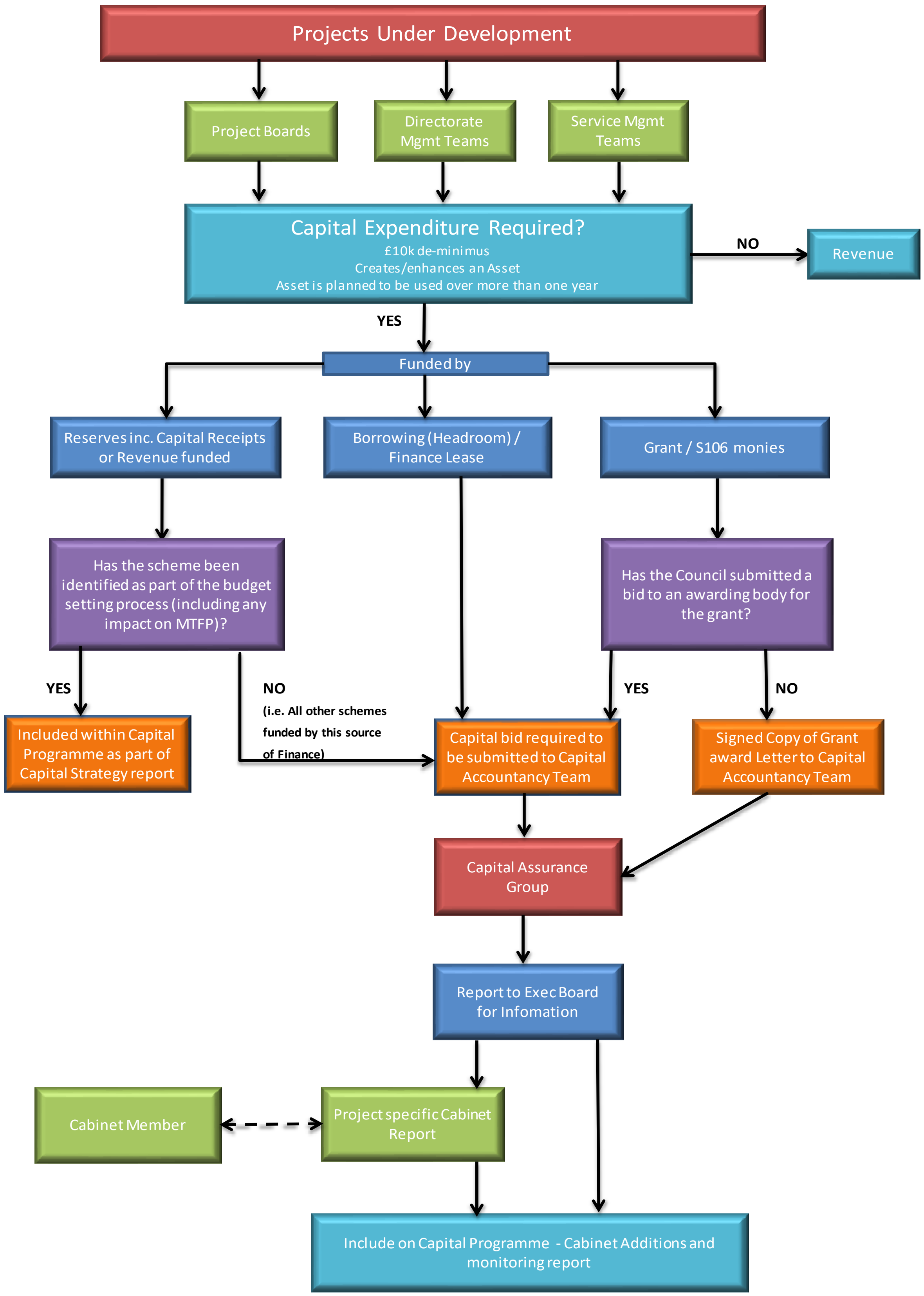
- There are a number of demands on the capital programme and there is the continual need to link the capital strategy with a number of strategic plans across the organisation. This is to ensure that the pressures on the capital programme are known and the risks are assessed and prioritised within an affordable framework. This will include clear visibility and assessment of demand for schools, highways and other operational assets.

- Decisions on funding capital expenditure through borrowing locks the Council into committing revenue funding over a very long period (as long as 40 years +). With the capital financing costs increasing over the long-term, as shown in Chart 2, the Council will need to take careful decisions when developing the Capital Programme, and prioritise accordingly, to ensure the capital plans remain affordable, prudent and sustainable.

- The Treasury Management Strategy, detailed in Appendix 3, highlights the Council's approach to managing its borrowing and investments. The proposed strategy for 2024/25 is in line with previous years and is based upon a low-risk approach to both investments and borrowing. This means that investments held are generally low in value and the approach to borrowing is to look for security of costs, resulting in a generally high proportion of long-term borrowing compared to short term borrowing.

APPENDIX 2a – Capital Additions Process Map

NO CABINET MEMBER/CABINET REPORT SHOULD BE SUBMITTED UNTIL THIS PROCESS IS COMPLETE



Appendix 3

Treasury Management Strategy Statement 2024/25

Introduction

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

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 2021 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. In addition, the Welsh Government (WG) issued revised Guidance on Local Authority Investments in November 2019 that requires the Authority to approve an investment strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.

Revised strategy: In accordance with the WG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Authority's capital programme or in the level of its investment balance, or a material loss in the fair value of a non-financial investment identified as part of the year end accounts preparation and audit process.

External Context

Economic background: The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for 2024/25.

The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.

ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong, but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

Credit outlook: Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast (December 2023): Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A. For the purpose of setting the budget, it has been assumed that new long-term loans will be borrowed at an average rate of 5%.

<u>Local Context</u>

On 31st December 2023, the Authority held £140.6m of borrowing and £47m of treasury investments. This is set out in further detail at Appendix B. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.23 Actual £m	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
Capital financing requirement	**273.3**	**281.1**	**299.7**	**294.4**	**282.8**
Less: Other debt liabilities *	-38.5	-36.2	-49.0	-46.8	-44.3
Loans CFR	**234.7**	**244.9**	**250.7**	**247.6**	**238.5**
Less: External borrowing **	-130.3	-130.3	-105.2	-99.3	-95.4
Internal (over) borrowing	**104.4**	**114.6**	**145.4**	**148.4**	**143.1**
Less: Balance sheet resources	-130.5	-104.0	-93.8	-86.8	-83.8
Treasury investments (or New borrowing)	**26.1**	**-10.6**	**-51.6**	**-61.6**	**-59.3**

* leases and PFI liabilities that form part of the Authority's total debt
** shows only loans to which the Authority is committed and excludes optional refinancing

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

The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £59.3m over the forecast period. This is broken down into £34.9m refinancing of maturing existing borrowing and £24.4m additional net external borrowing.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2024/25.

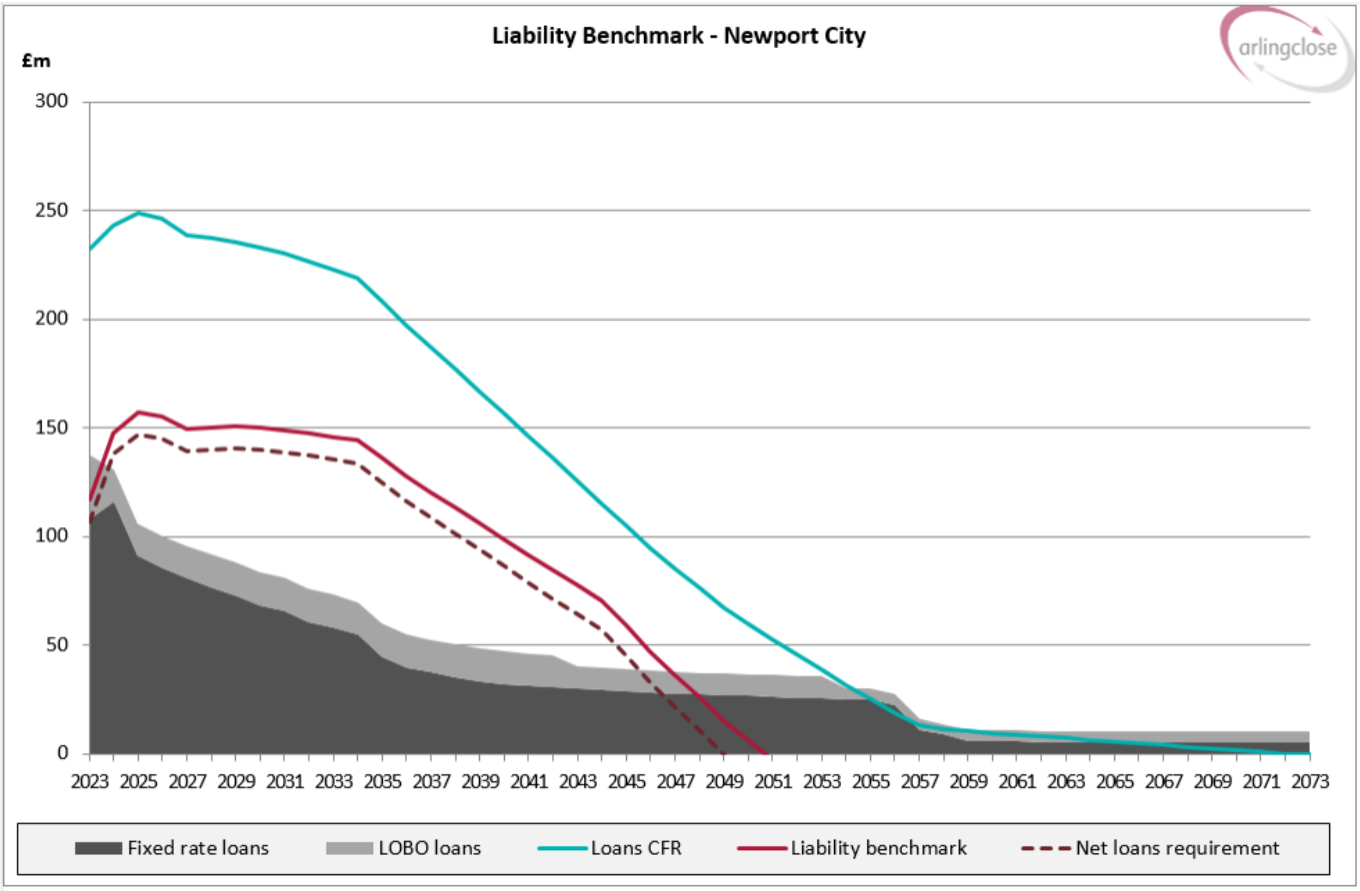
Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	31.3.23 Actual £m	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
Loans CFR	234.7	244.9	250.7	247.6	238.5
Less: Balance sheet resources	-140.5	-114.0	-103.8	-96.8	-93.8
Net loans requirement	94.2	130.9	146.8	150.9	144.7
Plus: Liquidity allowance	10	10	10	10	10
Liability benchmark	**104.2**	**140.9**	**156.8**	**160.9**	**154.7**

