

To: Members of the Corporate
Governance Committee

Date: 31 January 2018

Direct Dial: 01824706204

e-mail: democratic@denbighshire.gov.uk

Dear Councillor

You are invited to attend a meeting of the **CORPORATE GOVERNANCE COMMITTEE** to be held at **1.00 pm** on **WEDNESDAY, 7 FEBRUARY 2018** in **CONFERENCE ROOM 1A, COUNTY HALL, RUTHIN.**

Yours sincerely

G. Williams
Head of Legal, HR and Democratic Services

AGENDA

1 APOLOGIES

2 DECLARATION OF INTERESTS (Pages 5 - 6)

Members to declare any personal or prejudicial interests in any business identified to be considered at this meeting.

3 URGENT MATTERS

Notice of items, which in the opinion of the Chair should be considered at the meeting as a matter of urgency pursuant to Section 100B(4) of the Local Government Act 1972.

4 MINUTES (Pages 7 - 14)

To receive the minutes of the Corporate Governance Committee meeting held on 29 November 2017 (copy enclosed).

5 CORPORATE FLEET MANAGEMENT UPDATE (Pages 15 - 32)

To consider a report by the Chief Internal Auditor (Copy enclosed) updating members on the progress in implementing the action plan that accompanied the Corporate Fleet Management report in October 2015.

6 INTERNAL AUDIT UPDATE (Pages 33 - 50)

To consider a report by the Head of Internal Audit (copy enclosed) updating members on Internal Audit progress.

7 GENERAL DATA PROTECTION REGULATION (GDPR)

To receive a verbal update, by the Legal Service Manager and Business Information Team Manager on the General Data Protection Regulation.

8 ANNUAL TREASURY MANAGEMENT STRATEGY (Pages 51 - 84)

To consider a report by the Chief Finance Officer (copy enclosed) on Treasury Management.

9 CLOSURE OF STATEMENT OF ACCOUNTS (Pages 85 - 88)

To consider a report by Chief Accountant (copy enclosed) updating members on the progress towards the statutory early closedown of the accounts.

10 ANNUAL AUDIT LETTER (Pages 89 - 90)

To receive for information the Annual Audit Letter for Denbighshire County Council 2016-17, from Wales Audit Office (copy enclosed).

11 WALES AUDIT OFFICE'S PROGRAMME OF WORK (Pages 91 - 102)

To receive an information report from Wales Audit Office (copy enclosed) which sets out the Planned programme of work for both WAO's financial audit and performance audit.

12 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME (Pages 103 - 106)

To consider the committee's forward work programme (copy enclosed).

MEMBERSHIP

Councillors

Mabon ap Gwynfor
Tony Flynn
Martyn Holland

Alan James
Barry Mellor
Joe Welch

Lay Member

Paul Whitham

COPIES TO:

All Councillors for information
Press and Libraries
Town and Community Councils

This page is intentionally left blank

LOCAL GOVERNMENT ACT 2000

Code of Conduct for Members

DISCLOSURE AND REGISTRATION OF INTERESTS

I, (<i>name</i>)	<input type="text"/>
a *member/co-opted member of <i>(*please delete as appropriate)</i>	Denbighshire County Council
CONFIRM that I have declared a *personal / personal and prejudicial interest not previously declared in accordance with the provisions of Part III of the Council's Code of Conduct for Members, in respect of the following:- <i>(*please delete as appropriate)</i>	
Date of Disclosure:	<input type="text"/>
Committee (<i>please specify</i>):	<input type="text"/>
Agenda Item No.	<input type="text"/>
Subject Matter:	<input type="text"/>
Nature of Interest: <i>(See the note below)*</i>	<input type="text"/>
Signed	<input type="text"/>
Date	<input type="text"/>

*Note: Please provide sufficient detail e.g. 'I am the owner of land adjacent to the application for planning permission made by Mr Jones', or 'My husband / wife is an employee of the company which has made an application for financial assistance'.

This page is intentionally left blank

Public Document Pack Agenda Item 4

CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 29 November 2017 at 9.30 am.

PRESENT

Councillors Mabon ap Gwynfor, Tony Flynn, Martyn Holland (Vice-Chair), Alan James, Barry Mellor (Chair) and Joe Welch

Lay Member Paul Witham

Councillor Julian Thompson-Hill, Lead Member for Finance, Corporate Plan and Performance.

Councillor Huw Hilditch-Roberts, Lead Member for Education, Children and Young People.

Councillor Emrys Wynne attended as an observer.

ALSO PRESENT

Head of Legal, HR & Democratic Services (GW), Head of Finance (RW), Head of Education and Children's Services (KE), Principal Education Manager (GD), Chief Internal Auditor (LL), and Committee Administrator (SJ).

Wales Audit Office Representatives –Gareth Evans and Gwilym Bury.

1 APOLOGIES

None

2 DECLARATIONS OF INTEREST

Councillors Tony Flynn, Martyn Holland, Barry Mellor, Mabon ap Gwynfor, Emrys Wynne, Huw Hilditch- Roberts and Julian Thompson- Hill declared personal interests in agenda items 5 and 6 as they were school Governors.

Councillor Alan James declared a personal interest in agenda item 5 as his daughter was Head of a school in financial difficulty.

Councillor Joseph Welch declared a personal interest in agenda item 5 as he was the parent of a child attending a Denbighshire County Council school.

Lay Member Paul Witham declared a personal interest in agenda item 5 as he was the Grandfather of a child at one of the schools listed in the report.

3 URGENT MATTERS

No urgent matters were raised.

4 MINUTES

The minutes of the Corporate Governance Committee held on the 27 September 2017 were submitted.

Accuracy –

It was noted that Lay Member Mr Paul Whitham was in attendance at the meeting.

Matters Arising –

Item 10 Loggerheads Car Park Project - Councillor Martyn Holland requested that his concern regarding the high level of contingency with this development and the formula used to calculate the contingency amount be noted. Lay Member Paul Witham requested clarification on the definition of Contingency and this be circulated to members as stipulated in the minutes.

The Head of Legal, HR and Democratic Services confirmed he would check and inform Members of the Committee.

RESOLVED that subject to the above, the minutes of the Corporate Governance Committee be received and approved as a correct record.

5 SCHOOLS IN FINANCIAL DIFFICULTY

Councillor Julian Thompson-Hill Lead member for Finance, Performance and Strategic Assets, introduced the report (previously circulated) to explain the Council's policy and approach to working with schools in financial difficulty.

Councillor Thompson-Hill guided members through the report. Reference was made to the progress chart (within appendix 1, previously circulated) which demonstrated the process for challenging and supporting schools finances. Clarification was given regarding the stages where Local Authority intervene and the steps in which follow.

Concerns were heard regarding the number of schools in financial difficulty. It was confirmed that the number of schools in financial difficult had reduced over recent years. Denbighshire County Council had been highlighted as one of the Local Authorities in the highest deficit.

The Head of Education and Children's Services (HECS) explained that decisions in respect of managing school budgets go through the school budget forum. Decisions were made through a high level of conversation and deliberation. The Head of Finance (HOF) reiterated the process is in place to challenge and support schools to manage a 3 year rolling budget. There is continual monitoring of the process and schools' budgets.

During discussion the following matters were raised:

- Redundancy- It was confirmed that the method of paying redundancy money had changed in 2012. Schools were now responsible for funding any redundancies.

- The School Budget Forum- the HECS confirmed that the formula for determining School budgets is scrutinized by the School Budget Forum (SBF). The forum is attended by HESC, HOF, representative School Head Teachers, Lead member for Education, Children and Young People and representative Officers. Good work had been done on strengthening the Forum proactively working together to improve school finances,
- Engagement between officers and schools was vital to try and improve finances before any action was necessary. Officers worked closely with schools and know the running of schools. GwE supply feedback from involvement with schools. The duty to provide the best level of education to young people in Denbighshire was reflected in the improved exam results.
- A robust Governors' forum designed to engage and communicate with governors had aided in the understanding of the process in place. A number of vacancies for school governors was observed.

The chair thanked officers for the work that had been put into developing and monitoring schools. He concluded that pupil attainment and the education and welfare of Denbighshire's young people is vital.

RESOLVED from a unanimous show of hands the Corporate Governance Committee receive the report and note its contents.

6 INFORMATION MANAGEMENT AND IT MANAGEMENT IN SCHOOLS

The Principal Education Support Manager, introduced the report (previously circulated) to provide an update on the work undertaken in response to the report shared on 28 September, 2016 and further evidence provided on January 25 2017 which provided details on Information Management and IT Management in schools that received a "Low" Assurance rating.

Information was provided as to how the Council was implementing improvements in the way schools were managing information since the issue of the Internal Audit report which had given a Low Assurance. The Corporate Governance Committee had requested a second progress report to update members, issues were being addressed.

The Information Commissioners Office had completed training to Head Teachers and Business Managers on 9 February, 2017. Training was also delivered to School Governors. Further training had been offered on Data Security which was held on 15 February 2017.

Further training will be scheduled when the new GDPR (General Data Protection Regulations) are in place may 2018.

The development of a regional on-line audit toolkit that allowed schools and the Local Authority to monitor support and challenge had taken place. The PEM confirmed each school had access to the toolkit to complete audits and assign tasks to individuals to certain deadlines. School staff, Local Authority and School Governors can monitor progress and improvements, support offered when needed. Schools have adopted the toolkit well and positive outcome and work had been observed. Links to Denbighshire Website to policies and procedures had been

included on the toolkit to allow Schools a direct link to relevant pages for information. Training to all individuals working with the toolkit was provided. The overall control of the toolkit would be assigned to the school toolkit which would enable that individual to assign and monitor work completed.

The Head of Education and Children's Services informed the committee that the toolkit which was developed by officers of Denbighshire has since been adopted by the 6 North Wales Counties and is working effectively.

Concerns were raised by Councillor Emrys Wynne regarding the collection of confidential waste. The Monitoring Officer confirmed that contractors were in place for the removal of confidential waste and additional collections could be arranged if needed,

RESOLVED, that the Corporate Governance Committee note the report and an update report be presented to Corporate Governance Committee in 6 months.

At this junction (11:45 a.m.) there was a 10 minute break

Meeting reconvened at 11:55 a.m.

7 ANNUAL RIPA (REGULATION OF INVESTIGATORY POWERS ACT 2000) REPORT

An information report was submitted (previously circulated) on the Council's use of its powers of surveillance under RIPA (Regulation of Investigatory Powers Act 2000).

The Head of Legal, HR and Democratic Services (HLHD) provided an overview of RIPA and explained how powers under that Act could be used by the council together with the processes in place. There had been no activity in the use of these powers since the last report to the Corporate Governance Committee. Regular in-house training sessions were provided to officers using those powers with the next session planned for 30 March 2017. A refresher training event is to be provided to the Council's Authorising Officers next year to enable them to effectively challenge and scrutinise any application.

The HLHD explained to members, surveillance is the last resort. All other avenues and methods have to be exhausted prior to authorisation for surveillance be granted.

The Chair thanked the HLHD for the update.

RESOLVED that the Annual RIPA (Regulation of Investigatory Powers Act 2000) report be received and noted.

8 ANNUAL WHISTLE BLOWING REPORT

A report by the Monitoring Officer (MO), which provided information relating to the operation of the Council's Whistleblowing policy since the last report brought to Corporate Governance Committee in July 2016.

The report had been submitted in accordance with the Council's Whistleblowing Policy (WP), which contained a requirement that the MO bring a report to the Corporate Governance Committee at least once a year on the operation of the Policy and any changes in practice introduced as a result of concerns raised under the Policy. The report covers the period from 14th July to date, in this period there had been no concerns raised under the whistleblowing policy.

The MO confirmed in March 2017 SLT agreed to a 'whistleblowing e-learning module' be mandatory for all employees of Denbighshire County Council. The e-learning should be ready to launch in January 2018.

In response to concerns raised by lay member Paul Witham, the MO confirmed he would clarify contractors were aware of how to access the policy online.

RESOLVED, that the Corporate Governance Committee receive the annual report and note its contents.

9 INTERNAL AUDIT PROGRESS REPORT

The Chief Internal Auditor (CIA), introduced the Internal Audit update report (previously circulated) updating members on the Internal Audit progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.

The report provided information on work carried out by Internal Audit since the last committee meeting. The CIA guided members through the reports which provided an update as at November 2017 on:

- Internal Audit reports recently issued
- Follow up of previous Internal Audit reports
- Progress on Internal Audit work to date in 2017/18
- A summary of upcoming Internal Audit projects
- Internal Audit performance Standards

The following matters were raised during debate-

- Petty Cash - November 2017- The CIA explained petty cash from school activity clubs such as breakfast club, afterschool clubs had caused confusion. The CIA explained that an action plan had been developed to enable the council to manage the risks associated with petty cash accounts. The Council accounts for cash from different areas within the council such as car parks and public conveniences with specific controls in place to manage them. However, an assessment of petty cash had been requested in relation to school monies e.g. breakfast clubs, and a report would be presented back to the Corporate Governance Committee in 6 months' time.
- Managing the risk of fraud and corruption - November 2017 – The CIA confirmed that the council committed to a zero tolerance approach to fraud and corruption. A few areas of improvement had been found which would be easily overcome. Council Housing Tenancy Fraud will be subject to review as part of phase 3 of the review.

- Concerns were raised regarding the number of follow up reports – The CIA explained that reports are escalated to Heads of Service where there is a concern with progress made.

The Chair thanked officers for the detailed report and responses to concerns raised by members.

RESOLVED, that the Corporate Governance Committee receive the update report and note its contents.

10 ANNUAL GOVERNANCE STATEMENT - ACTION PLAN UPDATE

The Chief Internal Auditor (CIA) submitted a report (previously circulated) updating members on progress in implementing the governance improvement plan that accompanied the Annual Governance Statement 2016/17.

The CIA informed members that all actions were progressing forward and in a timely manner and all were on course to meet deadlines.

RESOLVED that the Corporate Governance Committee receive the report and note its contents.

11 INTERNAL AUDIT SELF-ASSESSMENT STANDARDS

The Chief Internal Audit (CIA) submitted a report (previously circulated) providing members the results of the internal audit self-assessment against the Public Sector Internal Audit Standards.

The CIA explained the development of a quality assurance and improvement programme to evaluate conformance with the standards had been completed. The programme aided the monitoring of the internal audit effectiveness and identified opportunities for improvement.

The CIA confirmed to members the overall results from the self-assessment had been positive. Appendix 1 demonstrated to members the highlighted areas included in the Quality Assurance & Improvement Action Plan.

An external assessment by the chief audit executive of Gwynedd County Council will be carried out in spring 2018, in accordance with the standards.