Following on from the medium-term forecasts in Table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £7m a year from 2027/28 and minimum revenue provision on new capital expenditure based on an average 25 year asset life. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing:



The chart above shows actual borrowing maturing over time (grey area reducing), however the need to borrow (the blue CFR line) is increasing sharply over the short term due to the proposed capital programme. Over the long-term, to ensure a sustainable position, the CFR needs to stop increasing and ideally come down in order for the liability benchmark to stabilise. This, in turn, reduces the need to borrow and consequent pressure on the capital financing budget. Its important to note that, even with limited planned unfunded capital expenditure beyond the medium term, the liability benchmark doesn't reduce to current levels until circa 2037. Therefore, the chart is demonstrating the following important points/assumptions:

- To be sustainable, the CFR cannot continue increasing at the rate it is currently, and a prudent limit should be placed on the future capital programme to reduce the CFR over the long-term (set out further in the Capital Strategy)
- The ability to use further internal borrowing will diminish, with internal borrowing reducing over time as reserves are utilised.
- As existing borrowing matures (grey area reducing) there will be the need to refinance this debt over the long-term.
- The liability benchmark is increasing significantly in the short term, meaning that the Council will be required to undertake new borrowing over time, although the revenue impact of this is already funded, assuming interest rates don't increase significantly from the current position.
- The only way to reduce this need to borrow is to reduce the level of capital expenditure funded by borrowing.

<u>**Borrowing Strategy**</u>

The Authority currently holds £140.6 million of loans, an increase of £2.7 million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 1 shows that the Authority expects to borrow up to £41.5m in 2024/25. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £251 million.

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

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority has previously raised the majority of its long-term borrowing from the PWLB but may consider long-term loans from other sources including banks, pensions and local authorities, and may investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

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

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

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

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Greater Gwent Pension Fund)
- Capital market bond investors
- Retail investors via a regulated peer-to-peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

- leasing
- hire purchase
- Private Finance Initiative
- Sale and leaseback
- Similar asset based finance

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

LOBOs: The Authority holds £15m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £15m of these LOBOs have options during 2024/25, and with interest rates having risen recently, there is now a good chance that lenders will exercise their options. If they do, the Authority will seek to take the option to repay LOBO loans to reduce refinancing risk in later years. Total borrowing via LOBO loans will be limited to the £15m already in existence.

Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

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

Treasury Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £33.6m and £80.7m, although it is expected that investment levels will average little over £10m during the 2024/25, as the Council's internal borrowing capacity is reduced.

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

Strategy: As demonstrated by the liability benchmark above, the Authority expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.

The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Authority may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification in the form of a strategic pooled fund portfolio.

ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code

Business models: Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£10m	Unlimited
Secured investments *	25 years	£10m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	5 years	£5m	£25m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£10m	£25m
Real estate investment trusts	n/a	£10m	£25m
Other investments *	5 years	£5m	£5m

This table must be read in conjunction with the notes below

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

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £20m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

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

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

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

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

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

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

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

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

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

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

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

Reputational aspects: The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits: The Authority's revenue reserves available to cover investment losses are forecast to be £112.3 million on 31st March 2024 and £102.2 million on 31st March 2025. In order that no more than 15% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £1 million in operational bank accounts count against the relevant investment limits.

Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£10m per country

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

The Authority will spread its liquid cash over at least two providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Prudential 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 interest rates will be:

Interest rate risk indicator	**Limit**
Upper limit on one-year revenue impact of a 1% rise in interest rates	£250,000
Upper limit on one-year revenue impact of a 1% fall in interest rates	£150,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

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

Refinancing rate risk indicator	**Upper limit**	**Lower limit**
Under 12 months	60%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	40%	0%
10 years and within 20 years	40%	0%
20 years and within 30 years	30%	0%
30 years and within 40 years	30%	0%

40 years and within 50 years	20%	0%
50 years and above	20%	0%

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

Long-term treasury management investments: 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 prudential limits on the long-term treasury management investments will be:

Price risk indicator	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£10m	£10m	£10m	£10m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

Financial derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 24 of the *Local Government and Elections (Wales) Act 2021* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Head of Finance believes this to be the most appropriate status.

Government Guidance: Further matters required by the WG Guidance are included in Appendix 3c.

Financial Implications

The budget for investment income in 2024/25 is £0.4 million, based on an average investment portfolio of £10 million at an interest rate of 4%. The budget for debt interest paid in 2024/25 is £6.9 million based on the known annual cost of existing borrowing plus assumed new borrowing at a rate of 5%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

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

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

Appendix 3a – Arlingclose Economic & Interest Rate Forecast – December 2023

Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium- term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
UK Infrastructure Bank Rate = Gilt yield + 0.40%

Appendix 3b – Existing Investment & Debt Portfolio Position

	31/12/2023 Actual Portfolio £m	31/12/2023 Average Rate %
External borrowing:		
Public Works Loan Board	105.3	3.8
Local authorities	5.0	5.6
LOBO loans from banks	15.0	4.4
Other loans	15.3	3.8
Total external borrowing	**140.6**	**3.7**
Other long-term liabilities:		
Private Finance Initiative	38.4	
Finance Leases	0.1	
Total other long-term liabilities	**38.5**	
Total gross external debt	**179.1**	**0.0**
Treasury investments:		
Banks (Unsecured)	0.5	5.1
Government	7.5	5.2
Secured Investments	10.0	4.3
Local authorities	29.5	5.4
Total treasury investments	47.0	5.2
Net debt	**132.1**	

Appendix 3c – Additional requirements of Welsh Government Investment Guidance

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

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

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

Climate change: The Authority's investment decisions consider long-term climate risks to support a low carbon economy to the extent that the Council has invested in, as part of the overall capital programme, a number of energy efficiency related schemes, including LED projects and Solar PV, as well as ultra-low emission vehicles. In addition, new schools are now being constructed on a net carbon zero basis.

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

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

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

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

The Council currently has loans totalling £10.3m as at 31st December 2023. These are all developer loans issued to local enterprises and are secured. The current value of loans issued represent approximately 8% of the useable reserve balance held as at 31st March 2023. The authority's aim when issuing loans is to ensure that they do not exceed 15% of total useable reserves as at the end of each financial year and, therefore, the current value of loans is within that self-assessed limit. The authority is also working to the loan limits set out below.

Table C1: Loan limits

Borrower	**Cash limit**
Local enterprises	£15m
Local charities	£5m
Wholly owned companies	£5m
Joint ventures	£5m
Treasury management investments meeting the definition of a loan	Unlimited

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

Non-specified investments: Any financial investment not meeting the definition of a specified investment or a loan is classed as non-specified. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies. Limits on non-specified investments are shown in table C2; the Authority confirms that its current non-specified investments remain within these limits.

Table C2: Non-specified investment limits

	Cash limit
Units in pooled funds without credit ratings or rated below A-	£10m
Shares in real estate investment trusts	£10m
Shares in local organisations	£10m
Total non-specified investments	£15m

Non-financial investments: This category covers non-financial assets held primarily or partially to generate a profit, primarily investment property. Security is determined by comparing each asset's purchase price to its fair value using the model in International Accounting Standard 40: Investment Property as adapted by proper practices. On an assessment as at 31st March 2023, the Authority's investment property portfolio is anticipated to provide security for capital investment, since its fair value totals £15.812m and is likely to exceed the original purchase price (as in a number of cases, the purchases took place a significant amount of time ago). The authority will undertake further work to confirm, wherever possible, that the necessary security exists.

The Authority consider that the scale of its commercial investments including property are proportionate to the resources of the authority since such investments represent just 11% of its £139m useable reserves.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. However, the Council is not actively pursuing a strategy of acquiring investment properties. Therefore, the current level of investment properties, which represents a relatively low proportion of useable reserves, is not likely to increase in the near future. As a result, it is not anticipated that these investments will need to be liquidated in the medium term.

Because the invested funds, if required, would potentially take time to be liquidated, the authority ensures that it holds adequate available cash balances to be able to, for example, repay capital borrowed. In addition, the authority holds a minimum £10m in investments (to meet Mifid II requirements) which could, if needed, be liquidated at relatively short notice, although this would be avoided if possible to ensure that the professional client status could be retained.

Investment advisers: The Authority has appointed Arlingclose Limited as treasury management advisers and Newport Norse as property investment advisers. The quality of these services is controlled by regular review of the services provided by both advisers and regular strategy meetings with them.

Borrowing in advance of need: Welsh Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority, after having regard to the guidance, will only borrow in advance of need as part of a strategy for reducing risk of future interest rate rises and would not undertake such activity purely in order to profit from an investment.

Capacity and skills: The authority ensures that members and statutory officers involved in investment decisions have the appropriate skills, capacity and information to take informed decisions, assess individual investments in the context of strategic objectives and risk profile, and how the quantum of decisions impact upon the overall risk exposure of the authority. Steps taken include relevant training for elected members and a minimum level of qualification for statutory officers, as well as ensuring continuing professional development, via attendance at relevant training courses. Officers will always take advise from its independent advisers regarding investing and borrowing activity.

Commercial deals: Any commercial deals that the Council would be involved in would involve statutory officers in those discussions and any final decisions. This ensures that the core principles of the prudential framework and the regulatory regime of the local authority is adhered to when making such decisions.

Corporate governance: The Council has a clear corporate governance framework set out within its constitution, scheme of delegations and Annual Governance Statement. This ensures that decisions regarding investment are taken at the appropriate level. For example, the overarching treasury strategy and framework is approved by full Council. Operational decisions, such as day to day cashflow management, including borrowing, are delegated to the Head of Finance.

Appendix 3d – Minimum Revenue Provision Policy

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Welsh Government's *Guidance on Minimum Revenue Provision* (the WG Guidance) most recently issued in 2018.

The broad aim of the WG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Welsh Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

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

- For supported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments. This is currently deemed to be an average of 40 years.

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

- For capital expenditure loans to third parties that are repaid over a short time period (less than 12 months) or frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement. The only other scenario whereby MRP would not be charged is where there is unencumbered first charge security, held against separate assets, upon which the loan is secured. For all other capital expenditure loans to third parties, MRP will be charged in accordance with the MRP policy for the assets funded by the loan.

- The MRP policy and charges in relation to the Cardiff Capital Region 'City Deal' will reflect those within the Joint Working Agreement.

Capital expenditure incurred during 2024/25 will not be subject to an MRP charge until 2025/26.

Based on the authority's latest estimate of its Capital Financing Requirement as at 31st March 2024, the estimated cost of MRP in 2024/25, including finance leases and PFI, is as follows:

	31.03.2024 Estimated CFR £m	**2024/2025 Estimated MRP £m**
Supported capital expenditure	160	5
Unsupported capital expenditure	82	5
Finance leases* and Private Finance Initiative	51	3
Total General Fund	**294**	**13**

Mae'r dudalen hon yn wag yn

Report

Governance and Audit Committee

Part 1

Date: 25 January 2024

Subject **Safeguarding of Childrens Monies**

Purpose To present an update on the audit of Childrens Monies based on the unsatisfactory audit of this area in 2021 including updates on ongoing recommendations / actions.

Author Service Manager Operation and Team Leader Business Support.

Summary The Governance and Audit Committee are required under its terms of reference to receive and consider audit reports from the councils' internal auditors and to make recommendations and, where necessary, monitor implementation and compliance with agreed action plans.

Their councils internal auditing department are responsible for providing assurance that the Council is fulfilling its statutory duties and providing value to the public. This report covers the audit reports completed in 2021 and includes a summary of the Council's response (where applicable) and any additional actions which the Council is undertaking to respond to the recommendations.

The report also includes an update with any actions in progress from the previous report to Governance and Audit Committee.

Proposal The Governance and Audit Committee is asked to consider the contents of this report of the regulatory activity completed and where recommendations have been raised the Council is taking necessary action.

Action by The Head of Children and Young People Services and Service Manager for Operations

Timetable Immediate

This report was prepared after consultation with:

- Audit Team
- Senior Managers
- Business Support Team

Signed

Background

An Audit was undertaken of the Safeguarding of Childrens Money in 2021. The objective of the audit was to review and evaluate the financial and administrative controls in place regarding monies held and administered by Newport City Council (NCC) on behalf of Children Looked After and Young People.
The Audit considered if –

- Appropriate financial policies and procedures are in place regards monies held on behalf of children looked after and young people.
- Monies held on behalf of children looked after and young people in relation to Criminal Injuries Compensation Payments and Duty of Care Settlements and Junior Individual Savings Accounts (JISAs) are held securely and managed in line with the Social Services and Wellbeing (Wales) Act 2014

The outcome of the Audit was Unsatisfactory.
In response to the outcome of the Audit, the focus of work in Children and Young People Services has concentrated on strengthening the process and practices to ensure that the service area is transparent and accountable and has the necessary mechanisms in place to prevent any child or young person known to the local authority not being able to access their monies or be aware of their rights and entitlements in relation to JISAs, CICA or Duty of Care Settlements.

It was agreed that a Business Support Officer post would need to be created within the existing Business Support Team to support the administrative requirements around JISAs, CICA Payments and Duty of Care Settlements.

Financial Summary (Capital and Revenue)

- The costs and financial implications:

There are no direct costs associated with this report. However, if Newport's children and young people were not able to receive monies they were entitled to, the Local Authority could be at risk of legal challenge which could result in charges made against the local authority and risks to the authorities reputation.

Risks

If the action plan recommendations and management actions were not undertaken, there is a risk that the Children and Young People of Newport Council would not receive monies due to them under their rights and entitlements.

If management actions are not taken to improve the control environment and increase service delivery resilience, service users may not receive an efficient and effective service, the number of complaints may increase and could lead to reputational damage.

Risk Title / Description	**Risk Impact score of Risk if it occurs* (H/M/L)**	**Risk Probability of risk occurring (H/M/L)**	**Risk Mitigation Action(s)** What is the Council doing or what has it done to avoid the risk or reduce its effect?	**Risk Owner** Officer(s) responsible for dealing with the risk?
Poor internal controls could impact on effective and efficient service	M	M	The Strategic Director has agreed a way forward to support service delivery. Internal Audit will undertake a further follow up audit (#3) to verify that agreed action has	Strategic Director – Social Services

delivery, increase in complaints from service users and negative impact on reputation.			been taken to improve service delivery.	

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities
Corporate Plan 2022-27
Financial Policy 2023

Options Available and considered.

1. To consider the contents of this report and to make any comments on the progress made in response to recommendations raised by the audit.
2. To request further information or reject the contents of this report.

Preferred Option and Why

1. Option 1 is the preferred option with the Audit committee to consider the contents of this report and progress made by service areas.

Comments of Chief Financial Officer

This report is the result of the processes which the Council's Internal Audit follows where follow up audits are made following unsatisfactory/unsound audit findings. It is being reported again to the Governance and Audit Committee because of on-going unsatisfactory audit conclusions. The Committee need to review the situation and decide if they wish to escalate this to the Council's Chief Executive or not.

Clearly, the lack of progress in making improvements in this area over a time span of well over 3 years is very concerning though the Covid pandemic is a key consideration. In saying that, this is one of the core aspects of the function of Children's Services and which involves significant financial resources. Robust implementation of the action plan is therefore a key requirement in going forward and which the Committee needs to assure itself will be achieved.

Comments of Monitoring Officer

There are no specific legal issues arising from the report. As part of its role in monitoring the effectiveness of the Council's systems of internal control and financial management, Governance & Audit Committee oversee the implementation and outcomes of the internal audit programme and, where necessary, can review and make recommendations regarding unsatisfactory audit reports. The Committee can seek assurances on the adequacy of responses to internal audit advice, findings and recommendations and will monitor implementation and compliance with agreed action plans. In this case, there have been consecutive unsatisfactory audits in relation to the administration of Children's money and the relevant Head of Service and Strategic Director have been invited to attend the meeting to explain the situation and outline the management action that will be taken to address the issues concerned. If the Governance & Audit Committee are not satisfied with the management responses and there are considered to be residual risks in terms of Children's money processes, then the Committee can escalate those concerns through the Chief Executive and the Executive Board. As these unsatisfactory audit reports relate to operational management issues, then it is not considered appropriate for any concerns to be escalated through the Cabinet or Cabinet Member as they do not involve strategic policy issues.

Comments of Head of People, Policy and Transformation

As part of the Well-being of Future Generations Act (2015) and its corporate governance arrangements it is necessary to ensure that the Council's functions are operating effectively and efficiently to manage its governance, internal control, and risk management arrangements in the delivery of the Corporate Plan and its statutory duties. This report presents a revised approach and associated plan for managing Childrens monies and the completion of the audit action plan.

The action plan provided outlines progress to from previous audit reporting. These mitigations, if effectively implemented, will provide improvements in resilience and governance in readiness for the next audit report.

Actions provided are in line with the principles of the Well-being of Future Generations Act (2015). No FEIA is required for this report.

Local issues

None.

Scrutiny Committees

Not applicable as this report will be presented to the Council's Governance and Audit Committee. However, Scrutiny Committees have oversight of service area progress through service plans.

Fairness and Equality Impact Assessment:

Actions provided are in line with the principles of the Well-being of Future Generations Act (2015). No FEIA is required for this report.

- **Wellbeing of Future Generation (Wales) Act**

The regulatory activity completed by the internal audit team consider the Wellbeing of Future Generations Act in its findings and recommendations for the Council. The Council's response also considers the five ways of working (Long term, Collaboration, Preventative, Involvement, Integration) to deliver improvement.

- **Equality Act 2010**
- The regulatory activity completed by auditing consider the Equalities Act in any recommendations to the Council.
- **Socio-economic Duty**

Not applicable as this is an information only report to the Governance and Audit Committee.

- **Welsh Language (Wales) Measure 2011**

All report published are available in Welsh and English.

Consultation

The report has been shared with Directors, Cabinet Member and relevant team members around any changes that impact on service users or staff members.

Background Papers

Summary update

Since the last audit committee report was submitted:-

- The new implementation model has now been embedded into the services process and practice.

- The Children's Services Children Looked After Financial Policy and. its necessary flow chart.
- processes being are now in place. All the relevant teams are expected to refer to this to provide the necessary guidance and systems to follow.

- The appointment of a permanent Senior Business Support role which oversees the process around criminal compensation awards/duty of care settlements and JISAs for children and young people.

- Implementation of an overarching spreadsheet now in place recording all children and young people who are eligible for criminal compensation awards and duty of care settlements and a separate overarching spreadsheet for unclaimed CLA Junior ISA accounts. A derailed process is now undertaken by the business support role to obtain the current CICA & Duty of Care Settlements information from NCC Insurance Department and email updates are regularly requested on each case from the allocated worker. The Childrens Services spreadsheet recording systems captures current/existing or new cases and these are correlated against the WCCIS system recordings and all the relevant financial documentation relating to the child/young person are now stored appropriately and accessible should the child/young person require their information.

- The department has also contacted all relevant parties i.e. case holders, Team Managers, Independent Reviewing Officers, to ensure that CYP are aware that they have these settlements.

- We have reviewed the Children Looked After process and CYP's rights and entitlements and these are now routinely discussed at the CYP looked after review, with specific focus at 16 in their Pathway Plan (under rights and entitlements).

- In relation to the ISA's, a spreadsheet is now in place which reports on all unclaimed Junior ISAs, and these are routinely updated to meet audit requirements and evidence those CYP who have accessed and claimed their JISA accounts.

- We are continuing to work through the list of unclaimed JISAs informing case workers of JISA accounts held by their CYP and those due to be claimed by their CYP and case workers are now ensuring that CYP know how to take on responsibility for their JISA funds via Sharefound and encourage them to do so.

- Sharefound currently provide valuation reports on a quarterly basis. However, the reports can take several months to reflect when a CYP has claimed their funds and so tracking progress is also part of the grade 5 role to monitor this routinely, despite being heavily reliant on the carers and young people to complete the action that they need to undertake (which the council are not responsible for).