RESOLVED that the Corporate Governance Committee receive the report and note its contents.

12 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

The Head of Legal, HR and Democratic Services informed the Committee that the date of the next meeting may change.

The Corporate Governance Committee's Forward Work programme (FWP) (previously circulated) was presented for consideration.

The Committee confirmed the Corporate Governance FWP subject to the following amendments:-

24 January 2018-

- Annual Treasury Management Strategy
- Closure of the Statement of Accounts
- Fleet Management- Follow up
- CIPFA (Audit Committee Practical guidelines)

25 April 2018-

- Internal Audit Strategy
- Draft Annual Governance Statement
- Internal Audit Annual Report

11 July 2018-

- Draft Statement of Accounts

26 September 2018-

- Approval of Statement of Accounts

21 November 2018-

- Annual RIPA (Regulation of Investigatory Powers Act 2000)
- Annual Whistle Blowing Report

RESOLVED that, subject to the above, the Corporate Governance Committee approves the Forward Work Programme.

The Meeting concluded at 13:05 p.m.

This page is intentionally left blank

Report To: Corporate Governance Committee
Date of Meeting: 7 February 2018
Lead Member / Officer: Lisa Lovegrove – Chief Internal Auditor
Report Author: Lisa Lovegrove – Chief Internal Auditor
Title: Corporate Fleet Management Update

1. What is the report about?

This report provides an update on progress in implementing the action plan that accompanied the Internal Audit report on Corporate Fleet Management in October 2015

2. What is the reason for making this report?

This report is to provide information on how the Council is implementing improvements in fleet management since the issue of the Internal Audit report in 2015. The audit report gave 'Low Assurance', so the Corporate Governance Committee requested a progress report to ensure that the issues are being addressed. This is the fourth progress report, the previous ones being in March 2016, September 2016 and July 2017.

3. What are the Recommendations?

The Committee to review progress and decide whether it requires a further progress report.

4. Report details

Appendix 1 is the Internal Audit follow up action plan, which shows that good progress continues to be made with implementing the issues and risks that Internal Audit identified.

Of the 13 issues raised during our original audit, 12 have now been successfully resolved, which includes those considered more significant, such as developing a new Transport Policy, improvements to health and safety and driver checks and monitoring of fuel stocks. While one issue remains outstanding in relation to the procurement and implementation of a new Fleet Management System, this was in effect the second review of the particular action and work is underway to address it.

5. How does the decision contribute to the Corporate Priorities?

Not applicable - there is no decision required with this report.

6. What will it cost and how will it affect other services?

Not applicable - there is no decision required with this report.

7. What are the main conclusions of the Well-being Impact Assessment?

Not applicable - there is no decision required with this report.

8. What consultations have been carried out with Scrutiny and others?

Not applicable - there is no decision required with this report.

9. Chief Finance Officer Statement

Not applicable - there is no decision required with this report.

10. What risks are there and is there anything we can do to reduce them?

Not applicable - there is no decision required with this report.

11. Power to make the Decision

Not applicable - there is no decision required with this report.

Action Plan

Audit Follow-up Review of: Corporate Fleet Management

Date: January 2018

Action Plan Contacts:

Head of Highways & Environmental Services
Fleet Performance Manager

Corporate Risk/Issue Severity Key	
0	Critical – Significant CET and Cabinet intervention
0	Major – intervention by SLT and/or CET with Cabinet involvement
1 o/s	Moderate – Containable at service level. Senior management and SLT may need to be kept informed

Risk Issue 6	The Fleetmaster system is a legacy system with limited vendor support and its reporting function is weak. There is an opportunity to streamline the workshop’s paper-heavy processes and reduce non-productive time through using a more modern fleet management system.	
Page 17 Background Detail	<p>The Fleetmaster system has several weaknesses that could be resolved with a more modern system:</p> <ul style="list-style-type: none"> • The supplier no longer supports the system and so there will be no further enhancements to it. • It provides limited management information. For example, the system was unable to produce a report showing vehicles that did not make their scheduled safety inspection appointment. We also raised this issue as part of our previous audit of Fleet Services in 2010/11. • There is an opportunity to streamline the fleet maintenance process, which is currently very paper-heavy and time-consuming to administer. • There is poor integration with other Council IT Systems e.g. general ledger. Fleet Services must manually process recharges, and reports from service users suggest that this is often causing delays to budget monitoring information. 	
Agreed Action i	<i>A business case for a new system will be developed (ICT to be part of any subsequent procurement). Funding streams e.g. Modernisation Board will be investigated to cover the purchase cost.</i>	
Agreed Action ii	<i>If agreed, a new fleet management system will be implemented to replace the existing Fleetmaster system.</i>	
Responsibility & Deadline	Waste & Transport Manager / Fleet Manager / ICT	<p>April 2016 (i)</p> <p>April 2017 (ii)</p>

1 st Follow up Status	<p>Fleet Services is in discussion with its ICT Business Partner and developing a specification for the replacement software.</p> <p>All neighbouring Councils use the same specialist software (i.e. Tranman) and so options and costs are currently being investigated.</p>	Not yet due – March 2016
2 nd Follow up Status	<p>The specification requirements for the new system have now been outlined and the Fleet Manager is currently consulting with ICT and Procurement to identify the appropriate way forward in terms of competitive tendering. Following this process, the Service anticipates a provisional installation and go live date of December 2017. We will therefore re-visit this issue again in January 2018 to confirm that the new system is operational, and has effectively resolved the original issue raised regarding report functionality, paper intensity and general efficiency of the Fleetmaster system.</p>	In progress – April 2017
3 rd Follow up Status	<p>The Fleet Manager has advised that this work has not moved on as fast as he would have liked due to resource pressures within the department. The specification for the new system has now been reviewed and agreed by both ICT and Procurement. The next stage is for the tendering advert to be formatted so that it can be advertised on the Sell to Wales website, after which the formal tendering selection process will commence. The Fleet Manager expects the new system will be procured by October 2018.</p>	<p>In progress – January 2018</p> <p><i>Next follow up scheduled for October 2018</i></p>

Risk Issue 12	No stock checks are carried out to ensure that fuel is accounted for and to aid detection of any loss, waste or theft.	
Agreed Action	<p><i>Fleet Services will investigate the cost of installing a fuel tank gauge, which will provide:</i></p> <ul style="list-style-type: none"> • <i>accurate record of tank contents</i> • <i>accurate reading of fuel deliveries</i> • <i>warnings of any tank leakages</i> <p><i>If an electronic system is not deemed as financially viable, a manual system will be introduced and a stock check performed periodically. IA note: Stock check needs to be carried out by an independent person(s).</i></p>	
Responsibility & Deadline	Fleet Manager	Either electronic or manual system in place by December 2015

1st Follow up Status	<p>The Fleet Manager has investigated costs for electronic solutions.</p> <p>The Waste & Transport Manager prefers a manual system but this has not progressed.</p>	In progress – March 2016
2nd Follow up Status	<p>Bunkered fuel tank dispensers are tested independently every six months to evaluate the condition of the tanks and assess calibration accuracy. At the end of the financial year, the Fleet Manager supplies data of fuel dispensed to Finance for reconciliation with fuel purchased.</p> <p>Fleet Services does not believe that fuel tank gauges (costing roughly £10k) offer value for money. Therefore, a new manual process has been agreed with the Street Scene team whereby storekeepers will monitor and document fuel levels in the bunkers and e-mail the details to the Fleet Manager each month for reconciliation.</p> <p>We will need to review this arrangement at a future date.</p>	In progress – September 2016
3rd Follow up Status	<p>A manual fuel stock checking process is now in place, whereby the storekeepers at Kinmel Park and Lon Parcwr monitor and document fuel levels in the bunkers each month. This information is provided to the Fleet Manager, however no reconciliation with fuel purchased is currently undertaken.</p> <p>Internal Audit have agreed to meet with the Service and provide guidance on how to complete the reconciliation to ensure all fuel is properly accounted for.</p>	In progress – June 2017
4th Follow up Status	<p>The Fleet Manager now receives information from the storekeepers at Kinmel Park and Lon Parcwr depots when a delivery of fuel is made including the delivery date, fuel type and volume. This is then monitored against the fuel level information also provided. As the Fleet Manager is reliant on the integrity of the storekeepers as part of this process, we consider it should be strengthened by ensuring that the Fleet Manager receives copies of the fuel delivery notes at these sites. A similar process is operating at the Rhyl Botanical Gardens depot, whereby the Fleet Manager receives all fuel delivery notes along with fuel level readings for monitoring purposes, which is working well.</p> <p>Immediately following our review, the Fleet Manager updated the bunkered fuel reporting procedure to include the requirement for storekeepers to scan and email copies of fuel delivery notes. This was issued to the relevant staff and their Line Managers. Going forward, the Fleet Manager will ensure this information is received as appropriate. Overall, we are satisfied that the risk is now being better managed than at the time of our original review. Therefore, a further follow up is not required.</p>	Complete – January 2018

Actions complete as at previous review:

Risk Issue 1	The Transport Policy is out of date and was removed from the intranet for this reason.	
Background Detail	Without effective communication of each driver's responsibility and acceptable use of Council vehicles, there is a risk that non-compliance is not taken seriously. Communication is needed at all levels of the organisation, supported by the Senior Leadership Team (SLT) to ensure that it is read and applied by all employees.	
Agreed Action	<i>The Waste & Transport Manager will present the revised Transport Policy at a SLT meeting to promote staff awareness and get senior management buy-in.</i>	
Responsibility & Deadline	Waste & Transport Manager	December 2015
1st Follow up Status	The review of the Transport Policy is now complete and the Waste & Transport Manager will request for it to be included on the next SLT meeting agenda. This will be supplemented with a one page summary for SLT to be made aware of key changes. There are also plans for separate Drivers Handbook for drivers to reference to key matters.	In progress – March 2016
2nd Follow up Status	Sections within the Transport Policy have been reordered to provide better focus and clarity for the drivers and managers that it is applicable to. This is supplemented by "Driving for Denbighshire – Managers Guide" and "Vehicle Manual" to provide specific instructions to drivers and managers. Attempts to get the Transport Policy on the SLT agenda have so far been unsuccessful and so the Waste & Transport Manager will instead communicate via attendance at Service Management Team Meetings and Service Review Meetings.	In progress – September 2016
3rd Follow up Status	The Service is still having difficulties getting the Transport Policy on the SLT agenda. In the interim however, the policy and the supplementary guidance for managers and Fleet drivers have been published on the Council's intranet. The Waste and Transport Manager has also circulated the Transport Policy and guidance to Service Managers and raised awareness at Service Team Management meetings.	Complete – June 2017

Risk Issue 2	Ineffective identification of vehicles reaching the end of their economic life can lead to unnecessary costs e.g. extra maintenance work needed and leasing to replace vehicles that are no longer serviceable.	
Background Detail	There are inconsistent arrangements within Council services for replacing fleet vehicles. Ineffective identification of the vehicles that are reaching the end of their economic life may lead to unnecessary costs e.g. additional repair and maintenance, and short-term leasing. Individual services are responsible for deciding which vehicles to procure and dispose of, and Fleet Services facilitates this process.	
Agreed Action	<p><i>Lists of vehicles will be reviewed at Fleet & Service Review meetings to identify vehicles that are reaching an end of their economic life. An assessment on the continued use or replacement will be identified and recorded.</i></p> <p><i>(Meetings with Street Scene, Building Services, Street Lighting and Housing Services have taken place, with Waste Services, Countryside Services and Social Services left to do).</i></p> <p><i>Service users will be trained on how to interpret and use the monthly management information report, which will help them to understand which vehicles are no longer economical to maintain.</i></p>	
Responsibility & Deadline	Waste & Transport Manager / Fleet Manager	January 2016
1st Follow up Status	<p>Service review meetings have been held with the main service users and the Waste & Transport Manager has devised a schedule for other service users.</p> <p>At these meetings, the Waste & Transport Manager will go through the monthly management information report and, if needed, provide support to service managers on its use and interpretation to identify vehicles that are costly to maintain so that they can plan for their replacement where relevant.</p>	In progress – March 2016
2nd Follow up Status	<p>This is included on the agenda for each Fleet & Service User Meetings. Meetings have been held/arranged with:</p> <ul style="list-style-type: none"> - Street Scene; - Social Services; - Building Services; - Waste Services; - Street Lighting; 	Complete – September 2016

	<ul style="list-style-type: none"> - Countryside Services; - Leisure Services; and - Property Services. <p>Minutes of Countryside Services' meeting shows that Fleet Services has advised Service Managers of its ageing fleet vehicles, and prompted them to review which need replacing so that procurement activity can be initiated.</p> <p>The Waste & Transport Manager confirms that Building Services prefer to replace vehicles every 5 years rather than extending to 7 years, to maintain a fresh image and ensure that the vehicles are reliable.</p> <p>We are satisfied that a process has been established, and Fleet Services will continue to prompt services to review their aged vehicle profile at future Fleet & Service User meetings.</p>	
--	---	--

Risk Issue 3	<p>Although it has improved, communication between Fleet Services and service users (and vice versa) is causing avoidable service downtime. Fleet Services has recently started to meet key service user representatives to discuss performance and recurring issues. Periodic meetings should be arranged with all fleet user services, with a set agenda and a record kept of the agreed actions for both parties.</p>	
Background Detail	<p>There is still negative feedback from both sides about lack of notification, which causes avoidable service downtime. Fleet Services has started to meet key service user representatives to discuss performance and recurring issues. Periodic meetings should be arranged with all fleet user services, with a set agenda and a record kept of the agreed actions.</p>	
Agreed Action	<p><i>Fleet & Service Review meetings are scheduled, a standard agenda is defined (although additional agenda items can be added), and minutes are now formally recorded.</i></p>	
Responsibility & Deadline	<p>Waste & Transport Manager / Fleet Manager</p>	<p>December 2015</p>
1st Follow up Status	<p>Some service review meetings have been held with key service user representatives and a schedule of future service review meetings has been set to cover all service users.</p>	<p>In progress – March 2016</p>
2nd Follow up Status	<p>Fleet & Service User meetings have now taken place with all main service users with an agreed schedule of upcoming meetings arranged for the remainder of the year.</p>	<p>Complete – September 2016</p>

	<p>The set agenda for each meeting includes:</p> <ul style="list-style-type: none"> - Procurement, - Maintenance, - Compliance, and - Any other Business. <p>We are satisfied that meetings are helping to improve communication between Fleet Services and its main service users. Although this matter will be an ongoing one for Fleet Services and its service users, we are satisfied with action taken to date and so we will not need to review this matter again.</p>	
--	---	--

Risk Issue 4	Few formal agreements are in place with Fleet Services' external customers to protect its cash flow and contractual position by stipulating a cooling off period for ending a maintenance arrangement.	
Background Detail	Few formal agreements are in place with the Fleet Services' external customers. Where an external customer's work is above a certain value, the Council should seek to formalise the agreement to protect its cash flow and contractual position by specifying a cool off period, e.g. 30 days' notice, to terminate the maintenance arrangement.	
Agreed Action	<i>A trigger of £15,000 will be introduced, whereby when an external customer's work exceeds this defined value, a service level agreement will be issued (to include provision for 30-day notice of service break).</i>	
Responsibility & Deadline	Fleet Manager	December 2015
1st Follow up Status	<p>The Waste & Transport Manager, in discussion with Finance, to set up a mechanism for notifying Fleet Services when a supplier was nearing the threshold.</p> <p>The Principal Finance Officer confirmed that they would not have the necessary information to identify which external customer was nearing the threshold.</p>	No progress – March 2016
2nd Follow up Status	The Finance & Assurance Officer and Fleet Administrative Officer will review the income received from each external customer to ascertain which need a formal maintenance agreement.	No progress – September 2016

	The potential for running periodic reports from the Sundry Debtor system will be investigated.	
3rd Follow up Status	<p>The Finance & Assurance Officer now runs a quarterly report which outlines the level of income received from each external customer. It is therefore easy to identify customers which exceed the £15K threshold. At the time of our review, there were two customers which exceeded this amount, but neither had a formal maintenance agreement in place.</p> <p>While the Waste and Transport Manager has recently contacted both customers to discuss the possibility of establishing a more formal arrangement, both have been reluctant to enter into an agreement of this nature. The Service has not pursued this further as they consider there is a risk that the business could be lost as a result, owing to other servicing facilities existing locally that could be used instead of Denbighshire. However, such competition actually strengthens the reason to seek a more formal agreement stipulating a cooling off period in order to protect the Service's cash flow.</p> <p>We are advised that where individual customer spend exceeds the £15K threshold in future the Service will approach them seeking a more formal agreement, including provision for 30-day notice of service break.</p>	Complete – June 2017
Risk Issue 5	Fleet Services has limited policies and procedures in place to guide consistent working practices, support business continuity, and assist health and safety or fraud investigation.	
Background Detail	<p>This includes, but is not limited to:</p> <ul style="list-style-type: none"> • guidance for new workshop employees; and, • disposal of vehicles i.e. redeployment, available methods for disposal, treatment of proceeds from sales, and capture the reason and approval for the disposal. <p>For example, at the time of our review, a new employee was due to start in the workshop; however, little written guidance is available to support induction training to ensure that they are sufficiently aware of relevant health and safety precautions (e.g. HSG 261: Health & Safety in Motor Vehicle Repair and Associated Industries) before being allowed into the workshop.</p>	
Agreed Action	<p><i>Current policies and procedures in place include:</i></p> <ul style="list-style-type: none"> • <i>Health and safety – risk assessments, safe working procedures are in place.</i> • <i>Toolbox talks are regularly provided to staff (and recorded).</i> • <i>New employees are inducted via use of the corporate induction form.</i> 	

	<p><i>This will be supplemented by:</i></p> <ul style="list-style-type: none"> • <i>As part of the induction process, new employees will be required to read health and safety procedures and sign to evidence this. This will incorporate emergency procedures, accident reporting and first aid.</i> • <i>Disposal of vehicles will be incorporated into the Transport Policy (see Risk/Issue 1).</i> 	
Responsibility & Deadline	Waste & Transport Manager / Fleet Manager	October 2015
1st Follow up Status	<p>The Corporate Induction Pack is used along with site specific guidance that has been developed.</p> <p>A HSE inspection (December 2015) of the Fleet Depot advised Fleet Services that new starters should be given the necessary Safe Working Procedures to read and then conduct a test to evaluate their understanding to make sure is it sufficient. This will be applied to future new starters, and a record kept.</p> <p>New HGV fitter started in February 2016, so scope to check that records are in place as described.</p> <p>Disposal Procedures are included in the recently revised Transport Policy.</p>	Complete – March 2016

Risk Issue 7	<p>Although two thirds of the employees that drive a Council vehicle have completed a form (D796) allowing Fleet Services to check their driving licence validity, there is no evidence that managers check driver licences as part of the recruitment and selection process for a post that involves driving. This is necessary to show that the Council only employs individuals who are competent to carry out their roles.</p>	
Background Detail	<p>Despite it forming part of the Interview Assessment Form Checklist, there is no evidence that managers check driver licences as part of the recruitment and selection process for a post that involves driving.</p> <p>Once in post, Fleet Services check driving licences before handing over the driver's tracker fob and ask them to complete the D796 form so that the Council can check driving licence validity directly with the DVLA. At the time of our review, two thirds of drivers had given their consent to this.</p>	

	We suggest that consent is sought at the time of appointment along with other checks, such as references and eligibility to work in the UK. This is to ensure that the Council employs persons who are eligible to drive and are able to carry out their roles effectively.	
Agreed Action i	<i>As per Risk/Issue 1, the Transport Policy will be updated to clarify roles and responsibilities for carrying out driver licence checks.</i>	
Agreed Action ii	<i>Online driving licence checks will be introduced as part of the recruitment process. All new members of staff will be asked to complete the D796 form at the time of appointment i.e. when other checks are carried out on work references and eligibility to work in the UK.</i>	
Responsibility & Deadline	Waste & Transport Manager/ Fleet Manager/ Head of Legal, HR & Democratic Services	December 2015 In place (HR process introduced)
1st Follow up Status	i. Transport Policy & Procedures have been updated to include this requirement. See Risk Issue 1 for further details.	Complete - March 2016
	ii. HR has a new process whereby it issues forms to successful candidates (positions that require driving a Council vehicle) as part of the recruitment process. Once returned, HR forwards the completed form to Fleet Services. In November 2015, Fleet Services issued the D796 form to all employees who drive a Council vehicle and a majority have returned the completed form (1050 employees approx. 90%). Gaps are mostly Social Services and Education staff that drive Council vehicles. HR has asked Fleet Services to carry out checks on the remainder of Council employees (i.e. those that use their own car on Council business only), whereby HR issues and collect the forms and forwards to Fleet Services for processing.	In progress - March 2016
2nd Follow up Status	ii. A new process is now in place whereby HR issues a D796 form to all new starters. Fleet Manager confirms that coverage of drivers and eligibility to drive is much improved and therefore reduces this risk. Fleet Services are liaising with HR about how to capture all existing employees to include grey fleet and a few council vehicle drivers whose eligibility to drive is not currently being checked. Further work is underway to ensure that all drivers' eligibility to drive is checked.	Complete - September 2016

	We are satisfied that a process is in place to reduce this risk and action is being taken to ensure that eligibility to drive is checked for all employees who drive on Council business.	
--	---	--

Risk Issue 8	Details of incidents and near misses captured in insurance claims are not always reviewed to prevent recurrence. This would help the Council to take action to reduce the risk of such incidents recurring and safeguard the public and employees from potential harm. This issue was raised in our previous audit 2010/11.	
Background Detail	The Corporate Road Risk Advisor reacts to road traffic incidents logged via the Health and Safety Incident Management Database by performing a post-incident driver assessment and driver training. However, several collisions resulting in insurance claims were not captured on the database and, as a result, there is no evidence that an assessment or training was provided to reduce the risk of recurrence. We raised a similar issue as part of our previous audit of Fleet Services in 2010/11.	
Agreed Action	<i>As per Risk/Issue 1, the Transport Policy will be updated to include the requirement for drivers of corporate vehicles to report incidents in such a way that it will trigger a review and remedial action where necessary.</i>	
Agreed Action ii	<i>Employees and line managers will be reminded that the Incident Management Database (on the intranet) should be completed following an incident involving a Council vehicle. The accident management procedure will be set out at each Fleet & Service Review meeting.</i>	
Agreed Action iii	<i>The Corporate Road Risk Advisor will review insurance claim forms relating to road traffic incidents to ensure that all are captured on the Incident Management Database. If any are missed, Health and Safety will escalate with the relevant line manager and, if it is a recurring problem, the Head of Service.</i>	
Responsibility & Deadline	Waste & Transport Manager/ Fleet Manager	December 2015 (i) In place (ii)
	Corporate Road Risk Advisor	October 2015 (iii)
1st Follow up Status	i. The Transport Policy has been updated with details on what to do in the event of an accident i.e. complete an incident form which goes to the Corporate Road Risk Advisor and the Insurance & Risk Manager. It also highlights the need to update the Incident	Complete - March 2016

	Management Database which prompts a driver performance review by the Corporate Road Risk Advisor to address any poor driving practices.	
	ii. As above, a prompt is now included in the Transport Policy with a link to the Incident Management Database which is available on the intranet. Service Review Meetings have been scheduled and this will form part of the agenda for the meeting.	Complete – March 2016
	iii. The Corporate Road Risk Advisor confirmed that he gets the information through the Incident Management Database and puts into action any assessments that need doing, mainly through the respective managers.	Complete – March 2016

Risk Issue 9	Council vehicles over 12 years of age are not being maintained in line with the VOSA Guide to Maintaining Roadworthiness. This states that vehicles over 12 years of age should have safety checks every 6 weeks, as they are more prone to defects. The Council must notify the Traffic Commissioner if maintenance is done less often, giving the reason.	
Background Detail	The VOSA Guide to Maintaining Roadworthiness states that vehicles and trailers over 12 years of age should have safety inspections every 6 weeks, as defects and annual MOT failure rate is more likely. (See Appendix 1 in original report for a diagram showing VOSA's "Guide to Safety Inspection Intervals") Our sample testing confirmed that this interval has not been applied to the relevant Council fleet and, at the time of our review, the Traffic Commissioner has not been notified as such.	
Agreed Action	<i>The Council has spoken with the Traffic Commissioner regarding this point and he is satisfied with the inspection frequency regime currently in place (given the Council's excellent maintenance procedures and records).</i>	
Responsibility & Deadline	Fleet Performance Manager	Complete
1st Follow up Status	Verbal confirmation from the Traffic Commissioner that he is satisfied with the Council's current arrangements.	Complete – March 2016

Risk Issue 10	Fuel management costs recharged to services are not an accurate reflection of the actual costs.	
Background Detail	Recharge of fuel management cost seems excessive given that administration of fuel has been streamlined. This arrangement no longer reflects the costs of the process and services are being charged disproportionately.	

Agreed Action	<i>There is a fuel management on-cost of 6%, which does not go to Fleet, it goes to stores. The 6% charge for stores is excessive. A 2% on-cost (1% to fleet, 1% to stores) would be fairer. This will be discussed with Head of Street Scene (who covers Stores).</i>	
Responsibility & Deadline	Waste & Transport Manager/ Head of Street Scene/ Chief Finance Officer	November 2015
1st Follow up Status	The Waste & Transport Manager contacted the Principal Finance & Assets Officer to revise the current method used. A decision was taken to keep the fuel 'on-cost' at 6% rather than change it. The 'on-cost' only applies to bunkered fuel and it is Street Scene and Waste which are the main users of this. As the 'on-costs' go to stores, if this was taken away, it would just be pushing money round in circles as Street Scene and Waste would have to fund the 6% because stores runs the depots for the Council.	No further Action intended – March 2016

Risk Issue 11	More could be done to promote efficient use of fuel across the Council.	
Background Detail	The Council spends nearly £1m a year on fuel yet there is little evidence of a campaign to promote efficient fuel use e.g. through altering driver style, inflating tyres correctly. Although information is available through the tracker system and fuel reports, these are not currently used to propel effective action to reduce fuel use.	
Agreed Action i	<i>An updated fuel management procedure will be implemented to include:</i> <ul style="list-style-type: none"> <i>the statement that fuel cards are to be used for business purposes only; and</i> <i>a requirement to enter accurate odometer readings. Members of staff will have to read and sign the updated issue form before a fuel card or tracker fob is handed over.</i> 	
Agreed Action ii	<i>Investigate potential to introduce driver behaviour equipment in Council vehicles (Building Services and Street Scene) to highlight to drivers audibly when they are driving inefficiently.</i> <i>Contact Gwynedd County Council Fleet Services to gain their feedback on the viability of the system.</i>	
Responsibility & Deadline	Fleet Performance Manager	In place (i)
	Waste & Transport Manager/ Fleet Manager	Initial assessment by December 2015. If viable, implement by March 2016 (ii)

1 st Follow up Status	<p>i. The Transport Policy has been updated to include the requirement for drivers to input accurate odometer readings when collecting fuel to allow accurate MPG readings. Fuel Card Acceptance Forms include a requirement for drivers to enter accurate odometer readings when re-fuelling to allow monitoring of fuel efficiency. The Waste & Transport Manager will emphasise to service users at Service Review Meetings to review MPG data available in their Monthly Management Reports and encourage them to reduce fuel use. Waste & Fleet Services are currently reviewing whether more fuel efficient vehicles can be used e.g. supervisors using small cars instead of pickups, which are less fuel efficient and unnecessary for that journey. There is scope for other services to follow suit.</p>	In progress – March 2016
	<p>ii. Waste & Fleet Services have looked into this jointly with Building Services. A verbal response was received from Gwynedd County Council that savings achieved from piloting driver behaviour equipment matched costs to install and therefore justification to proceed is borderline, and less attractive now that fuel prices have declined considerably.</p>	Complete – March 2016
2 nd Follow up Status	<p>i. Fuel management procedure has been included in the updated policy to state that fuel cards are for use for business only, and odometer readings must be entered accurately.</p> <p>The Waste & Transport Manager will update the Fuel Management section of the Transport Policy to encourage more economical driving styles e.g. maintaining accurate tyre pressure, avoiding harsh braking and excessive speeds.</p>	Complete – September 2016

Risk Issue 13	The Fuel Card Acceptance form does not clearly state that fuel purchased using the fuel card should be used solely for business reasons.	
Background Detail	Controls over fuel cards needs strengthening to reduce the Council’s risk of fuel cards being misused. Fuel Card Acceptance forms should clearly state that fuel purchased using the fuel card is solely for business reasons.	
Agreed Action	<i>As per Risk/Issue 11, a fuel management procedure will be implemented and all members of staff will be required to sign a declaration that they have read it and agree to its contents. This will be rolled out to new employees and existing employees when fuel cards are renewed.</i>	

Responsibility & Deadline	Fleet Manager	In place
1st Follow up Status	The Fuel Card Acceptance Forms have been updated to make it clear that fuel cards are used for business reasons only.	Complete - March 2016

This page is intentionally left blank

Report To: Corporate Governance Committee
Date of Meeting: 7 February 2018
Lead Member / Officer: Lisa Lovegrove – Chief Internal Auditor
Report Author: Lisa Lovegrove – Chief Internal Auditor
Title: Internal Audit Update

- 1. What is the report about?**
This report provides an update for Corporate Governance Committee on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.
- 2. What is the reason for making this report?**
This reports provides information on work carried out by Internal Audit since the last Committee meeting. It allows the Committee to monitor Internal Audit's performance and progress as well as providing summaries of Internal Audit reports so that the Committee can receive assurance on other Council services and corporate areas.
- 3. What are the Recommendations?**
The Committee considers the report content, assesses Internal Audit's progress and performance, and decides whether it needs any further assurance on audit reports.
- 4. Report details**
Full details are provided in the attached update report. This update includes a new section to cover counter fraud work.
- 5. How does the decision contribute to the Corporate Priorities?**
Not applicable - there is no decision required with this report.
- 6. What will it cost and how will it affect other services?**
Not applicable - there is no decision required with this report.
- 7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report**
Not applicable - there is no decision required with this report.
- 8. What consultations have been carried out with Scrutiny and others?**
Not applicable - there is no decision required with this report.
- 9. Chief Finance Officer Statement**
Not applicable - there is no decision required with this report.
- 10. What risks are there and is there anything we can do to reduce them?**
Not applicable - there is no decision required with this report.
- 11. Power to make the Decision**

Not applicable - there is no decision required with this report.