UPDATED AUDIT
ACTION PLAN REVIEV

Dated:17 January 2024

SUMMARY OF WEAKNESSES

The tables below summarise the individual weaknesses identified during the review.

Ref.	CRITICAL
2.02	The record keeping for Young People with a Criminal Injuries Compensation Authority (CICA) payment was poor. There was no central coordination or record available and the only record available from Finance was not complete. The record did not allow for the Young Person to be easily identified, the amount of the original award, when they were due to receive payment or if payment had already been made.
2.03	There was no evidence available to confirm that an interim Criminal Injury Compensation Authority award (£110k) due to a Young Person had been received.
3.01	The Council was still administering 203 Junior ISA's totalling £80,270 for Young People who were no longer under local authority care or had turned 18 years of age. Young People had not been paid money they were entitled to.
4.01	Records suggest that Young People who were older than 18 years of age had outstanding financial Duty of Care Settlements due to them where an employee of Newport City Council was the Litigation Friend. We could not confirm that Young People had been paid money they were entitled to.

Ref.	SIGNIFICANT
1.01	Whilst a draft 'Policy for savings for Children Looked After' was provided (dated April 2021), the Council did not have a sufficient financial policy which: • Set out what entitlements Young People have including details about a leaving care maintenance allowance. • Is clear about the treatment of Young People's own funds, whether these come from employment, inheritance, Criminal Injuries Compensation Authority awards, or other sources. • Was not formally reviewed on an annual basis. • Was not in a form easily understood by Young People who were involved in developing a 'user friendly version'. • Was not available on the Council's website or provided to all looked after children and care leavers. • Sets out clear priorities to support Young People to achieve their wellbeing outcomes.
2.04	Supporting source documentation was not available for those Young People with a Criminal Injuries Compensation Authority (CICA) award confirming the original amounts allocated were correct.
3.02	The record keeping for Young People who had a Junior ISA managed by the Council was poor. There was no complete list of names, reference numbers and dates of birth of those Young People available. Significant discrepancies were identified between Council records and those of the Share Foundation.
3.03	There was no documentation available to confirm that Young People (or the Pathway Team) were being made aware of the existence of a Junior ISA or other forms of compensation they were awarded / entitled to. There was no evidence to support that

Ref.	SIGNIFICANT
	assistance had been provided to allow the Young Person to seek independent financial advice prior to their 18th birthday.
4.02	Children's Services did not hold any central records of Young People who had received Duty of Care Settlements where Newport City Council was acting as the Litigation Friend. There were no detailed file notes added to the Young Person's WCCIS record to confirm a settlement / outstanding settlement along with details of the award.

Ref.	MODERATE
1.02	The Authority's Corporate Parenting Strategy was out of date and required review.
2.05	There was no documented internal procedure in how to administer and monitor a Criminal Injury Compensation Authority (CICA) claim and any subsequent award.
3.04	File notes were not held on the Young Person's WCCIS record detailing that a Junior ISA was being administered on their behalf.

Ref.	**Control Objective 1: The Council has appropriate financial policies and procedures in place with regards to all monies held on the behalf of Looked After Children and Young People. Policies are in line with statutory guidance, reviewed annually, easily accessible and have been approved by the relevant Cabinet Member.**
	Strengths: No strengths were identified for this control objective.

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
1.01	Whilst a draft 'Policy for savings for Children Looked After' was provided (dated April 2021), the Council did not have a sufficient financial policy which; • Set out what entitlements Young People have including details about a leaving care maintenance allowance. • Is clear about the treatment of Young People's own funds, whether these come from employment, inheritance, Criminal Injuries Compensation Authority awards, or other sources. • Was not formally reviewed on an annual basis. • Was in a form easily understood by Young People who were involved in developing a 'user friendly version'. • Was not available on the Council's website or provided to all looked after children and care leavers.	The audit review sought to establish what policies and procedures were in place to support Young People and ensure they provided guidance on how to deal with their money. The Social Services and Well-being (Wales) Act 2014 contains a number of requirements for local authorities to maintain a clear and transparent financial policy. It was found that at the time of the audit review, there was no policy in place which met the requirements of the Act. Although a draft 'Policy for savings for Children Looked After' was provided (dated April 2021) this was not deemed sufficient and did not meet the criteria of the Act. This policy mentioned weekly allowances, but it was not specific on how much these were or that there was a leaving care maintenance allowance which	Policy in place which includes a section on finances / savings ad includes all elements of the Social Services and Well-being (Wales) Act 2014. Now that the policy is in place we are developing a young person friendly version which will be provided to all looked after children and care leavers with copies available on the NCC website.	Service Manager – Operations	NCC policy completed – policy in place and completed by December 2023. CYP version is underway

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
	• Sets out clear priorities to support Young People to achieve their wellbeing outcomes. *Non-compliance with legislation which could lead to the Council failing to fully discharge their duties as the Corporate Parent leading to an increase in Duty of Care claims.* *Looked After Children and their families may not be aware of their entitlement to funds and how the Council administers monies on their behalf.* *Increased risk of reputational damage if consistent & lawful practices are not followed across the organisation.*	again is a requirement of the Act. Although the savings policy detailed how Junior ISAs would be administered (see Control Objective 2) other forms of income (employment, inheritance, Criminal Injuries Compensation Authority awards, or other sources) were not mentioned. It was noted that the Pathway Team did have a set of Pathway Service Financial Procedures, but these had not been updated since 2018 and therefore did not reference the Savings Policy or other forms of monies which Young People may have / be entitled to and how this would be administered.			

Ref.	Control Objective 2: Monies held on behalf of Looked After Children and Young People in relation to Criminal Injuries Compensation Payments are held securely and managed in-line with The Social Services and Well-being (Wales) Act 2014 - Part 6 Code of Practice (Looked After and Accommodated Children).
2.01	***Strengths:*** Where records were held, interest was added to the amounts awarded to Young People on an annual basis.

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
2.02	The record keeping for Young People with a Criminal Injuries Compensation Authority (CICA) payment was poor. There was no central coordination or record available and the only record available from Finance was not complete. The record did not allow for the Young Person to be easily identified, the amount of the original award, when they were due to receive payment or if payment had already been made. *Young People with CICA awards held by the Authority may not be identified and payment made when they turn 18.* *Appropriate financial advice and planning may not be provided to Young People prior to turning 18.* *Reputational damage and Duty of Care claims may be made against the Council where money is not*	Internal Audit was provided with a spreadsheet by the Finance Business Partner (151981) which detailed the balances for Criminal Injury Compensation Authority (CICA) payments held for Young People in the care of Newport City Council. We were informed that this spreadsheet was used for the calculation of interest to the accounts each year, but no further records could be provided in relation to these awards. There was no central coordination of CICA payments by the Council. The spreadsheet held by Accountancy could not be used to identify the Young Persons as it did not contain the first name, WCCIS reference number or dates of birth. This meant that the Young People could not be easily identified when payments were due to be made to these individuals. Without the dates of birth being provided, we were	Clarification over roles and responsibilities has now been established with Children Services, Finance, Legal and Insurances and business support. A process and procedures are now in which includes a central recording spreadsheet (containing all required details) and records will be uploaded to the young person's account on the WCCIS system. Cross checking and quality assurance checks have been undertaken and will be ongoing as part of our due diligence. Routine attempts will be made to identify the young people listed and we will ensure that money is paid when due and appropriately recorded. Discussions have taken place with the service via service meetings	Service Manager – Operations	Completed by October 2023

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
	being transferred to Young People promptly.	unable to confirm if these Young People were now over the age of 18 and should have already been provided with their money. The initial and surname from this spreadsheet were provided to the Legal team for them to assist with identifying the Young People. The outcome of this was as follows; • Child A – 2 possible names / cases were identified (both under 18). • Child B – Young Person identified (aged 13 years). • Child C – unable to identify. • Child D – name identified. It was believed that a payment had already been made but this residual amount was still outstanding. There was no evidence available to support that Young People were being notified of their Criminal Injury Compensation Authority award. The Pathway Team confirmed to the Auditor that they were not made aware when a Young Person had a CICA award and therefore Young People who receive a Criminal Injuries Compensation Authority (CICA) payment were not being assisted to seek independent financial	and formal email communications with the Pathway Service and Independent Reviewing Officers team to ensure the young person's finances (savings, CICA awards, Duty of Care settlements, Junior ISA's etc) are being fully discussed during 16+ CLA and Pathway reviews. We have extended the use of the Welfare Rights service so young people can obtain independent financial advice. Audit findings have been shared with the whole service and reiterated to Social Workers / Social Work Assistants around their responsibilities with regards to young persons finances and the recording of information on WCCIS. Flow chart was developed and included in the CLA financial policy to assist everyone to follow the correct process going forward.		

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
		advice regarding their use of the award.			
2.03	There was no evidence available to confirm that an interim Criminal Injury Compensation Authority award (£110k) due to a Young Person had been received. *Money due to the Young Person may not be received. An appropriate period of interest may not be added to the Young Person's award by NCC.*	During the review, the Auditor was made aware of an interim CICA award to a Young Person (Child E). The award was originally issued in March 2020 and chased by the CICA by telephone call and letter in November 2020. As of 12/07/22, this money had not been received by the Council. We were advised that Accountancy had informed the Head of Children Services in April 2022 that the money had not been received, but there was no evidence available to confirm that any action had subsequently been taken since. In addition, there was evidence available on WCCIS to confirm that the Social Worker and family had been informed of the interim award in January 2021 but no further file notes could be located confirming the award had been discussed with the family since. It was confirmed by the Strategic Director (Social Services) that the Council were in the process of appealing the amount of the interim award, but this was not recorded on WCCIS. It must also be noted that once the payment has been received by the	New process in place which ensures regular communication are undertaken with legal and insurances teams and the court fund office regarding obtaining the interim payments. This has been included in the flow chart. Once payment has been received, interest will be added to the amount annually by the accountancy team as part of the process detailed in the CLA financial policy flowchart. Records are now routinely held and added to the WCCIS system confirming the award and that it has been received. A wider discussion has taken place with the relevant social work teams regarding the recording of finance information on the WCCIS system. An additional mechanism recently introduced is the service manager, team leader of business support and the Senior Business Support role meeting quarterly to routinely quality assure the CYP files are accurately recorded, and information is available on their files and WCCIS.	Service Manager – Operations	October 2023 Email updates are routine requested from the allocated worker and then stored in the CYP's BS file

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
		Council, interest is added to the original sum. As NCC has not received the amount, the Young Person has missed out on interest being added to the balance for the subsequent period. In addition, by not adding interest in year 1 this would impact on following years' calculations as the opening balance would be higher.			
2.04	Supporting source documentation was not available for those Young People with a Criminal Injuries Compensation Authority (CICA) award confirming the original amounts allocated were correct. *In the absence of original paperwork, the amounts detailed as being held on behalf of Young People cannot be confirmed and may not be correct. This could lead to future challenge and claims.*	As detailed in Ref 2.02 from the information provided it was not possible to fully identify the Young People with CICA awards. There was no supporting documentation held by the service area informing NCC of the award, who they related to and what the original award was. The spreadsheets held by Accountancy, although detailed a current balance, this was on the basis of a brought forward balance (including previous years' interest payments) and therefore the original award figure could not be confirmed.	As detailed in 2.02 a process and procedure is in place for CICA awards and the required recording of information. This includes the uploading of financial records / letters and detailed case notes. Routine checks are undertaken to locate the documentation in relation to existing cases where they may be missing and uploaded / recorded as necessary.	Service Manager – Operations	October 2023 Spreadsheet is in place to track all CYP and this information is routinely cross referenced and any existing documentation is now stored centrally

Ref.	Control Objective 3: Monies administered on behalf of Looked After Children and Young People in relation to Junior Individual Savings Accounts (ISA's) and Child Trust Funds is managed in-line with the Social Services and Well-being (Wales) Act 2014 - Part 6 Code of Practice (Looked After and Accommodated Children).
	Strengths: No strengths were identified for this control objective.

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
3.01	The Council was still administering 203 Junior ISA's totalling £80,270 for Young People who were no longer under local authority care or had turned 18 years of age. Young People had not been paid money they were entitled to. *Young People and families may not be provided with the money belonging to them in a timely manner. They may be unaware of the existence of the account and may not utilise it to its full potential.* *Reputational damage that the Council is withholding funds which is due to vulnerable people.*	The Share Foundation report dated April 2022 was reviewed and it was identified that a Junior ISA was still being administered by Newport City Council for: • 88 Young People who had been Adopted or subject to a Special Guardianship Order (SGO) – value £23,075.04 • 69 Young People were listed as 'attained majority' (over 18 years old) – value £41,847.43. • 26 Young People who had been 'returned to parents' (£9,000.78) • 20 Young People who were listed as 'not in care' (£6,347.12) In total there were 203 Junior ISA's (totalling £80,270.37) being administered by Newport City Council where they should have been transferred either directly to the Young Person or to their family.	Grade 5 perm post is now in place which oversees this aspect of the work. Routine valuation reports are provided quarterly and the grade 5 role. These reports enable the business support to establish if recipient have claimed their junior ISA. Business support have sent letters to all young people who have been adopted or have an SGO in place. Over half of those contacted have responded to date enabling business support to send Sharefound guidance to these individuals as to how to assume responsibility for the Junior ISA accounts. Considerable work has also been completed on those who were older than 18 and this has enabled business support to provide those individuals with the Sharefound	Service Manager – Operations Business Support Team Leader	June 2023 Spreadsheet created to address historical numbers. Separate section to include current and new

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
		It was noted that the report analysed from the Share Foundation was dated April 2022 (3 months prior to the audit fieldwork being completed) and therefore it would be likely that there would be additional Young People to be added into the above categories.	guidance as to how to assume responsibility for their Junior ISA's. A process and procedures are in place which includes a central recording spreadsheet (containing all required details) and records are uploaded to the young person's account on the WCCIS system. Discussions have been held with both the Pathway and Independent Reviewing Officers team to ensure persons finances (savings, CICA awards, Duty of Care settlements, Junior ISA's etc) are being fully discussed during 16+ LAC and Pathway reviews. We have extended the use of the Welfare Rights service so young people can obtain independent financial advice. A flow chart is in place which is included in the CLA financial policy to assist everyone to follow the correct process going forward. Extra resource was given through a Senior Business Support role to support the extra work around Childrens Savings. An appropriate Business Support role is now in place.		

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
			An additional business support post was proposed but the offer of temporary funding wasn't made available due to SPF putting a hold on their application process.		
3.02	The record keeping for Young People who had a Junior ISA managed by the Council was poor. There was no complete list of names, reference numbers and dates of birth of those Young People available. Significant discrepancies were identified between Council records and those of the Share Foundation. *The Authority may not be appropriately managing all the accounts under their administration. Accounts may not be transferred at the appropriate time when Young People are no longer in care.* *Reputational damage that the Council is withholding funds due to vulnerable people.*	At the time of the audit review, the Authority did not have a complete list of Young People with Junior ISA's being managed by the Authority. Reports were sent to the Council by the Share Foundation periodically, but these do not contain Young People names or dates of birth due to Data Protection. They do contain a reference number which NCC would have provided at the time of application, however, due to the changeover in Social Service management systems these reference numbers may be either WCCIS numbers or from the old CRM system. The Children's Services Business Support Team maintained a spreadsheet of when The Share Foundation (TSF) were notified of a new LAC child who met the eligibility criteria for a Junior ISA. TSF numbers were added to this record once they had been	A process and procedures is in place which includes a central recording spreadsheet (containing all required details) and records will be uploaded to the young person's account on the WCCIS system. A flow chart is in place which is included in the CLA financial policy to assist everyone to follow the correct process going forward. Extra resource was given through a Senior Business Support role to support the extra work around Childrens Savings. An additional Senior Business Support permanent post is now in place. An additional business support post was proposed but the offer of temporary funding wasn't made	Service Manager – Operations Business Support Team Leader	October 2023 Up to date spreadsheets are in place to enable identification

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
		received, but unfortunately this record did not contain all the accounts recorded on the most recent Share Foundation report. There were 392 Young People listed on the NCC spreadsheet (including those no longer in care) while there were 752 Young People recorded on the Share Foundation spreadsheet as of April 2022. The NCC spreadsheet also did not include the Young Person's date of birth and was not updated once a Junior ISA was no longer being managed by Newport City Council. It was noted that the Business Support Team had started to review a Share Foundation report (dated July 2021) to match up the TSF / LA Reference numbers to individuals within the 'Attained majority' (over 18) section of the report. Of the 62 Young People listed (who had an outstanding balance), 5 could not be identified and matched back to an individual. In addition, this report was now more than 12 months old and it was likely that more Young People would have turned 18 during this period. Due to the above, there was no complete record held of those who had a Junior ISA administered by	available due to SPF putting a hold on their application process.		

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
		NCC and it was therefore not possible to; 1. Identify all Young People with a Junior ISA. 2. Identify when a Young Person was due to or had turned 18. 3. Ensure that all those who had left care had been notified about their Junior ISA.			
3.03	There was no documentation available to confirm that Young People (or the Pathway Team) were being made aware of the existence of a Junior ISA or other forms of compensation they were awarded / entitled to. There was no evidence to support that assistance had been provided to allow the Young Person to seek independent financial advice prior to their 18th birthday. *Young People and families may not be provided with the money belonging to them in a timely manner. They may be unaware of the existence of the account and may not utilise it to its full potential.* *Young People may not be provided with the correct support and advice on how to manage their money once they turn 18.*	Discussion was held with the Pathway Team who confirmed that they were not being made aware of Young People who had a Junior ISA or other forms of compensation such as Criminal Injury Compensation Authority awards or Duty of Care Settlement Awards. Therefore, these were not being discussed with the Young Person or included within their Pathway Plans. There was also no evidence to support that the Young Person, family or Social Worker had been notified of who within the Council was acting as the 'Litigation Friend' for Duty of Care Settlements. The Social Services and Well-being (Wales) Act 2014 (Part 6) states that, 'Young People who receive a Criminal Injuries Compensation Authority (CICA) payment should be assisted to seek independent financial advice	Discussions took place with both the Pathway and Independent Reviewing Officers team to ensure persons finances (savings, CICA awards, Duty of Care settlements, Junior ISA's etc) are being fully discussed during 16+ LAC and Pathway reviews. Records are now held on WCCIS of all Junior ISA's or other forms of compensation such as Criminal Injury Compensation Authority awards or Duty of Care Settlement Awards. The Pathway teams are required to ensure that officers review the system to identify any entitlement. We have extended the use of the Welfare Rights service so young people can obtain independent financial advice.	Service Manager – Operations	December 2023

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
	Reputational damage that the Council is not providing adequate support to Young People which could lead to further Duty of Care claims.	regarding the use of their award and how (for example, by establishing a Discretionary Trust Fund) they may retain entitlement to means tested benefits'. There was no evidence that this was being completed. Although the legislation only talks specifically about CICA payments, independent financial advice should also be offered to Young People with Duty of Care Settlements due to the value of these awards and also for Junior ISA's if they have a significant holding.	Service meeting has taken place to highlight the issues raised by the audit review and reiterate to Social Workers / Social Work Assistants their responsibilities with regards to young persons finances and the recording of information on WCCIS. A flow chart is in place which is included in the CLA financial policy to assist everyone to follow the correct process going forward. An additional mechanism recently introduced is the service manager, team leader of business support and the Senior Business support role meeting quarterly to routinely quality assure the CYP files are accurately recorded, and information is available on their files and WCCIS. Extra resource was given to Business Support to support the extra work around Childrens Savings. An additional Grade 5 permanent post is now in place. An additional Business Support post was proposed but the offer of temporary funding wasn't made available due to SPF putting a hold on their application process.		

APPENDIX 1 - ANALYSIS OF STRENGTHS & WEAKNESSES / ACTION PLAN

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When

Ref.	Control Objective 4: Monies administered on behalf of Looked After Children and Young People in relation to Duty of Care Settlements are managed in-line with the Social Services and Well-being (Wales) Act 2014 - Part 6 Code of Practice (Looked After and Accommodated Children).
	Strengths: No strengths were identified for this control objective.