Denbighshire Internal Audit Services
Caledfryn, Smithfield Road, Denbigh LL16 3RJ

Corporate Governance Committee Update

February 2018



Introduction

1. This report provides an update on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.
2. The report provides an update as at January 2018 on:
 - Internal Audit reports recently issued
 - Follow up of previous Internal Audit reports
 - Progress on Internal audit work to date in 2017-18
 - A summary of upcoming Internal Audit projects
 - Progress with Counter Fraud work
 - Internal Audit performance standards.

Internal Audit reports recently issued

3. The following section provides an overview of recent Internal Audit reports, including the overall Assurance Rating and the number of Risks/Issues raised in the report's action plan.

Definitions of Assurance Rating

Green	High Assurance	Risks and controls well managed and objectives being achieved
Yellow	Medium Assurance	Minor weaknesses in management of risks and/or controls but no risk to achievement of objectives
Amber	Low Assurance	Significant weaknesses in management of risks and/or controls that put achievement of objectives at risk
Red	No Assurance	Fundamental weaknesses in management of risks and/or controls that will lead to failure to achieve objectives

Definitions of Risks/Issues

Green	Low	Advisory issues discussed with managers during the audit and not included in audit reports and action plans
Yellow	Moderate	Operational issues that are containable at service level
Amber	Major	Corporate, strategic and/or cross-service issues potentially requiring wider discussion at SLT and/or CET

Red	Critical	Significant issues to be brought to the attention of SLT, CET, Cabinet Lead Members and Corporate Governance Committee
------------	-----------------	--

Revenues and Benefits – January 2018

Partnership Arrangements – High Assurance	Housing Benefits & Council Tax Reduction – High Assurance	Sundry Debtors – High Assurance	Council tax & business rates – High Assurance
0	0	0	0
Moderate Risks/Issues	Moderate Risks/Issues	Moderate Risks/Issues	Moderate Risks/Issues
0	0	0	0
Major Risks/Issues	Major Risks/Issues	Major Risks/Issues	Major Risks/Issues
0	0	0	0
Critical Risks/Issues	Critical Risks/Issues	Critical Risks/Issues	Critical Risks/Issues

4. Partnership governance arrangements has shown steady improvement over the previous two years, and this year’s review confirms this trend is continuing as the partnership continues to apply suitable governance to manage its risks. The Operations Board (which has representatives from both Civica and the Council) functions effectively and the Contract & Performance Manager monitors performance to ensure service delivery continues to perform well.
5. Performance management is regularly monitored through periodic reports to the Operations Board. Sundry debtors’ performance is regularly monitored but it is the only service area which currently does not have a performance indicator. We confirmed that the Contract & Performance Manager is reviewing the situation.
6. Reconciliations continues to perform well with suitable transition following the recent retirement of a longstanding officer. We confirmed that staff are being trained to provide service cover.
7. Processes and controls in the Council Tax and Business Rates systems are operating well and we have raised no formal issues. Reconciliation between the Valuation Office and Council Tax data ensures that all properties are identified, with prompt billing and recovery action to ensure that revenues are maximised.

8. Housing Benefits and Council Tax Reductions continue to operate well with good processes. Better data matching information means higher volumes of overpayments are being identified, which has resulted in Civica falling short of the agreed performance targets for overpayment collection. The Contract & Performance Manager and Operations Board is monitoring the situation closely.
9. Risk Based Verification is built into the benefits IT system and applies a risk score to each claim based on set criteria for each claimant. Sample testing by the system supplier confirms the effectiveness of this system. We note that the Risk Based Verification Policy needs updating to reflect the partnership arrangements now in place.
10. Sundry Debtors processes invoices promptly; however, there are still instances of invoices being raised for small values (less than £25) contrary to advice as it is deemed uneconomical to pursue. We accept that certain situations need invoices to be raised for values under £25; however, further work is needed to investigate the potential for services to invoice more efficiently, e.g. by consolidating several small invoices into one.
11. Debt recovery processes are adequate as are those for credit notes and write-offs. The number of debtors with credit balances has reduced significantly since we highlighted this issue last year.
12. Considerable effort has been made to address the issues outstanding from our previous reviews with three now outstanding.
13. Based on the scope of our review and the results of our testing, we give a **high** assurance overall as governance and controls are sufficient to manage key risks and service objectives are being met.

Settlement Agreements – January 2018

14. The process for managing settlement agreements in the Council has strengthened significantly since the introduction of the revised process in November 2016. We are satisfied that in all cases reviewed, there was a reasonable justification for the decision to settle, and the associated payment was in line with policy and not excessive.

Medium Assurance	
2	Moderate Risks/Issues
0	Major Risks/Issues
0	Critical Risks/Issues

15. We are satisfied that this process is now more embedded, with services clearer on their responsibilities and what is required of them, in particular the need for early consultation with relevant departments such as HR, Finance and Legal. However there are still some weaknesses in the controls around authorisation and document retention of settlement cases. Weaknesses in these areas could result in unauthorised settlement agreements being reached, as well as potential harm to any case brought against the Council as a result of loss of key documentation. Both increase the financial risk to the Council as well as potential damage to its reputation:

- While we have no concerns with the legitimacy of any of the agreements reviewed as part of our testing, there were inconsistencies in the authorisation of some i.e. we could not find evidence that all required signatories had authorised the agreement.
- Further, improvements are needed in the general housekeeping and document retention of relevant case files. While we were able to locate all documentation needed for our review, we found case files were often split between departments, documents duplicated and no central record held.

16. Despite raising two moderate risk issues, the results of our review are positive as we note a significant improvement in the process for managing settlement agreements, therefore we are able to provide a **medium assurance** rating overall.

Summary of outstanding issues from Internal Audit reports

Audit Report	No. of Actions in the Audit Action Plan									Next IA F/up	Comments
	Actions Due			Actions Complete			Actions Outstanding				
Community Support Services											
Paris Financials	0	2	5	0	0	1	0	2	4	Mar 18	•3 follow ups carried out
Cefndy Healthcare	0	0	7	0	0	7	0	0	0	N/a	•Now complete
Payments to External Providers	0	0	2	0	0	2	0	0	0	N/a	•Now complete
POVA	0	0	7	0	0	6	0	0	1	Mar 18	•2 follow ups carried out
Education & Children's Services											
Governance in Schools	0	0	19	0	0	15	0	0	4	Jan 18	•3 rd follow up in progress
Ysgol Mair RC	0	2	20	0	2	20	0	0	0	N/a	•Now complete
IT & IM Management in Schools	0	0	17	0	0	8	0	0	9	Sep 17	•2 nd follow up in progress
Management of Voluntary School Funds	0	0	8	0	0	0	0	0	8	Sep 17	•1 st follow up in progress
Facilities, Assets & Housing											
Housing Rents	0	0	5	0	0	4	0	0	1	Jun 18	•4 follow ups carried out
Housing Allocations & Voids	0	0	5	0	0	4	0	0	1	Mar 17	•2 follow ups carried out
Industrial Estates	0	0	2	0	0	1	0	0	1	Feb 18	•4 th follow up in progress
Review of On-site Income & Security at Leisure Sites	0	0	9	0	0	9	0	0	0	N/a	•Now complete
Ruthin Craft Centre	0	0	4	0	0	4	0	0	0	N/a	•Now complete
Rhyl Harbour - Review of Operational Management	0	0	4	0	0	4	0	0	0	N/a	•Now complete
Finance											

Revenues Services - in Partnership with Civica	0	0	16	0	0	13	0	0	3	N/a	•Follow up reported as part of 2017/18 audit
Financial services	0	2	8	0	0	5	0	2	3	N/a	•Follow up being reported as part of 2017/18 audit
Highways & Environmental Services											
Street Works	0	0	5	0	0	3	0	0	2	Mar 18	•4 follow ups carried out
Corporate Fleet Management	0	7	12	0	7	11	0	0	1	Jan 18	•3 follow ups carried out
Passenger Transport	0	0	5	0	0	4	0	0	1	Jan 18	•2 follow ups carried out
Legal, HR & Democratic Services											
HR Management in Schools	0	1	5	0	0	4	0	1	1	Feb 18	•2 follow ups carried out
Management & Administration of Legal Services	0	5	7	0	5	7	0	0	0	N/a	•Now complete
Planning & Public Protection											
Community Enforcement	0	0	9	0	0	9	0	0	0	N/a	•Now complete
Housing Enforcement	0	0	2	0	0	1	0	0	1	Mar 18	•2 follow ups carried out
Parking Services	0	0	13	0	0	13	0	0	0	N/a	•Now complete
Corporate Reviews											
Corporate Procurement	0	0	5	0	0	1	0	0	4	Mar 18	•1 follow up carried out
Developing the Local Economy	0	1	2	0	0	2	0	1	0	Jan 18	•1 follow up carried out
IT Access Management	0	2	8	0	1	3	0	1	5	Feb 18	•4 follow ups carried out
Physical Security of information	0	3	3	0	1	2	0	2	1	Apr 17	•2 nd follow up in progress
Sickness Absence	0	0	9	0	0	9	0	0	0	N/a	•Now complete
Corporate Safeguarding	0	0	19	0	0	18	0	0	1	N/a	•1 outstanding issue transferred to procurement follow up

Modernising the Council	0	0	2	0	0	0	0	0	2	May 18	• 1 follow up carried out
-------------------------	---	---	---	---	---	---	---	---	---	--------	---------------------------

Progress in delivering the Internal Audit Assurance 2017-18

17. The following table shows a summary of Internal Audit's work to date for this year. As the new Internal Audit Strategy has an 'organic' plan, this table will be added to during the year as more projects commence.
18. Where projects have been completed since 1 April 2017, the table provides assurance ratings and number of issues raised for the completed reviews.
19. The following projects have not yet commenced but are scheduled for the coming months:
- Catering;
 - Project Management:
 - Denbigh Extra Care Housing Scheme;
 - Ruthin Town: Glasdir Development – Relocation of Ysgol Pen Barras & Rhos Street School;
 - Ruthin Area Review – New Area School for Ysgol Carreg Emlyn;
 - Risk Management;
 - Health & Safety in Schools;
 - Business Continuity Management.

Internal Audit Assurance Plan Areas of Work	2017-18 Days to Date	Likely Outturn Days	Current Status of Work	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
2017-18 Projects								
Corporate document retention	31	31	Complete	Low	0	3	1	
Modernising the Council to deliver efficiencies and improve services for our customers	44	44	Complete	Medium	0	0	2	
Highways asset management – Improving our roads	10	10	Complete	Medium	0	0	2	
AONB Grant	2	2	Complete	n/a				Certification of grant – no report issued
Welsh Government Grants	12	12	Complete	n/a				Certification of grant – no report issued
ALN & Inclusion / Recoupment & Out of County Placement / Special Education	8	40	On hold until end February 2018					Head of Service request to delay start review while the service is undergoing a restructure.
Citizens Advice Bureau – Governance Arrangements	16	16	Complete	High	0	0	1	
Corporate Communications	24	24	Complete	Medium	0	0	3	

Internal Audit Assurance Plan Areas of Work	2017-18 Days to Date	Likely Outturn Days	Current Status of Work	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
Revenues Services: <ul style="list-style-type: none"> Partnership Governance Council Tax & Business Rates Housing Benefits & Council Tax Reductions Sundry Debtors 	80	80	Complete	High	0	0	0	
Settlement Agreements	25	25	Complete	Medium	0	0	2	
Procurement	36	40	Draft					Joint audit with Flintshire County Council of the shared service
Travel and Subsistence	17	20	Draft					
Financial Services 2017/18: <ul style="list-style-type: none"> Accounts Payable Payroll BACS Controls Accounting Systems Treasury Management Bank Reconciliation 	67	70	Closing meeting					
Registrars	14	25	Fieldwork					Initial investigation concluded. Further work planned in Q4
Court of protection	6	15	Fieldwork					

Internal Audit Assurance Plan Areas of Work	2017-18 Days to Date	Likely Outturn Days	Current Status of Work	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
CCTV Partnership	15	18	Fieldwork					Nearing completion
Public Conveniences	17	20	Draft					
Catering	0	15	Scoping					
Project Management	1	10	Scoping					
Risk Management	0	10	Scoping					
Health & Safety in Schools	1	10	Scoping					
Business Continuity Management	1	10	Scoping					
Projects Brought Forward from 2016-17								
Corporate risk management assurance	6	6	Complete	High	0	0	0	
Financial assurance 2016-17	34	34	Complete	Medium	0	0	5	
Petty cash review	38	38	Complete	Medium	0	0	3	
Fraud & Corruption Work								
National Fraud Initiative	41	50	In progress					
Managing the Risk of Fraud & Corruption Phase 1	10	10	Complete	Medium	0	0	2	
Managing the Risk of Fraud & Corruption Phase 2	11	13	Closing meeting					

Internal Audit Assurance Plan Areas of Work	2017-18 Days to Date	Likely Outturn Days	Current Status of Work	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
General fraud enquiries and counter fraud work	17	20	In progress					
Follow-up Reviews								
IA project follow-ups	102	120	In progress					
Management of follow-ups	6	8						
Other Areas of Work								
School Fund admin & audits	29	35	In progress					
Corporate Governance Framework 2017-18	1	10	In progress					
Corporate working groups	8	10	In progress					
Consultancy & corporate areas	27	40	In progress					
IA Support & Management								
Team Meetings / 1:1s	40	45						
Management	59	70						
Training & development	39	40						
Total Days	895	1096						

Progress with Counter Fraud Work

Referrals 2017/18

Date Referred	Investigation Details	Outcome
April 2017	Anonymous complaint from a previous employee claiming that a member of staff is making personal gain from an arrangement with a Council contractor.	Allegation not proven.
June 2017	Concern raised about the management of School Fund.	Nothing proven. School Fund guidance being finalised to stipulate key controls for managing the funds.
July 2017	Referral was received concerning a member of staff attempting to obtain reimbursement from school funds by deception.	Ongoing – with HR.
July 2017	A referral was received concerning a member of staff overcharging for a service and potential that they were keeping the difference.	Internal disciplinary proceeding and non-compliance proven. Member of staff resigned and recommendations have been made to strengthen controls.
September 2017	Solicitor attended a deceased client's property to take possession and found the property empty. Concern raised regarding who emptied the property.	Ongoing.
October 2017	NFI match showing a member of staff with the same address as a business. Potential conflict of interest in awarding work.	Ongoing

20. Other counter fraud work carried out during 2017/18 includes:

- Providing advice on counter-fraud to officers on request;
- Co-ordinating the National Fraud Initiative (NFI) data matching exercise;
- Involvement with the Welsh Chief Auditor's Group to share learning regarding potential vulnerabilities and control weaknesses; and
- Ongoing audit review using the CIPFA Code of Practice for Managing the Risk of Fraud and Corruption.