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
4.01	Records suggest that Young People who were older than 18 years of age had outstanding financial Duty of Care Settlements due to them where an employee of Newport City Council was the Litigation Friend. We could not confirm that Young People had been paid money they were entitled to. *Decisions may not be made in the best interest of the Young Person. The Litigation Friend may not be acting in accordance with the wishes of the Young Person.* *Young People may not receive the money due to them promptly following their 18th birthday.*	The Duty of Care Settlement record provided by the Central Insurances team was reviewed. This identified 4 Young People who were older than 18 years of age and who had outstanding money held in trust, where an employee of Newport City Council was acting as the Litigation Friend. From reviewing the Young Person's file notes on WCCIS, it appeared that for 2 of these (Child F & Child G), they had been informed about the compensation award and file notes alluded to the fact that the settlements had been paid. However, there was no file note expressively confirming this in either case. For another Young Person (Child H), again there was a file note confirming that a discussion had taken place regarding the award with the Young Person, but the latest file note in May 2022 stated	Clarification over roles and responsibilities has been established via a meeting held between Childrens Services, Finance, Legal and Insurances, A process and procedures are in place which includes a central recording spreadsheet (containing all required details) and records will be uploaded to the young person's account on the WCCIS system. Discussions took place with both the Pathway and Independent Reviewing Officers team to ensure the CYP finances (savings, CICA awards, Duty of Care settlements, Junior ISA's etc) are being fully discussed during 16+ LAC and Pathway reviews. We have extended the use of the Welfare Rights service so young people can obtain independent financial advice.	Service Manager – Operations	October 2023

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
		the Social Worker was unsure when the amount would be paid. The Young Person turned 18 in April 2022. There were no details on WCCIS confirming a discussion about or payment of the award for the other Young Person (Child I) listed as being older than 18. A letter was received by the Council (dated 28/07/22) confirming that this Young Person still had money (£7,009.72) held by the Court Funds Office.	We have reviewed all the cases identified that we're aware of to ensure the young people have received the money they are entitled to, and the Litigation Friends responsibilities have been completed. An additional mechanism recently introduced is the service manager, team leader of business support and the Senior Business Support role meeting quarterly to routinely quality assure the CYP files are accurately recorded, and information is available on their files and WCCIS.		
4.02	Children's Services did not hold any central records of Young People who had received Duty of Care Settlements where Newport City Council was acting as the Litigation Friend. There were no detailed file notes added to the Young Person's WCCIS record to confirm a settlement / outstanding settlement along with details of the award. *The service area is unaware of Young People where NCC are acting as a Litigation Friend and fail to provide the required advice and support.*	It was identified that Children Services did not have a central record of those Young People who had Duty of Care settlements, where an employee of Newport City Council was acting as the 'Litigation Friend'. The Central Insurances team provided a copy of their record detailing these Young People but this information was not held centrally by the service area, which suggests there was no central monitoring and a lack of general awareness within Children's Services. From the record available, a check was made to WCCIS to ensure	Clarification over roles and responsibilities will be sought with a meeting held between Childrens Services, Finance, Legal and Insurances, A process and procedures are in place which includes a central recording spreadsheet (containing all required details) and records will be uploaded to the young person's account on the WCCIS system. A service meeting was undertaken which highlighted the issues raised by the audit review and reiterate to Social Workers / Social Work	Service Manager – Operations	October 2023

Ref.	Weakness & Risk	Audit Comment	Agreed Management Action	By Who	By When
	The Council employee acting as the Litigation Friend may be removed by the Court if they are found not to be acting in the best interest of the Young Person. This could lead to further Duty of Care claims being bought against the Council.	that the Young People listed had a file note / record detailing that a settlement had been made / was outstanding. No file notes of this nature could be located although on some of the records, file notes were held which alluded to the award / compensation, but these did not always have sufficient detail such as who was the Litigation Friend, the amounts awarded, dates of the award and the Court Claim Number.	Assistants their responsibilities with regards to young persons finances and the recording of information on WCCIS. A flow chart is in place which is included in the CLA financial policy to assist everyone to follow the correct process going forward. An additional mechanism recently introduced is the service manager, team leader of business support and the Senior Business Support role meeting quarterly to routinely quality assure the CYP files are accurately recorded, and information is available on their files and WCCIS.		

Ref	Weakness	Audit Comment	Noted
1.02	The Authority's Corporate Parenting Strategy was out of date and required review.	The Corporate Parenting Strategy available on the Newport City Council website was dated 2015-2018 and was therefore considerably out of date as of the time of the audit review. This is an important document as it identifies the collective responsibility across local authorities and their services to safeguard and promote the life chances of Looked After Children. We were informed by the Strategic Director (Social Services) that the delay in updating this strategy was due to the Council waiting for a new comprehensive guidance document from Welsh Government which was due in 2020 and has still not been received. It was noted that a neighbouring local authority had updated their Corporate Parenting Strategy in 2021, while another did so in 2018. The update of the strategy was included as an action within the Children & Young People Service Plan for 2021/22 and was included within the end of year report as being outstanding for the above reason. **Agreed Management Action** The Corporate Parenting Strategy is currently being reviewed and a working group has been established for this purpose. This is an ingoing action due to the need to consult with CYP on the development of the strategy.	Service Manager – Operations Proposed completion date is June 2024
2.05	There was no documented internal procedure in how to administer and monitor a Criminal Injury Compensation Authority (CICA) claim and any subsequent award.	It was identified that there was no internal procedure available to Social Services staff regarding when and how they could make a CICA claim on behalf of a Young Person. There was also no guidance available regarding how once claims had been settled that they would be monitored by NCC staff to ensure that the Young Person is transferred the money once	Service Manager – Operations

Ref	Weakness	Audit Comment	Noted
		they reach 18 years of age. This requires co-ordination between staff within Children Services, Legal and Accountancy. In addition, there was no documentation as to how interest would be added to the account and what interest rate would be applied. **Agreed Management Action** Processes and procedures are in place which are included in the CLA financial policy on how to administer CICA claims in addition to other forms of compensation / Junior ISA's. These are routine monitored as part of the grade 5 business support role and quality assured on a quarterly basis by the service manager and business support team leader.	Completed October 2023
3.04	File notes were not held on the Young Person's WCCIS record detailing that a Junior ISA was being administered on their behalf.	Discussion with the Business Support Team Leader identified that no file notes were being added to WCCIS stating that a Junior ISA was being administered on the Young Person's behalf. These file notes should contain the Share Foundation TSF reference number to allow for easy reference to valuation reports. **Agreed Management Action** File notes and supporting documentation are being added to the young persons WCCIS record for Junior ISA's as well as other finances as detailed within the report. This has taken place since the introduction of the grade 5 business support role and will be quality assured on a quarterly basis by the service manager and business support team leader.	Service Manager – Operations (JM) Business Support Team Leader (CR) October 2023

Mae'r dudalen hon yn wag yn

Report

Governance and Audit Committee

Part 1

Date: 25 January 2024

Subject **Audit of Adoption Allowances**

Purpose To propose a revised model for managing the assessment and payment of adoption allowances. Following a 3rd Unsatisfactory Audit Report

Author Service Manager, Child Protection, Children's Services

Ward covers all wards within Newport.

Summary

Adoption allowances are paid to adopters who are facing financial hardship, following a financial assessment being undertaken to determine eligibility. The number of adoption allowances being paid are low in numbers with it being offered to under 35 children. However, with the current cost of living crisis and financial hardship this could increase. The adoption allowances within children's services have been subject to unsatisfactory audit on three occasions.

Proposal

In order to manage and support the ongoing adoption allowances, they will move from their current team in Commissioning to Childrens' Services Business Support Team. We have sourced a full-time grade 5 post to undertake the assessments. Other grade 5's within the team will also support and offer cover when required. The individual who undertook the audit report and who is fully aware of the assessment process, is now employed by children's services. This has put us in a privileged position as this individual will undertake bespoke training with the grade 5 posts and senior team, they can also provide the resilience in which we were previously requiring. This individual is assisting by completing a written process to enable any new staff to undertake the assessments accurately.

The assessments are small in numbers and are reviewed on an annual basis, we are building in tools for the review process and calendar reminders for any key changes. An example of this is if the child turns 18 half way through the year, this will be reviewed which will prevent over or underpayments to adopters.

We are also reviewing all adoption allowances to ensure that the payments are still required. As a local authority we have a responsibility to our adopted children for three years post the adoption order being granted. After that three years should the adopters main address not be in Newport any financial support would transfer to the Local Authority in which they live. We are developing a flow chart process to ensure a consistent and robust methodology is applied when undertaking the assessments. There is a National Wales Adoption Policy which encompasses the adoption allowances, and this is the main policy we will adopt and provide to adoptive families.

We have a working group including key staff members, the new process and handover to Children's Services was completed in December 2023. Adoption allowances are reviewed yearly and the next full review of adoption allowances will be June 2024. We would therefore welcome another audit of the adoption allowances once these reviews have been completed in September 2024.

Action by Children's Services Service Managers and Business Support Unit

Timetable Children's services have timetabled the new process which was in place by December 2023, the training was completed by end of November 2023. All adoption allowances have been reviewed in June 2023 and the next review will be June 2024. Any new adoption allowance application will be undertaken by Children's services.

This report was prepared after consultation with:

- Audit Team
- Senior Managers
- Business Support Team
- SEWAS

Signed

Background

	Original Audit 2018/19	1st Follow up Audit 2020/21	1st Follow up Audit Revised Opinion	2nd Follow up Audit 2022/23
Opinion	Unsatisfactory	Reasonable	Unsatisfactory	Unsatisfactory
Date	Final (September 2019)	Draft (April 2021*)	Final (December 2021*)	Final (July 2023)

* Audit testing started in November 2020 but due to a lack of completed assessments, was postponed until February 2021. Delays were due to key staff not being in work.

1. The Public Sector Internal Audit Standards requires the Chief Internal Auditor to present a formal annual report to the Governance & Audit Committee which includes audit opinions issued and to disclose any qualifications to the overall opinion.

2. The Strategic Director and the Head of Service responsible for Adoption Allowances have been invited into Governance & Audit Committee to:

   a) Explain why there continues to be weaknesses in control despite previous assurances given that improvements would be made
   b) Provide assurances on the implementation of the agreed management actions taken to demonstrate improvement in the control environment
   c) Include a timeline as appropriate.

3. The original audit review on Adoption Allowances was undertaken during 2018/19 and an ***unsatisfactory*** audit opinion was given.

4. The first follow up audit commenced during 2020/21 and a draft follow-up internal audit report for Adoption Allowances was issued on the 15th April 2021. On the basis of the audit testing completed during March 2021, this report was issued with an improved draft audit opinion of 'Reasonable'.