Internal Audit performance standards

21. Internal Audit measures its performance in two key areas:

- Follow-up audit work – Two measures to ensure that Internal Audit carries out its follow-up work promptly and that services implement agreed improvement actions.
- Customer Standards – A range of indicators to ensure that Internal Audit delivers a good service to its customers.

22. The table below shows Internal Audit's performance to date for 2017/18.

Internal Audit commences follow-up reviews in the planned month

Targets – Excellent 100% – Good 90% – Acceptable 80%

Current performance 100%

Services have implemented agreed improvement actions from Internal audit reviews

Targets – Excellent 75% – Good 70% – Acceptable 65%

Current performance 75% – Performance will be cumulative during the year and should improve as the year goes on.

Contact customers at least 2 weeks in advance to arrange a date for our visit

Targets – Excellent 99% – Good 95% – Acceptable 90%

Current performance 100 %

Send customers the agreed Project Scoping Document before we commence work

Targets – Excellent 99% – Good 95% – Acceptable 90%

Current performance 100 %

Send the customer a draft report within 10 working days of the closing meeting

Targets – Excellent 99% – Good 95% – Acceptable 90%

Current performance 100%

Send the customer our final audit report within 5 working days of draft agreement

Targets – Excellent 99% – Good 95% – Acceptable 90%

Current performance 90% – Due to lead auditor sickness absence, one report was sent 8 working days after draft agreement.

This page is intentionally left blank

Report To:	Corporate Governance Committee
Date of Meeting:	07 February 2018
Lead Member / Officer:	Cllr Julian Thompson-Hill
Report Author:	Chief Finance Officer
Title:	1. Treasury Management Strategy Statement (TMSS) 2018/19 and Prudential Indicators 2018/19 to 2020/21 (Appendix 1) 2. Treasury Management (TM) Update Report 2017/18 (Appendix 2)

1 What is the report about?

- 1.1 The TMSS (Appendix 1) shows how the Council will manage its investments and its borrowing for the coming year and sets the policies within which the TM function operates. The report also outlines the likely impact of the Capital Plan on this strategy and on the Prudential Indicators. The TM Update Report (Appendix 2) provides details of the Council's TM activities during 2017/18.
- 1.2 It should be noted that the figures contained in the TMSS are draft and may be updated prior to approval by Council based on the latest Capital Plan and Housing Stock Business Plan in February 2018.

2 What is the reason for making this report?

- 2.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (the "CIPFA TM Code") requires the Council to approve the TMSS and Prudential Indicators annually. The Corporate Governance Committee is required to review this report before it is approved by Council on 20 February 2018. Furthermore, part of the Committee's role is to receive an update on the TM activities twice a year.

3 What are the Recommendations?

- 3.1 That the Committee reviews the TMSS for 2018/19 and the Prudential Indicators for 2018/19, 2019/20 and 2020/21 (Appendix 1).
- 3.2 That members note the TM update report (Appendix 2).
- 3.3 That the Committee confirms that it has read, understood and taken account of the Well-being Impact Assessment (Appendix 3) as part of its consideration.

4 Report details

Background

- 4.1 TM involves looking after the Council's cash which is a vital part of the Council's work because approximately £0.5bn passes through the Council's bank account every year.
- 4.2 At any one time, the Council has up to £20m in cash so it needs to make sure that the best rate of return possible is achieved without putting the cash at risk which is why money is invested with a number of financial institutions.

When investing, the Council's priorities are to:

- keep money safe (security);
- make sure that the money comes back when it is needed (liquidity);
- make sure a decent rate of return is achieved (yield).

TMSS 2018/19

- 4.3 The TMSS for 2018/19 is set out in Appendix 1. This report includes Prudential Indicators which set limits on the Council's TM activity and demonstrate that the Council's borrowing is affordable.

Prudential Indicators

- 4.4 The Council Fund indicators are based on the latest proposed capital bids and block allocations and these will be updated to include latest estimates for the cost of commitments for the new Corporate Plan before the report is submitted to Council for approval on 20 February 2018.
- 4.5 The Housing Revenue Account indicators have been calculated based on the latest estimates from the Housing Stock Business Plan but may be revised before the report is submitted to Council once the final Housing Stock Business Plan has been agreed.
- 4.6 The individual Prudential Indicators recommended for approval are set out in Appendix 1 Annex A.

5 How does the decision contribute to the Corporate Priorities?

- 5.1 An efficient TM strategy allows the Council to minimise its borrowing costs and release funding for its investment priorities.

6 What will it cost and how will it affect other services?

- 6.1 There are no cost implications arising as a result of the setting of Prudential Indicators. The point of the TM Strategy is to obtain the best return within a properly managed risk framework.

7 What are the main conclusions of the Wellbeing Impact Assessment?

- 7.1 Financial planning and decision making should ensure that proper regard is given to the requirements of the Wellbeing of Future Generations Act and in particular, proper consideration of the long term impact of financial decisions, including the payback period and whole life costs of capital investment decisions, properly impact assessed budget proposals and long term debt and investment (treasury management) strategies. The principles of prudence, affordability and sustainability are already enshrined within the requirements of the Prudential Code and should underpin financial planning and decision making.
- 7.2 In the context of treasury management, the existing requirements to assess and report on the long term financial consequences of investment and borrowing decisions using prudential indicators and long-term debt planning support the sustainability goals of the Wellbeing Act.
- 7.3 The Wellbeing Impact Assessment report is included in Appendix 3 which shows how an efficient Treasury Management strategy promotes the wellbeing goals of the Act.

8 What consultations have been carried out with Scrutiny and others?

- 8.1 The Council's Capital Plan and Revenue Budget have been prepared in consultation with Heads of Service, Corporate Directors, Scrutiny Committees, Cabinet and Council.
- 8.2 The Housing Stock Business Plan, revenue and capital budgets will be presented to members. Denbighshire Tenants and Residents Federation will also be consulted on the proposals.
- 8.3 The Council has consulted with its TM consultants, Arlingclose Ltd.

9 Chief Finance Officer Statement

- 9.1 TM involves looking after significant sums of cash so it is a vital part of the Council's work. It requires a sound strategy and appropriate controls to safeguard the Council's money, to ensure that reasonable returns on investments are achieved and that debt is effectively and prudently managed.
- 9.2 Council adopted the revised CIPFA Code of Practice on TM (Nov 11) at its meeting on 28 February 2012. It is a requirement of that Code for Council to approve a TMSS each financial year. CIPFA published its new 2017 edition of the Code at the end of 2017 but updated sector specific guidance notes, which include the Treasury Management indicators for local authorities, have yet to be published.

10 What risks are there and is there anything we can do to reduce them?

10.1 There are inherent risks involved in any TM activity as outlined in the Strategy Statement. The Council has a risk management policy but it is impossible to eliminate these risks completely.

11 Power to make the Decision

11.1 The Local Government Act 2003 determines the requirement for local authorities to set Prudential Indicators and requires the Council to comply with the Prudential Code of Capital Finance for Local Authorities that has been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Denbighshire County Council

**Treasury Management Strategy Statement
and Investment Strategy 2018/19 to 2020/21**

Contents

- 1. Background**
- 2. Treasury Position**
- 3. Investment Strategy**
- 4. Borrowing Strategy**
- 5. Debt Rescheduling**
- 6. MRP Statement 2018/19**
- 7. Reporting Treasury Management Activity**
- 8. Other Items**

Annexes

- A. Prudential Indicators**
- B. Interest Rate Outlook**
- C. Glossary**

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

1 Background

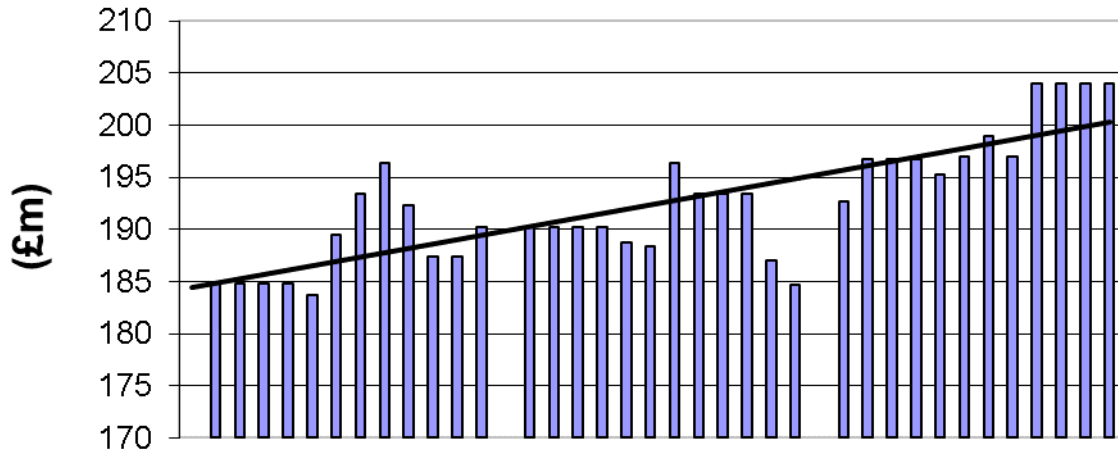
- 1.1 The Council is responsible for its Treasury Management decisions and activity which involves looking after the Council's cash. This is a vital part of the Council's work because approximately £0.5bn passes through the Council's bank account every year.
- 1.2 On 28 February 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy statement (TMSS) before the start of each financial year. CIPFA published its new 2017 edition of the Code at the end of 2017 but updated sector specific guidance notes, which include the Treasury Management indicators for local authorities, have yet to be published.
- 1.3 In addition, the Welsh Government (WG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.
- 1.4 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.
- 1.5 The purpose of the TMSS is to set the:
 - Treasury Management Strategy for 2018/19
 - Annual Investment Strategy for 2018/19
 - Prudential Indicators for 2018/19, 2019/20 and 2020/21 (Annex A)
 - Minimum Revenue Provision (MRP) Statement

2 Treasury Position

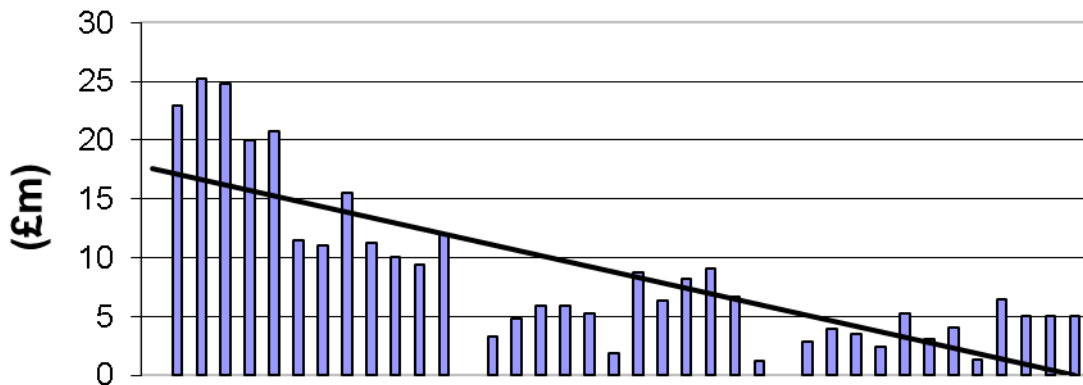
- 2.1 The levels of the Council's borrowing and investment balances over the last three years are shown in the graphs below. The first chart shows the Council's borrowing has increased over this period because the Council has been borrowing to fund its capital plan either from the Public Works Loan Board (PWLB) or on a temporary basis from other local authorities. The second chart shows a decrease in the amount of money which is available for investment because the Council has been maintaining a minimal amount of investment balances only to meet monthly cash flow requirements.

**Treasury Management Strategy Statement
and Investment Strategy 2018/19 to 2020/21**

Borrowing Balances (2015/16 - 2017/18)



Investment Balances (£m) (2015/16 - 2017/18)



3 Investment Strategy

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

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

- 3.2 Given the increasing risk and very low returns from short-term unsecured bank investments, the Council will continue to hold a minimal amount of investments for short-term cash flow purposes and will continue to place a far greater emphasis on investing with the UK Government's Debt Management Office and other local authorities in order to minimise these risks.
- 3.3 The Authority may invest its surplus funds with any of the counterparty types in table 1 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 1: Approved Investment Counterparties and Limits

Credit Rating	Banks / Building Societies Unsecured	Banks / Building Societies Secured	Government / Local Authorities	Corporates	Registered Providers
UK Govt	n/a	n/a	£Unlimited 50 years	n/a	n/a
AAA	£5m 5 years	£10m 20 years	£8m 50 years	£5m 20 years	£5m 20 years
AA+	£5m 5 years	£10m 10 years	£8m 25 years	£5m 10 years	£5m 10 years
AA	£5m 4 years	£10m 5 years	£8m 15 years	£5m 5 years	£5m 10 years
AA-	£5m 3 years	£10m 4 years	£8m 10 years	£5m 4 years	£5m 10 years
A+	£5m 2 years	£10m 3 years	£8m 5 years	£5m 3 years	£5m 5 years
A	£5m 13 months	£10m 2 years	£8m 5 years	£5m 2 years	£5m 5 years
A-	£5m 6 months	£10m 13 months	£8m 5 years	£5m 13 months	£5m 5 years
BBB+	£5m 100 days	£10m 6 months	£8m 2 years	£5m 6 months	£5m 2 years
None	£1m 6 months	n/a	£8m 25 years	£5m 5 years	£5m 5 years
Pooled funds	£8m per fund				

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

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

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

Banks Secured: Covered bonds, reverse repurchase agreements (REPOs) and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in.