5. However, over the proceeding months there was a delay in receiving a formal response from management to the draft follow up report. In June 2021, Internal Audit were advised by the Commissioning and Contracts Manager that the Principal Officer and the Finance Officer were both absent from work with no clear return to work date and that a response to the report could not be provided until these officers returned to work.

6. Internal Audit followed this up in July and September 2021. The Commissioning and Contracts Manager stated that adoption allowance assessments and annual reviews had not been conducted since the Finance Officer began their absence in May 2021 and there was now a considerable backlog of work both from this and the other duties which the officer undertook; there was no alternative resource within the team to complete these assessments / annual reviews and there was no other officer within the Council sufficiently trained to understand how to complete these.

7. A meeting was held between the Strategic Director (Social Services), Service Management, Accountancy and Internal Audit in October 2021 to discuss a way forward until the Finance Officer was able to return to work. It was agreed that the Strategic Director would discuss with the appropriate Cabinet Member a proposal to increase all current allowances by an agreed percentage. Adopters would be contacted in writing to confirm this arrangement and all annual assessments would then be completed as a priority during the 2022/23 financial year. A working group would also be established to review the current procedures to ensure there was capacity within the service to not only undertake

the urgent assessments but to ensure that more staff understood the process to add resilience in case of any future staff absences.

8. Due to this, and subsequent to the original draft follow up report being issued (as Reasonable), there was now an unacceptable level of risk within the Adoption Allowances service and Internal Audit revised the audit opinion to reflect this. Consequently, a second '***Unsatisfactory***' assurance rating was issued (December 2021) which reflected that Adoption Allowances continued to be not well controlled and changes were required urgently.

9. The Strategic Director and Head of Service attended Governance & Audit Committee in October 2022 as a call in, due to the 2nd consecutive unsatisfactory audit opinion. At this meeting, assurances were provided that improvements would be made to the Adoption Allowances service.

10. The 2nd follow up audit commenced during 2022/23 and despite previous assurances provided, improvements in control could not be evidenced. A small number of new weaknesses were identified as part of this review where appropriate controls were found not to be in place. In addition, some weaknesses originally rated as a moderate risk were re-assessed as now being an outstanding significant risk. None of the outstanding weaknesses from the previous follow up had been fully implemented. As a result, a 3rd consecutive ***unsatisfactory*** audit opinion was issued. (Draft – March 2023 / Final – July 2023) A 3rd follow up audit has been included in the Internal Audit Plan for 2023/24.

11. The Summary of Outstanding Weaknesses identified from the 2nd follow up audit can be seen in **Appendix 1**.

12. The Action Plan (from the 3rd consecutive unsatisfactory audit opinion – 2nd follow up) showing agreed management comments and actions to address the outstanding weaknesses can be seen in **Appendix 2**. Current progress and timescales for implementation have been detailed in the end column by the responsible Service Managers.

Financial Summary (Capital and Revenue)

13. There are no material financial issues related to this report, although improvements in controls in respect of the administration of Adoption Allowances should result in more efficient and effective processes.

Risks

14. If management action is not taken to improve the control environment and increase service delivery resilience, service users may not receive an efficient and effective service, the number of complaints may increase and could lead to reputational damage.

Risk Title / Description	**Risk Impact score of Risk if it occurs* (H/M/L)**	**Risk Probability of risk occurring (H/M/L)**	**Risk Mitigation Action(s)** What is the Council doing or what has it done to avoid the risk or reduce its effect?	**Risk Owner** Officer(s) responsible for dealing with the risk?

Poor internal controls could impact on effective and efficient service delivery, increase in complaints from service users and negative impact on reputation.	M	M	The Strategic Director has agreed a way forward to support service delivery. Internal Audit will undertake a further follow up audit (#3) to verify that agreed action has been taken to improve service delivery.	Strategic Director – Social Services

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

15. Giving Management assurance on the 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 and looking after the public pound makes our City a better place to live for all our citizens, hence delivering an ambitious, fairer, greener Newport for everyone. (Corporate Plan 2022-2027).

Options Available and Considered

16. This is a factual progress report and therefore there are no specific options to be considered; there are no decisions to be made further to the proposals noted above.

17. Members of the Governance and Audit Committee are asked to either accept the assurances from the Strategic Director and Head of Service or refer their concerns onto the Chief Executive and Executive Board.

Preferred Option and Why

18. Governance and Audit Committee accept the assurances from the Strategic Director and Head of Service presented in this report.

Comments of Chief Financial Officer

This report is the result of the processes which the Council's Internal Audit follows in relation to unsatisfactory audit conclusions. This area was rated as 'unsatisfactory' when initially audited. It was subject a 'call-in' by the G&A committee given seriousness and lack of progress in developing and implementing improvements. All unsatisfactory audits are followed up to ensure actions required have been implemented and are operating as intended and the G&A committee takes its assurance from this independent review though this update from the service is also helpful.

This report highlights the actions now taken in this area. It will be subject to on-going review by Internal Audit. In line with their processes, they will review and assess the effectiveness of actions taken and how they are operating. This will be reported to the committee in line with normal processes.

Comments of Monitoring Officer

There are no specific legal issues arising from the report. As part of its role in monitoring the effectiveness of the Council's systems of internal control and financial management, Governance & Audit Committee oversee the implementation and outcomes of the internal audit programme and, where necessary, can review and make recommendations regarding unsatisfactory audit reports. The Committee can seek assurances on the adequacy of responses to internal audit advice, findings and recommendations and will monitor implementation and compliance with agreed action plans. In this case, there have been consecutive unsatisfactory audits in relation to the administration of the Adoption Allowances Scheme and the relevant Head of Service and Strategic Director have been invited to attend the meeting to explain the situation and outline the management action that will be taken to address the issues concerned. If the Governance & Audit Committee are not satisfied with the management responses and there are considered to be residual risks in terms of the Adoption Allowances processes, then the Committee can escalate those concerns through the Chief Executive and the Executive Board. As these unsatisfactory audit reports relate to operational management issues, then it is not considered appropriate for any concerns to be escalated through the Cabinet or Cabinet Member as they do not involve strategic policy issues.

Comments of Head of People, Policy and Transformation

As part of the Well-being of Future Generations Act (2015) and its corporate governance arrangements it is necessary to ensure that the Council's functions are operating effectively and efficiently to manage its governance, internal control, and risk management arrangements in the delivery of the Corporate Plan and its statutory duties. This report presents a revised model for managing the assessment and payment of adoption allowances. Following a 3rd Unsatisfactory Audit Report. The action plan provided outlines clear mitigations to the governance and management structures which based on previous audits was necessary. These mitigations, if effectively implemented, will provide improvements in resilience and governance in readiness for the next audit report.

Actions provided are in line with the principles of the Well-being of Future Generations Act (2015). No FEIA is required for this report.

Scrutiny Committees

N/A

Fairness and Equality Impact Assessment:

- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

For this report, a full Fairness and Equality Impact Assessment is not required. This is because this report is not seeking any strategic decisions or policy changes. This is a call in report relating to an audit opinion which is an internal assessment and does not require the public to be consulted on it.

The role of Internal Audit supports the Council in complying with the principles of the Wellbeing Act and providing assurance on the activities undertaken across the Council. 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 that is aligned to the Council's Corporate 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 Council's corporate governance, internal control and risk management environment in operation and support sound stewardship of public money.
Collaboration - Internal Audit work in collaboration 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. The involvement of the Governance & Audit Committee provides assurance and oversight of an effective internal audit provision to carry out its duties.

Consultation

N/A

Background Papers

2022/23 Approved Internal Audit Plan.
2022/23 Internal Audit Annual Report.
Adoption Allowances Call in Report - Governance & Audit Committee 27.10.22.

APPENDIX 1

Adoption Allowances Follow Up #2 Audit 2022/23

SUMMARY OF OUTSTANDING WEAKNESSES (July 2023)

The tables below summarise the outstanding individual weaknesses identified during the follow up review.

Ref.	CRITICAL
	No critical weaknesses were outstanding at the time of the review.

Ref.	SIGNIFICANT
2.06	Adoption Allowances had been paid without an assessment of need being carried out, in accordance with legislative requirements.
2.09	Financial assessments for new claims were not being undertaken in a timely manner.
2.16	Resources were not identified, and a complete process document was not in place to ensure that new and annual review assessments could be completed in the absence of the Finance Officer.
3.06	Annual review assessments had not been calculated accurately or completed in a timely manner.
3.10	Independent checks to ensure correctness were not always completed on annual review assessments. When completed, errors in the calculation of Adoption Allowance awards had not been identified.
3.13 *NEW	Where changes to circumstances were known in advance, these were not recorded and reviewed mid-year.

Ref.	MODERATE
2.08	Assurance could not be given that financial assessment forms for new claims were being properly supported with appropriate evidence of income and expenditure.
2.17 *NEW	Applications for Adoption Allowances were not being acknowledged when received. There were no validation checks completed on receipt of an application to ensure all required documentation had been submitted.
3.08	Income and expenditure details had not been cross-checked against the previous assessment to allow any discrepancies to be investigated.
3.09	Changes to circumstances were not always being correctly actioned. Adopters were not periodically reminded to notify the Council of any change of circumstance promptly which may impact on their financial assessment.
3.14 *NEW	It was not documented who had completed the Adoption Allowance assessment / annual review or who had conducted the independent check.

3.15 *NEW	Notification letters did not always contain all required information.

APPENDIX 2

Adoption Allowances Follow Up #2 Audit 2022/23 - Agreed Action Plan

IA Report Ref	Weakness	Further Management Action to Address Outstanding / New Weakness (Agreed July 2023)	By Who	Current Progress & Timescales for Implementation
2.06	Adoption Allowances had been paid without an assessment of need being carried out, in accordance with legislative requirements.	Measures to be implemented to ensure that a financial assessment of need is undertaken for all new applications in accordance with statutory requirements. Assessments to be completed in line with the All Wales Adoption Support Services Policy implemented by the service. Payments made in exceptional circumstances to adopters who are determined as requiring financial support to be properly recorded – to detail the basis for the decision, are appropriately agreed and signed off by a senior manager.	Service Manager – Childrens Teams (RB) Service Manager – Operations (JM)	completed all new assessments are going through the new BSU function All applications are being financially assessed.