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

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Welsh Government and, as providers of public services, they retain the likelihood of receiving government support if needed.

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

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

- 3.4 Natwest is the Council's banker and will continue to be used for operational and liquidity purposes by transferring cash in and out of the instant access account as required even if its credit rating falls below those shown in the table above.
- 3.5 For a group of banks under the same ownership, the banking group limit is equal to the individual bank limit.
- 3.6 Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 3.7 The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices (the cost of banks insuring themselves against default), financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 3.8 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

The reduction in investment income which the Council has suffered over the last nine years due to the historically low level of the official bank rate and the minimal amount of cash held is illustrated in Table 2 below:

**Treasury Management Strategy Statement
and Investment Strategy 2018/19 to 2020/21**

Table 2: Investment Income

2008/09 Interest £000	2009/10 Interest £000	2010/11 Interest £000	2011/12 Interest £000	2012/13 Interest £000	2013/14 Interest £000	2014/15 Interest £000	2015/16 Interest £000	2016/17 Interest £000
2,219	635	398	408	239	265	230	108	32

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

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

The Authority defines “high credit quality” organisations 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.

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

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£10m
Total invested in Money Market Funds	£10m
Total invested in other pooled funds	£10m
Total investments without credit ratings or rated below A- (except the UK government and UK local authorities)	£10m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£10m
Total non-specified investments	£50m

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

- 3.11 **Non-Treasury Investments:** Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the WG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes.

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

4 Borrowing Strategy

- 4.1 Borrowing strategies continue to be influenced by the relationship between investment and borrowing rates. The interest rate forecast provided in **Annex B** indicates that an acute difference between investment and borrowing rates is expected to continue. This difference creates a "cost of carry" for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment.
- 4.2 In view of this, the strategy which has been in place for some time now has been to reduce investment balances and rely on internal borrowing as much as possible instead of external borrowing from the Public Works Loan Board (PWLB).
- 4.3 The Council has been accessing temporary borrowing from other local authorities at very low rates to cover short term cash flow requirements and will continue to do so as this is a good source of readily available cash at historically low rates varying between 0.3% and 0.5%. At the same time, the Council will also continue to monitor its cash position and interest rate levels to ensure that long term borrowing from the PWLB is undertaken at the optimal time to fund on-going Capital commitments.
- 4.4 While the Council can borrow from a number of banks, it normally only borrows long term from the PWLB which is a Government body that lends to public sector organisations.

The approved sources of borrowing are listed below:

- PWLB and any successor body
- any institution approved for investments
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Clwyd Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

5 Debt Rescheduling

- 5.1 The Council is able to pay off loans earlier than it has to and to replace them with cheaper loans in order to save money or to reduce the risk to the Council. Sometimes, these loans will be replaced and sometimes not, depending on market conditions and interest rates.
- 5.2 The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt rescheduling although occasional opportunities arise. A weekly update on this is received from the Council's treasury management advisers so the position is kept under review.

6 Minimum Revenue Provision (MRP) Statement

- 6.1 The Council's MRP policy was reviewed during 2017/18 to explore potential savings options and the changes have been implemented from 2017/18. The revised MRP policy was agreed by Council on 17 October 2017.
- 6.2 The Council sets aside money each year to repay debt and this is known as the Minimum Revenue Provision (MRP).
- 6.3 There are four different methods of calculating MRP and the Council needs to say each year which methods it will use. This is known as the MRP Statement.
- 6.4 The MRP Statement is submitted to Council before the start of each financial year. If the terms of the original MRP Statement are revised again during the year, a revised statement will be put to Council at that time.

6.5 MRP Statement

The Council will apply the Asset Life Method to calculate MRP on outstanding supported borrowing incurred up to 31 March 2017 using a straight line calculation over 50 years. This represents a change from the Regulatory Method which had been applied previously.

The Council will apply the Asset Life Method to calculate MRP on supported borrowing incurred on or after 1 April 2017 using a straight line calculation over an appropriate number of years, dependent on the period of time that the capital expenditure is likely to generate benefits. This also represents a change from the Regulatory Method which had been applied previously.

The Council will apply the Asset Life Method to calculate MRP on all capital expenditure funded from unsupported borrowing. This represents a continuation of the previous policy.

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

- 6.6 Adopting International Financial Reporting Standards (IFRS) has resulted in leases coming on the balance sheet. This affects how much it appears the Council has borrowed but this is effectively covered by grant payments. MRP in respect of leases brought on the balance sheet under IFRS will match the annual principal repayment for the associated deferred liability. This is a technical accounting adjustment which is cost neutral for the Council.
- 6.7 MRP on housing assets funded through Prudential Borrowing is charged at 5% of the HRA's CFR. MRP on all other items such as new builds are charged at 2% of the HRA's CFR.

7 Reporting Treasury Management Activity

- 7.1 The Section 151 Officer (Chief Finance Officer) will report to the Corporate Governance Committee on treasury management activity / performance as follows:
- (a) The Treasury Management Strategy Statement and Prudential Indicators will be submitted to the committee in January each year prior to approval by Council.
 - (b) Two treasury management updates will be submitted to the committee in January and July each year.
 - (c) An annual report on treasury activity will be submitted to the committee in July each year for the preceding year prior to approval by Cabinet.
- A treasury update showing the latest investment and borrowing position will be included in the monthly Revenue Monitoring report and borrowing will also be reported on in the Capital Plan to Council.

8 Other items

8.1 Investment Training

8.1.1 Member Training

The CIPFA Code of Practice on Treasury Management requires the Section 151 Officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, understand fully their roles and responsibilities.

The Council has nominated the Corporate Governance Committee as the committee which has responsibility for scrutiny of the treasury management function.

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

8.1.2 Staff Training

Staff attend training courses, seminars and conferences provided by Arlingclose and CIPFA. There is a team of three members of staff who cover TM duties on a rota basis to ensure that their knowledge is kept up to date. These members of staff are also members of professional accountancy bodies including the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Accounting Technicians (AAT).

8.2 Treasury Management Advisers

The Council uses Arlingclose Ltd as Treasury Management Advisers and receives the following services:

- Credit advice
- Investment advice
- Borrowing advice
- Technical accounting advice
- Economic & interest rate forecasts
- Workshops and training events

The Council maintains the quality of the service with its advisers by holding quarterly strategy meetings and tendering every 5 years. Following a tendering exercise, the contract was renewed with Arlingclose from 01 January 2014 for three years with an option to extend for a further two year period. The Council reviewed the contract at the end of 2016 and decided to continue for a further two year period which means that the contract is due to be renewed at the end of 2018.

8.3 Markets in Financial Instruments Directive (MIFID)

8.3.1 The way that local authorities can access financial services changed in January 2018 as a result of the second Markets in Financial Instruments Directive (MIFID) from the EU. Under the new regulations, local authorities can only continue to be classed as professional clients if they have at least a £10m investment balance and staff with relevant experience. Local authorities not meeting the criteria are reclassified as retail clients. Retail clients have greater protection when placing investments because there is a requirement for firms to ensure that investments are suitable for the client. Professional clients are assumed to have greater knowledge and therefore need less protection.

8.3.2 The Council is not in a position to be classed as a professional client because it does not have an investment balance which is consistently above £10m so it is classified as a retail client. In practice, this does not have an impact on the Council's treasury management activities which consist of cash deposits or loans which are outside the scope of MIFID. The Council's investment advisers, Arlingclose, will continue to advise retail

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

clients as they have a retail adviser who is able to advise on any investment products which come under the scope of MIFID such as shares and bonds.

8.4 Investment of Money Borrowed in Advance of Need

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

The total amount borrowed will not exceed the authorised borrowing limit of £250 million. The maximum period between borrowing and expenditure is expected to be three years, although the Authority is not required to link particular loans with particular items of expenditure.

8.5 Policy on Use of Financial Derivatives

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

**Treasury Management Strategy Statement
and Investment Strategy 2018/19 to 2020/21**

ANNEX A

PRUDENTIAL INDICATORS 2018/19 TO 2019/20

1 Background

1.1 The indicators are calculated to demonstrate that the Council’s borrowing is affordable and are underpinned by the following regulations. There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA’s Prudential Code for Capital Finance in Local Authorities (the “CIPFA Prudential Code”) when setting and reviewing their Prudential Indicators.

2 Gross Debt and the Capital Financing Requirement

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

2.2 The Section 151 Officer reports that the Council had no difficulty meeting this requirement in 2017/18 to date nor are there any difficulties envisaged in future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3 Estimates of Capital Expenditure

3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

Capital Expenditure	2017/18 Approved £000	2017/18 Revised £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Council Fund	8,153	22,573	22,312	6,005	5,834
Corporate Plan (2014-17)	22,324	18,453	24,904	12,903	1,560
HRA	10,058	11,045	10,233	13,883	13,772
Total	40,535	52,071	57,449	32,791	21,166

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

3.2 Capital expenditure will be financed as follows:

Capital Financing	2017/18 Approved £000	2017/18 Revised £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Council Fund					
Capital Receipts	650	4,123	866		
Grants & Contributions	1,943	6,293	4,638	1,829	1,829
Revenue Contributions & Reserves	148	2,369	2,211		
Supported Borrowing	3,866	1,657	5,543	3,005	3,005
Prudential Borrowing	1,546	8,131	9,054	1,171	1,000
	8,153	22,573	22,312	6,005	5,834
Corporate Plan (2014-17)					
Capital Receipts	0	197	41	0	0
Grants & Contributions	7,916	10,326	4,960	303	0
Revenue Contributions & Reserves	2,991	4,201	2,837	2,105	0
Supported Borrowing	0	33	0	0	0
Prudential Borrowing	11,417	3,696	17,066	10,495	1,560
	22,324	18,453	24,904	12,903	1,560
Total	30,477	41,026	47,216	18,908	7,394
HRA					
Capital Receipts	20	126	0	1,100	0
Grants & Contributions	2,420	2,409	2,409	2,409	2,409
Revenue Contributions & Reserves	1,710	1,710	2,050	1,436	884
Supported Borrowing	0	0	0	0	0
Prudential Borrowing	5,908	6,800	5,774	8,938	10,479
Total	10,058	11,045	10,233	13,883	13,772

4 Ratio of Financing Costs to Net Revenue Stream

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. It shows how much of its budget the Council uses to repay debt and interest.

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

4.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2017/18 Approved £000	2017/18 Revised £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Financing Costs	12,864	12,962	11,005	10,995	10,995
Net Revenue Stream	189,252	189,252	194,418	193,370	191,343
Council Fund Ratio	6.80%	6.85%	5.66%	5.69%	5.75%
Financing Costs	6,602	6,261	6,757	7,250	8,002
Net Revenue Stream	14,864	14,566	15,535	16,532	17,022
HRA Ratio	44.42%	42.98%	43.50%	43.85%	47.01%

5 Capital Financing Requirement

5.1 The Capital Plan relies on various sources of finance i.e. grants, contributions and capital receipts. Once these are used up, the Council needs to rely on borrowing and the Capital Financing Requirement (CFR) is the amount of borrowing which is needed. Total borrowing shouldn't therefore go above the CFR. The Council's CFR and borrowing levels are compared in the table below for the current and future years.

Capital Financing Requirement	31/03/18 Approved £000	31/03/18 Revised £000	31/03/19 Estimate £000	31/03/20 Estimate £000	31/03/21 Estimate £000
Council Fund	186,054	181,333	207,549	215,528	215,921
HRA	74,215	71,769	75,570	78,966	82,363
Total CFR	260,269	253,102	283,119	294,494	298,284
Total Debt	205,192	205,192	220,802	231,430	237,839

6 Incremental Impact of Capital Investment Decisions

6.1 This indicator shows the equivalent impact on Council Tax of the decision to undertake Prudential Borrowing as well as the investment interest lost by using capital receipts and reserves to part fund the Capital Plan. The impact of supported borrowing has not been included because it is assumed that the Council would always spend its supported borrowing to fund its Capital Plan.

**Treasury Management Strategy Statement
and Investment Strategy 2018/19 to 2020/21**

Incremental Impact of Capital Investment Decisions	2017/18 Approved £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £
Increase in Band D Council Tax due to:				
Prudential Borrowing	5.37	6.66	2.57	2.57
Capital Receipts	0.00	0.00	0.00	0.00
Reserves	0.61	0.44	0.00	0.00
Total	5.98	7.10	2.57	2.57

7 Authorised Limit & Operational Boundary for External Debt

7.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

7.2 The **Authorised Limit** sets the maximum level of external borrowing. It is measured on a daily basis against all external borrowing items on the Balance Sheet i.e. long and short term borrowing, overdrawn bank balances and long term liabilities. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices. This is reported as a part of the Capital Monitoring Report.

7.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

7.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit) and if it is breached, it would be reported to the next Council meeting.

Authorised Limit for External Debt	2017/18 Approved £000	2017/18 Revised £000	2018/19 Proposed £000	2019/20 Proposed £000	2020/21 Proposed £000
Borrowing	250,000	240,000	250,000	260,000	260,000

7.5 The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

Operational Boundary for External Debt	2017/18 Approved £000	2017/18 Revised £000	2018/19 Proposed £000	2019/20 Proposed £000	2020/21 Proposed £000
Borrowing	245,000	235,000	245,000	255,000	255,000

8 Adoption of the CIPFA Treasury Management Code

- 8.1 This indicator demonstrates that the Council has adopted the principles of best practice. The Council adopted the original Code in March 2002. A revised Code was issued in November 2009 and another in November 2011. One of the recommendations is that the Code is adopted by Council.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the revised CIPFA Treasury Management Code (Nov 2011) at its meeting on 28 February 2012.

9 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- 9.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on a net interest paid basis (i.e. interest paid on fixed rate debt net of interest received on fixed rate investments).
- 9.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

	2017/18 Approved %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	100	100	100
Upper Limit for Variable Rate Exposure	40	40	40	40

- 9.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

10 Maturity Structure of Fixed Rate borrowing

- 10.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

- 10.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Maturity structure of fixed rate borrowing	Actual %	Lower Limit %	Upper Limit %
under 12 months	2.44	0	30
12 months and within 24 months	2.43	0	30
24 months and within 5 years	6.91	0	30
5 years and within 10 years	7.11	0	30
10 years and above	81.11	50	100

11 Credit Risk

- 11.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.
- 11.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.
- 11.3 The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:
- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
 - Sovereign support mechanisms;
 - Credit default swaps (where quoted);
 - Share prices (where available);
 - Economic fundamentals, such as a country's net debt as a percentage of its GDP;
 - Corporate developments, news, articles, markets sentiment and momentum;
 - Subjective overlay.
- 11.4 The only indicators with prescriptive values are credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

**Treasury Management Strategy Statement
and Investment Strategy 2018/19 to 2020/21**

12 Upper Limit for total principal sums invested over 364 days

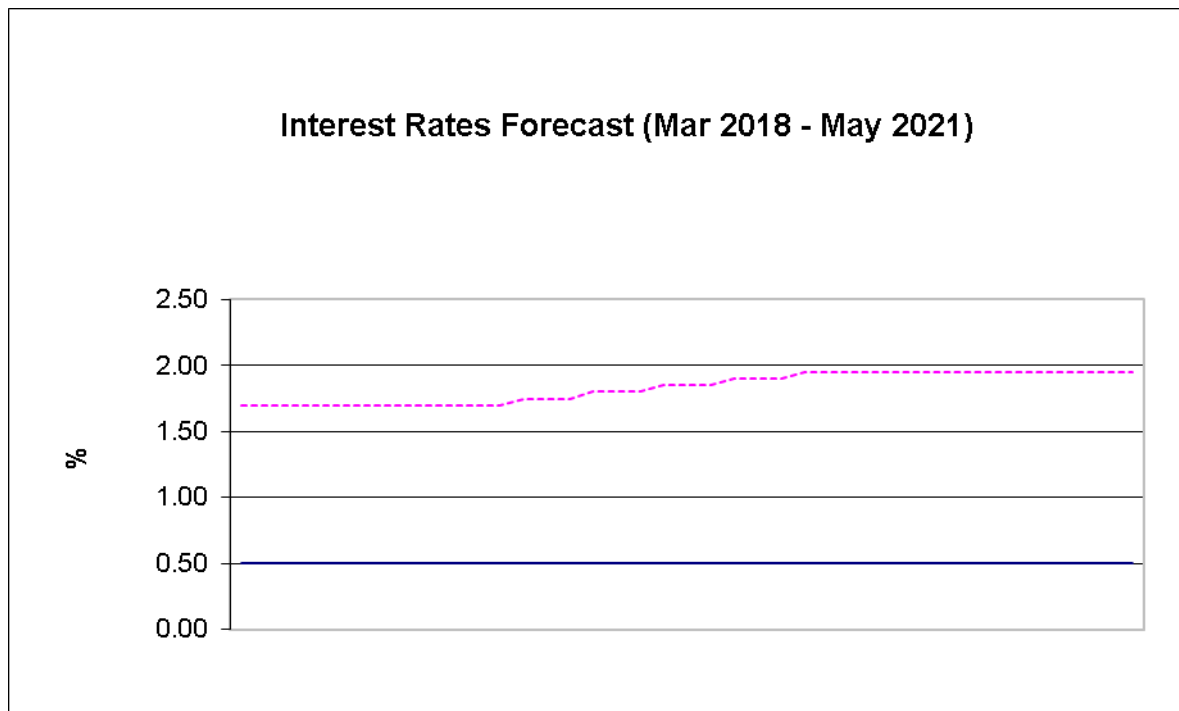
12.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2017/18 Approved £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
	10.00	10.00	10.00	10.00

INTEREST RATES FORECAST

The graph below shows the interest rate forecast for the Official UK Bank Rate and the 50 year GILT rate from March 2018 to May 2021. The Official Bank Rate influences the rate at which the Council can invest. The GILT rate is the rate at which the Government borrows money and therefore this affects the rate at which the Council can borrow from the PWLB which is approximately 1% above GILT rates.

As the graph shows, it's much more expensive to borrow than to invest at the moment with the Official UK Bank Rate expected to remain constant over the period. The graph illustrates that the difference between investment and borrowing rates is approximately 2%. This means that the cost of carry referred to in paragraph 4.1 in **Appendix 1** is approximately £20,000 for every £1m borrowed because the Council could borrow for 50 years at a rate of approximately 2.5% but could only invest at a rate of approximately 0.5%.



—— Official Bank Rate

- - - - 50-yr GILT Rate

**Treasury Management Strategy Statement
and Investment Strategy 2018/19 to 2020/21**

ANNEX C

GLOSSARY - Useful guide to Treasury Management Terms and Acronyms

BANK OF ENGLAND	UK's Central Bank
BANK RATE	Bank of England Interest Rate (also known as Base Rate)
CPI	Consumer Price Index – a measure of the increase in prices
RPI	Retail Price Index – a measure of the increase in prices
DMO	Debt Management Office – issuer of gilts on behalf of HM Treasury
FSA	Financial Services Authority - the UK financial watchdog
GDP	Gross Domestic Product – a measure of financial output of the UK
LIBID	London Interbank Bid Rate - International rate that banks lend to other banks
LIBOR	London Interbank Offer Rate – International rate that banks borrow from other banks (the most widely used benchmark or reference for short term interest rates)
PWLB	Public Works Loan Board – a Government department that lends money to Public Sector Organisations
MPC	Monetary Policy Committee - the committee of the Bank of England that sets the Bank Rate
LONG TERM RATES	More than 12 months duration
SHORT TERM RATES	Less than 12 months duration
BOND (GENERAL)	An investment in which an investor loans money to a public or private company that borrows the funds for a defined period of time at a fixed interest rate
GOVERNMENT BOND	A type of bond issued by a national government generally with a promise to pay periodic interest payments and to repay the face value on the maturity date

Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21

CORPORATE BOND	A type of bond issued by a corporation to raise money in order to expand its business
COVERED BOND	A corporate bond issued by a financial institution but with an extra layer of protection for investors whereby the investor has recourse to a pool of assets that secures or “covers” the bond if the financial institution becomes insolvent
GILT	A bond that is issued by the British government which is classed as a low risk investment as the capital investment is guaranteed by the government
REPO	A repurchase agreement involving the selling of a security (usually bonds or gilts) with the agreement to buy it back at a higher price at a specific future date For the party selling the security (and agreeing to repurchase it in the future) it is a REPO For the party on the other end of the transaction e.g. the local authority (buying the security and agreeing to sell in the future) it is a reverse REPO
FTSE 100	Financial Times Stock Exchange 100 - An index composed of the 100 largest companies listed on the London Stock Exchange which provides a good indication of the performance of major UK companies

Treasury Management (TM) Update Report

1 Changes in the external environment

Economic Outlook

- 1.1 The political backdrop to the UK remains uncertain and fragile as the Brexit negotiations continue ahead of Britain's planned withdrawal from the EU in March 2019. In view of this uncertainty, the Council will continue to take a cautious approach in relation to its investments.

2 Investment Strategy

- 2.1 Conventional bank deposits have become riskier because of a lower likelihood that the UK and other governments will support failing banks. As the Banking Reform Act 2014 was implemented in the UK from January 2015, banks were no longer able to rely on government bail-outs if they got into difficulty. They would be required instead to bail themselves out by taking a proportion of investors' deposits to build up their capital. This new risk has been termed 'bail-in' risk and is potentially a greater risk to investors than the 'bail-out' risk of the past.
- 2.2 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council has only held a minimal amount of investments for short-term cash flow purposes and has placed a far greater emphasis on investing with the UK Government's Debt Management Office and other local authorities in order to minimise these risks.

3 Borrowing Strategy

- 3.1 The Council has reviewed its borrowing strategy and has decided to continue with its strategy of internal borrowing to fund its borrowing requirement. The Council has also decided to continue to undertake temporary borrowing from other local authorities as required to cover short-term cash flow requirements as this is a good source of readily available cash at historically low rates.
- 3.2 The Council will continue to monitor its cash position and interest rate levels to ensure that long term borrowing is undertaken from the PWLB at the optimal time to fund on-going Capital commitments.

4 Controls

4.1 Prudential Indicators

The Council sets prudential indicators which set boundaries within which its treasury management activity operates. The indicators are calculated to demonstrate that the Council's borrowing is affordable and include measures that show the impact of capital and borrowing decisions over the medium term. The Council has remained within all of its borrowing and investment limits for 2017/18 agreed by Council in February 2017. The Council has not deviated from the Capital related indicators either.

4.2 Audit Reviews

Following a positive internal audit review in February 2017, another audit review was undertaken in November 2017 following a decision by Internal Audit to change the timing of the annual audit review of financial systems. The final audit report following this review is awaited

5 Future

5.1 TM Strategy for next six months

As the Corporate Plan is progressing, the Council will continue to review its cash position to ensure that borrowing is undertaken if required. The Council will also monitor market conditions and interest rate levels to ensure that external borrowing is undertaken at the optimal time in line with the TM strategy.

5.2 Reports

The next reports will be the annual TM Review Report 2017/18 and the TM Update Report 2018/19 which will be reported to the Corporate Governance Committee in July.

Treasury Management Strategy Statement 2018/19

Wellbeing Impact Assessment Report

This report summarises the likely impact of a proposal on the social, economic, environmental and cultural well-being of Denbighshire, Wales and the world.

Assessment Number:	148
Brief description:	The Treasury Management strategy for 2018/19
Date Completed:	17/01/2018 10:32:52 Version: 3
Completed by:	Rhys Ifor Jones
Responsible Service:	Finance
Localities affected by the proposal:	Whole County,

IMPACT ASSESSMENT SUMMARY AND CONCLUSION

Before we look in detail at the contribution and impact of the proposal, it is important to consider how the proposal is applying the sustainable development principle. This means that we must act "in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs."

Score for the sustainability of the approach

Could you do more to make your approach more sustainable?

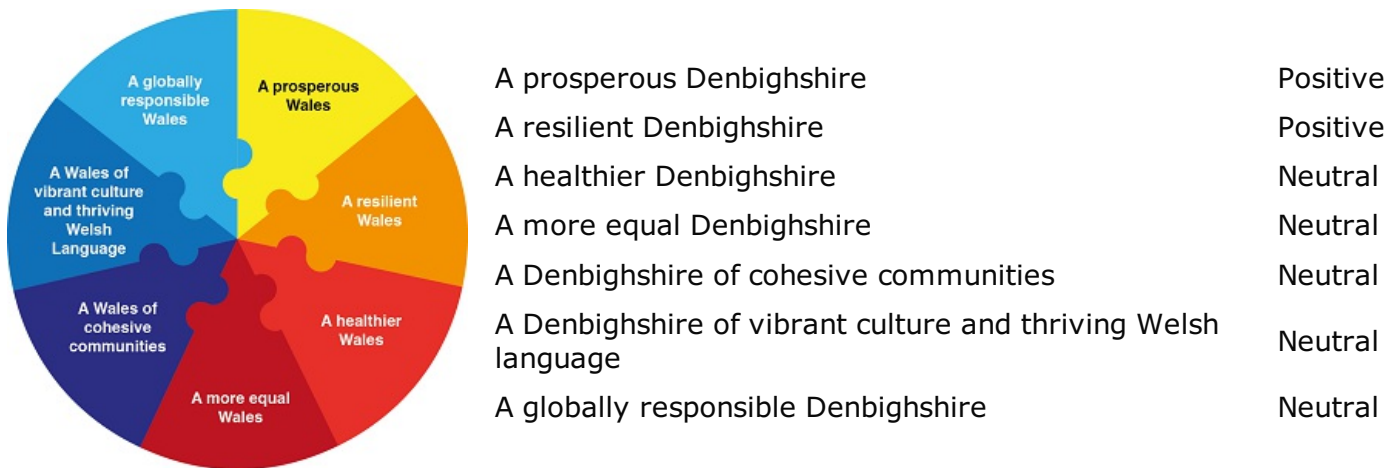


(2 out of 4 stars)

Actual score : 12 / 24.

Summary of impact

Wellbeing Goals



Main conclusions

An effective Treasury Management strategy ensures that the Council's investment and borrowing decisions will contribute towards the goal of maximising income and minimising costs which supports efficient service delivery.

THE LIKELY IMPACT ON DENBIGHSHIRE, WALES AND THE WORLD

A prosperous Denbighshire

Overall Impact	Positive
Justification for impact	An effective Treasury Management strategy ensures that the Council's investment and borrowing decisions will contribute towards the goal of maximising income and minimising costs which supports efficient service delivery.

Positive consequences identified:

The Treasury Management strategy and Prudential Indicators ensure that the Council's cash is safeguarded as much as possible by making investments in banks recommended in the annual strategy statement.

Sound investment and borrowing decisions relating to the Council's cash will maximise the Council's income within the guidelines set in the Treasury Management strategy.

The strategy ensures that the Council's borrowing is monitored and is within set limits and is affordable. It identifies current financing requirements for the Capital Plan and estimates the proposed capital requirements for the next three financial years.

Financial planning and decision making ensures that proper consideration of the long term impact of financial decisions is given, including the payback period and whole life costs of capital investment decisions, properly impact assessed budget proposals and long term debt and investment (treasury management) strategies.

The Prudential Indicators are a statutory requirement which demonstrate the affordability of our plans and contribute towards the overall financial wellbeing of Denbighshire.

Unintended negative consequences identified:

Mitigating actions:

A resilient Denbighshire

Overall Impact	Positive
Justification for impact	A sound Treasury Management strategy ensures that the Council's cash is secure and new borrowing is affordable. It also enables the Council to react quickly to market volatility by continual monitoring of the financial institutions throughout the year.

Positive consequences identified:

Good investment decisions will help the Council to develop more efficient working practices which will use less resources.

The strategy is set at the start of the financial year but it is monitored carefully throughout the year to ensure that the Council reacts quickly to any market volatility and the impact on the banking institutions.

Unintended negative consequences identified:

Mitigating actions:

A healthier Denbighshire

Overall Impact	Neutral
Justification for impact	Proposals have little or no direct impact on the vast majority of residents as the strategy involves managing the Council's investments and borrowing.

Positive consequences identified:

The strategy contributes to the overall financial health of Denbighshire and therefore supports the delivery of the annual budget.

Unintended negative consequences identified:

Mitigating actions:

A more equal Denbighshire

Overall Impact	Neutral
Justification for impact	A good treasury management strategy contributes to the overall financial resilience of the Council and supports the on-going work of the Authority without impacting on residents.

Positive consequences identified:

An efficient treasury management strategy contributes to the financial resilience of the Council and supports service delivery.