IA Report Ref	Weakness	Further Management Action to Address Outstanding / New Weakness (Agreed July 2023)	By Who	Current Progress & Timescales for Implementation
2.09	Financial assessments for new claims were not being undertaken in a timely manner.	New process to be implemented to ensure that financial assessments for new claims are calculated correctly in a timely manner. Checklist in place to be developed further and used to support the process. Staff responsible for new assessments within the Business Support Team to receive appropriate training and guidance to ensure that assessments are accurate and completed in a timely manner. Quality assurance and performance management checks to be completed to provide assurance that the process is	Service Manager – Childrens Teams (RB) Service Manager – Operations (JM) Business Support Team Leader (CR)	Completed, training has been undertaken with staff in the Business Support Unit Process is implemented.
		operating effectively and delivering accurate assessments.		

2.16	Resources were not identified, and a complete process document was not in place to ensure that new and annual review assessments could be completed in the absence of the Finance Officer.	Responsibility for Adoption Allowance assessments to be transferred from the Commissioning and Contracts Team to the Business Support Team within Children Services. Staff recruitment to be undertaken within the Business Support Team to provide additional resources and the resilience needed to ensure that new and annual review assessments are completed in line with statutory requirements. All staff responsible for new and annual review assessments within the Business Support Team to receive appropriate training and guidance. Process document to be further developed to support the measures implemented.	Service Manager – Childrens Teams (RB) Service Manager – Operations (JM) Business Support Team Leader (CR)	Completed, Annual reviews will be undertaken in June 2023
3.06	Annual review assessments had not been calculated accurately or completed in a timely manner.	New process to be implemented to ensure that annual review assessments are calculated correctly in a timely manner. Checklist in place to be developed further and used to support the process. Staff responsible for new assessments within the Business Support Team to receive appropriate training and guidance to ensure that assessments are accurate and completed in a timely manner. Quality assurance and performance management checks to be completed to	Service Manager – Childrens Teams (RB) Service Manager – Operations (JM) Business Support Team Leader (CR)	completed

IA Report Ref	Weakness	Further Management Action to Address Outstanding / New Weakness (Agreed July 2023)	By Who	Current Progress & Timescales for Implementation

		provide assurance that the process is operating effectively and delivering accurate assessments.		
3.10	Independent checks to ensure correctness were not always completed on annual review assessments. When completed, errors in the calculation of Adoption Allowance awards had not been identified.	Ensure that independent checks on annual review assessments are completed and recorded to provide assurance that they have been calculated correctly. Checklist in place to be developed further and used to support the process. Staff responsible for checking assessments within the Business Support Team to receive appropriate training and guidance to ensure that any calculation errors made are identified. Independent checks to be completed prior to payment or as soon as is reasonably practicable thereafter. Quality assurance and performance management checks to be completed to provide assurance that process is operating effectively.	Service Manager – Childrens Teams (RB) Service Manager – Operations (JM) Business Support Team Leader (CR)	Completed
3.13 *NEW	Where changes to circumstances were known in advance, these were not recorded and reviewed midyear.	New process to be implemented to reference and action advance changes in circumstance. Staff responsible for assessments within the Business Support Team to receive appropriate training and guidance. Quality assurance checks to be completed to provide assurance that the process is operating effectively.	Service Manager – Childrens Teams (RB) Service Manager – Operations (JM) Business Support Team Leader (CR)	Completed

IA Report Ref	Weakness	Further Management Action to Address Outstanding / New Weakness (Agreed July 2023)	By Who	Current Progress & Timescales for Implementation
2.08	Assurance could not be given that financial assessment forms for new claims were being properly supported with appropriate evidence of income and expenditure.	New process to be implemented to ensure that financial assessment forms for new claims are properly supported with appropriate evidence of income and expenditure. Checklist in place to be developed further and used to support the process. Staff responsible for new assessments within the Business Support Team to receive appropriate training and guidance to ensure that all relevant evidence is obtained.	Service Manager – Childrens Teams (RB) Service Manager – Operations (JM) Business Support Team Leader (CR)	completed
2.17 *NEW	Applications for Adoption Allowances were not being acknowledged when received. There were no validation checks completed on receipt of an application to ensure all required documentation had been submitted.	New process to be implemented to ensure that: • adopters receive an acknowledgement to confirm receipt of their application. • all applications are subject to validation checks to verify that they are supported with all required information and evidence. All staff responsible for new and annual review assessments within the Business Support Team to receive appropriate training and guidance to ensure that validation checks are completed correctly and in a timely manner. Quality assurance and performance management checks to be completed to provide assurance that the process is operating effectively.	Service Manager – Childrens Teams (RB) Service Manager – Operations (JM) Business Support Team Leader (CR)	completed

3.08	Income and expenditure details had not been cross-checked against the previous assessment to allow any	New process to be implemented to ensure that income and expenditure details are crosschecked against the previous assessment to allow any discrepancies to be investigated.	Service Manager – Childrens Teams (RB)	completed

IA Report Ref	Weakness	Further Management Action to Address Outstanding / New Weakness (Agreed July 2023)	By Who	Current Progress & Timescales for Implementation
	discrepancies to be investigated.	Checklist in place to be developed further and used to support the process. Staff responsible for assessments within the Business Support Team to receive appropriate training and guidance to ensure that crosschecks are completed correctly and that further action is taken and recorded, as appropriate. Quality assurance and performance management checks to be completed to provide assurance that the process is operating effectively.	Service Manager – Operations (JM) Business Support Team Leader (CR)	completed

IA Report Ref	Weakness	Further Management Action to Address Outstanding / New Weakness (Agreed July 2023)	By Who	Current Progress & Timescales for Implementation
3.09	Changes to circumstances were not always being correctly actioned. Adopters were not periodically reminded to notify the Council of any change of circumstance promptly which may impact on their financial assessment.	The All Wales Adoption Support Services Policy in place allows for overpayments to be recovered in respect of retrospective changes that adopters fail to notify, and for retrospective increases in awards to be applied. Measures to be implemented to ensure that changes in circumstances received from adopters are actioned in a timely manner to minimise the risk of adoption allowances being overpaid. Adopters will be periodically reminded to promptly notify the Council of any change(s) which may impact on their financial assessment. This will also be supported within written award notifications issued to adopters.	Service Manager – Childrens Teams (RB) Service Manager – Operations (JM) Business Support Team Leader (CR)	completed
3.14 *NEW	It was not documented who had completed the Adoption Allowance assessment / annual review or who had conducted the independent check.	Process to be reviewed to ensure that the 'For Official Use Only' section of the financial assessment form and other calculation records reference who completed the assessment and who conducted the independent check. Quality assurance checks to be completed to provide assurance that the process is operating effectively.	Service Manager – Childrens Teams (RB) Service Manager – Operations (JM) Business Support Team Leader (CR)	Completed Completed

3.15 *NEW	Notification letters did not always contain all required information.	Letter templates to be reviewed to ensure that notifications issued to adopters providing detail of their awards contain all of the required information. Quality assurance checks to be completed to provide assurance that letters issued meet the agreed requirements.	Service Manager – Childrens Teams (RB) Service Manager – Operations (JM) Business Support Team Leader (CR)	completed

Mae'r dudalen hon yn wag yn

Report

Governance and Audit Committee

Part 1

Date: 25 January 2024

Subject Draft Work Programme

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

Author Governance Officer

Ward General

Summary The purpose of a forward work programme is to help ensure Committee Members achieve organisation and focus on the undertaking of enquiries through the Governance and 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 on 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 meetings until June 2024.

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.

25 January 2024
Internal Audit Plan – Progress (Quarter 3)
Risk Management Policy

Audit Wales and Regulatory Bodies 6-month update
Capital and Treasury Management Strategy 2024/25
Update from the Strategic Director of Social Services re the Unsound opinion for Children Services Safeguarding Childrens Money
Update from the Strategic Director of Social Services re the internal Audit of Adoption Allowances resulting in a Third Consecutive Unsatisfactory Opinion

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

There are no legal implications arising from this report.

Comments of Head of People, Policy and Transformation

The sustainable development principle of the Wellbeing of Future Generations Act will need to be addressed in individual reports, along with any human resources implications.

Background Papers

None.

Appendix 1
Forward Work Plan; agenda set out in a table for each meeting.
(Audit Committee to meet every other month unless circumstances dictate otherwise)

28 March 2024
Corporate Risk Register (Quarter 3)
Audit Wales Annual Report on Grants Works 2020-21 and 2021-22 Draft
WAO Annual Report on Grants Works 2022-23
Lessons Learned 2022/23
Annual Governance Statement (draft statement)
Member Development Self Evaluation Exercise
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3)

30 May 2024
Appointment of Chairperson
Treasury Management Year End Report 2023/2024
Corporate Risk Register Quarter 4

SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 4, January to March)
Audit Wales Annual Report on Grants Works 2023-2024 Draft
Internal Audit Annual Report 2022-2023
Internal Audit Annual Plan 2024-2025
Audit Wales Annual Audit Summary 2023
Audit Wales Annual Audit Plan 2024

Appendix 2
Forward Work Plan; agenda set out in alternative format.

Mae'r dudalen hon yn wag yn

Governance and Audit Committee Work Programme 2023-24

Area	Thursday 25 January 2024 (5pm)	Wednesday 28 March 2024 (5pm)	Thursday 30 May 2024 (5pm)
Internal Audit	Internal Audit Plan – Progress (Quarter 3)		Internal Audit Annual Report 2022-2023
			Internal Audit Annual Plan 2024-2025
Finance	Capital and Treasury Management Strategy 2024/25		Treasury Management Year End Report 2023/2024
		Lessons Learned 2022/23	
Audit Wales	Audit Wales and Regulatory Bodies 6-month update	Audit Wales Annual Report on Grants Works 2020-21 and 2021-22 Draft	Audit Wales Annual Audit Summary 2023
		WAO Annual Report on Grants Works 2022-23	Audit Wales Annual Audit Plan 2024
			Audit Wales Annual Report on Grants Works 2023-2024 (Draft)
Risk Management	Risk Management Policy	Corporate Risk Register (Quarter 3)	Corporate Risk Register (Quarter 4)
Referrals and Call in Updates (Operational/Other)	Update from the Strategic Director of Social Services re the Unsound opinion for Children Services Safeguarding Childrens Money		
	Update from the Strategic Director of Social Services re the internal Audit of Adoption Allowances resulting in a Third Consecutive Unsatisfactory Opinion		

Governance and Audit Committee Work Programme 2023-24

Governance		SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3)	SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 4)
		Annual Governance Statement (draft statement)	Appointment of Chairperson
		Member Development Self Evaluation Exercise	