Unintended negative consequences identified:

Mitigating actions:

A Denbighshire of cohesive communities

Overall Impact	Neutral
Justification for impact	A good treasury management strategy contributes to the overall financial resilience of the Council and supports the on-going work of the Authority without impacting on residents.

Positive consequences identified:

Unintended negative consequences identified:

Mitigating actions:

A Denbighshire of vibrant culture and thriving Welsh language

Overall Impact	Neutral
Justification for impact	A good treasury management strategy contributes to the overall financial resilience of the Council and supports the on-going work of the Authority. It has no direct impact on the language and the culture because any treasury management decisions are based on the treasury strategy and advice from financial consultants.

Positive consequences identified:

Unintended negative consequences identified:

Mitigating actions:

A globally responsible Denbighshire

Overall Impact	Neutral
Justification for impact	A good treasury management strategy contributes to the overall financial resilience of the Council and supports the on-going work of the Authority. It has no direct impact on the local area.

Positive consequences identified:

All investments are undertaken from national institutions in line with the strategy and financial advice. The strategy determines the institutions with the minimum credit rating which the Authority is permitted to invest with.
 All borrowing is undertaken from central Government as detailed in the strategy and in line with other local authorities.

Unintended negative consequences identified:

Mitigating actions:

This page is intentionally left blank

Report To:	Corporate Governance Committee
Date of Meeting:	7 th February 2018
Lead Member / Officer:	Councillor Julian Thompson-Hill / Richard Weigh, Head of Finance
Report Author:	Steve Gadd, Chief Accountant
Title:	Early Closedown – Statement of Accounts

1. What is the report about?

Provide Corporate Governance Committee (CGC) with a summary of the work involved in the financial year-end closedown process and an update on the progress towards the statutory early closedown of the accounts. In particular to highlight how an agreed change to the way the Council deals with non-material errors that are identified during the audit will affect the final Welsh Audit Office (WAO) report to CGC.

2. What is the reason for making this report?

To update CGC on the current closedown process and the progress towards the statutory early closure of accounts, and how this will impact on the reports and information received by the committee.

3. What are the Recommendations?

It is recommended that CGC note the following concerning the closure of the financial accounts:

- i) The progress towards achieving the early closedown dates stipulated by the Welsh Government regulations.
- ii) The change in approach in the way the Council will deal with non-material errors that are identified during the audit and how this will affect the final Welsh Audit Office report to CGC.

4. Report details

Currently, the Section 151 Officer of the council is required to certify that the Statement of Accounts gives a true and fair view of the financial position at the end of the year to which the statement relates no later than 30 June immediately following that year, and the statement must be published no later than 30 September. The expectation is that the audit of the preceding financial year's accounts will conclude before 30 September and published statements of accounts will contain the auditors' opinion and certificate.

A number of disadvantages with the current statutory timetable were identified by Welsh Government in their consultation document in 2016:

- Local government bodies publish their statements of accounts later in the year than most other parts of the public sector.
- The accounts of local government bodies constitute a significant component of the UK-wide Whole of Government Accounts and the current local government timetable is considered to be one of the barriers to HM Treasury bringing forward the publication date of those accounts.

- The equivalent regulations which apply to English local government bodies will bring forward the dates for the preparation and publication of statements of accounts for the financial year beginning in April 2017. This will provide further disparity between the timetables for local government bodies in England and Wales.

Welsh Government therefore proposed bringing forward the timetable for publishing the statements of accounts of local authorities, to bring them into line with other parts of the public sector. Bringing forward the timetable would enhance the accountability of authorities and the usefulness of accounts to local residents as statements of accounts would be available on a more timely basis. It should also assist our own financial management by providing earlier assurance of the previous year's financial outturn and freeing up more finance staff to help facilitate the budget process for the following year. Details of the proposed amended timetable are outlined in the table below.

	Current Dates	Interim Dates for SofA 2018/19 and 2019/20	Proposed Final Position from 2020/21
Final date on which the Chief Finance Officer must sign and date the statement of accounts	30th June	15th June	31st May
Date that council must approve and publish an audited statement of accounts	30th September	15th September	31st July

The good news is that the Council is making good progress towards achieving both the interim and final unaudited accounts deadlines as shown in the table below.

Statement of Accounts	Signed off by S151 Officer and passed to WAO
2015/16	21-Jun-16
2016/17	13-Jun-17
2017/18	06 - Jun - 18 (proposed)

The early closure of accounts requires a huge amount of planning and reconfiguration of the closedown timetable. It will also entail the increased use of estimates and the stricter adherence to the closedown timetable which may impact on service's financial outturn. For example the draft deadline for the processing of accruals is May 2 and no accruals will be accepted after this date unless they would materially impact on the Statement of Accounts. The threshold that will be used for this financial year will be agreed with WAO prior to year-end.

This year it is proposed to change the approach to non-material misstatements identified by WAO during their audit of accounts. In previous years all misstatements have been corrected in the Statement of Accounts which have allowed WAO to include the following statement in their Audit of Financial Statements Report to CGC in September each year: "There are no misstatements identified in the financial statements, which remain uncorrected". A great deal of work was required by the

Technical Team to achieve this – however more importantly it also meant that WAO could not complete their audit until all corrections, however small, had been reworked and input into the revised Statement of Accounts and subsequently re-audited by WAO. The revised deadlines for WAO to deliver their audit judgement will make this very difficult to deliver in future years. DCC and WAO have therefore agreed that the draft Statement of Accounts will not normally be amended to correct non-material misstatements. This is a key change that will enable the Council and WAO achieve the revised closedown dates. It is important to note the following:

- This change in process will not affect the overall audit opinion.
- Although WAO have agreed this approach, they are bound by statute to report to CGC any misstatements that remain uncorrected. CGC should expect to see this list in future WAO reports, however this will not indicate a reduction in the quality of the work undertaken by Finance.

5. How does the decision contribute to the Corporate Priorities?

The provision of timely and accurate financial information contributes to the modernising of the council to deliver efficiencies and allows residents to scrutinise the Council's activities.

6. What will it cost and how will it affect other services?

The achievement of the production of the Statement of Accounts has been achieved within the background of Finance delivering on efficiency targets. No additional resources are envisaged.

7. What are the main conclusions of the Well-being Impact Assessment?

It is the professional judgement of the Section 151 Officer that a Well-being Impact Assessment is not required for this report.

8. What consultations have been carried out with Scrutiny and others?

As part of developing the Closedown Timetable, Finance consult widely with services in order to ensure that the deadlines are achievable. Wales Audit Office are fully consulted during the planning phase.

9. Chief Finance Officer Statement

The production of the Statement of Accounts is a legal requirement and failure to achieve the deadlines would have a significant reputational impact on the council. This report highlights some of the changes that are required in order to maintain the excellent track record of producing a set of accounts on time while continuing to achieve an unqualified audit opinion. Although early closedown can be seen as a risk and a challenge, there are also opportunities to create a more efficient process.

10. What risks are there and is there anything we can do to reduce them?

The ultimate risk is that the Statement of Accounts are not produced on time, or that they are produced with material and/or significant errors in them which would result in WAO qualifying the accounts. Such an outcome would have severe adverse reputational impact on DCC.

11. Power to make the Decision

The International Standard for Auditing (UK and Ireland) 240 (ISA 240) sets out that the primary responsibility for preventing and detecting fraud rests with both management and 'those charged with governance', which for DCC is the Corporate Governance Committee. The ISA 240 also sets out the requirement for external audit to obtain an understanding of how the Council discharges its responsibilities.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Wales Audit Office / Swyddfa Archwilio Cymru

24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ

Tel / Ffôn: 029 2032 0500

Fax / Ffacs: 029 2032 0600

Textphone / Ffôn testun: 029 2032 0660

info@audit.wales / post@archwilio.cymru

www.audit.wales / www.archwilio.cymru

Please contact us in Welsh or English.

Cysylltwch â ni'n Gymraeg neu'n Saesneg.

Councillor Hugh Evans – Leader / Dr Mohammed Mehmet – Chief Executive

Denbighshire County Council

County Hall

Wynstay Road

Ruthin

Denbighshire LL15 1YN

Reference: 280A2017-18

Date issued: 30 November 2017

Dear Hugh and Mohammed

Annual Audit Letter Denbighshire County Council 2016-17

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

Denbighshire County Council complied with its responsibilities relating to financial reporting and use of resources

It is Denbighshire County Council's (the Council's) responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and

- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards.

On 28 September 2017, I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Corporate Governance Committee in my Audit of Financial Statements report on 27 September 2017.

I issued a certificate confirming the audit of the accounts has been completed on 28 September 2017.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

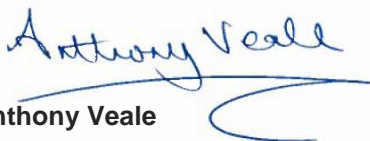
My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General has highlighted areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made in his [Annual Improvement Report 2016-17](#).

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems

A more detailed report on my grant certification work will follow in 2018 once this year's programme of certification work is complete.

The financial audit fee for 2016-17 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely



Anthony Veale
Engagement Director
For and on behalf of the Auditor General for Wales

cc: Richard Weigh – Head of Finance



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Wales Audit Office Work Programme: Corporate Governance Committee Update, February 2018 – **Denbighshire County Council**

Audit year: 2017-18

Date issued: January 2018

Document reference: 307A2017-18

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

This document was produced by the Wales Audit Office. We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi. This document is also available in Welsh.

This document was produced by Anthony Veale, Gwilym Bury, Michelle Phoenix and Jeremy Evans.

Contents

Audit work programme

Financial audit work 2016-17 – Denbighshire County Council	4
Performance audit work 2016-17 – Denbighshire County Council	5
Performance audit work 2017-18 – Denbighshire County Council	7
Other inspection work 2017-18 – Denbighshire County Council	10

Audit work programme

Financial audit work 2016-17 – Denbighshire County Council

Exhibit 1: Financial audit work 2016-17 – Denbighshire County Council

Activity	Scope	Status
Audit of Financial Statements 2016-17	Plan of financial audit work for 2016-17.	Report finalised March 2017. Presented to the Corporate Governance Committee March 2017.
Audit of Financial Statements 2016-17	Audit of Denbighshire County Council's (the Council) 2016-17 Financial Statements.	Report presented to the Corporate Governance Committee September 2017.
Opinion on the Financial Statements	Opinion on the Council's 2016-17 Financial Statements.	Report presented to the Corporate Governance Committee September 2017.
Annual Audit Letter	Letter summarising our 2016-17 financial audit work.	Letter issued to the Council November 2017 and to be presented to the Corporate Governance Committee February 2018.

Performance audit work 2016-17 – Denbighshire County Council

Exhibit 2: Performance audit work 2016-17 – Denbighshire County Council

Activity	Scope	Status
Audit Plan	Plan of performance audit work for 2016-17.	Complete – Corporate Governance Committee March 2016.
Improvement Plan Audit	Audit of the discharge of the Council's duty to publish an improvement plan.	Complete – Review complete. Certificate issued.
Assessment of performance	Audit of the discharge of the Council's duty to publish an assessment of performance.	Complete – see above.
Annual Improvement Report (AIR)	<p>Report from the Audit General for Wales reviewing the Council's performance and arrangements.</p> <p>The AIR report included the local project work. In this review we concluded that:</p> <ul style="list-style-type: none"> the Council continues to meet its statutory requirements in relation to continuous improvement; having made significant progress in delivering its current vision, the Council is developing an updated plan to describe its vision and key ambitions for the future and how it will operate as an organisation; the Council has a clear framework and sound governance arrangements for significant service changes but evaluating the impact of service change is not always timely; and in general the Council manages its resources well, but a lack of co-ordination between other corporate strategies may limit the contribution individual services can make towards the Council's goals. 	Published June 2017.

Activity	Scope	Status
Thematic Study: Financial Resilience	Focus: Savings Plans.	Local report issued February 2017.
Thematic Study: Governance	Focus: Governance of significant service changes.	Local report issued June 2017.
Thematic Study: Transformation	To gather the views of officers about the key issues they face in dealing with change/transformation.	Project complete. Feedback to Chief Executive October 2017.
Local Government Improvement Study – Improving wellbeing through housing adaptations	Fieldwork completed.	Publication Winter 2018.
Local Government Improvement Study – Strategic commissioning of learning disability services by local authorities	Fieldwork completed.	Publication Winter 2018.
Local Government Improvement Study – How local government manages demand – Homelessness services	Fieldwork completed.	Publication Winter 2018.

Performance audit work 2017-18 – Denbighshire County Council

Exhibit 3: Performance audit work 2017-18 – Denbighshire County Council

Activity	Scope	Status
Audit Plan	Plan of performance audit work for 2017-18.	Report finalised March 2017.
Improvement Plan Audit	Audit of the discharge of the Council's duty to publish an improvement plan.	Complete – Certificate issued April 2017.
Assessment of performance	Audit of the discharge of the Council's duty to publish an assessment of performance.	Complete – Certificate issued November 2017
Annual Improvement Report (AIR)	Report from the Auditor General for Wales reviewing the Council's performance and arrangements.	To be published Summer 2018.
Thematic Study: Well-Being of Future Generations – Baseline assessment	The Year One Commentary: Wales Audit Office will gather evidence on how the 44 bodies are beginning to respond to the requirements of the WFG Act and identify examples of notable emerging practice. The work will be designed to support improvement and inform future audit work under the Act.	Fieldwork complete. National summary report Spring 2018.
Thematic Study: Scrutiny – Fit for the Future	This review will examine the impact of the WFG Act on the work of scrutiny committees.	To take place throughout the 2017-18 audit year. Project Brief issued. Fieldwork to be completed January 2018

Activity	Scope	Status
Thematic Study: Service user review Welsh Housing Quality Standard (WHQS)	This project will test the service-user interface at all authorities. The review will evaluate what it feels like (as a member of the public) to deal with council services, involving a selection of services and scenarios. In addition the purpose of this local overview is to determine whether the Council has effective arrangements in place to enable it to continue to meet the WHQS.	To take place throughout the 2017-18 audit year. Fieldwork complete. Draft report to be issued February 2018.
Local Government Improvement Study – Integrated Care Fund	Intermediate Care Fund has recently been renamed as the Integrated Care Fund (ICF). The review will look at the governance arrangements associated with the ICF at both a national level and at a local level through the regional partnership boards.	Project Brief to be issued.
Local Government Improvement Study – Using data effectively	This study will primarily focus on the role of local authorities in how effective they are at managing and using data. It will also consider how effective authorities are at accessing and using data held by partners. It is recognised, however, that councils are at very different stages in terms of how they use data. This audit will therefore assess each local authority on their performance identifying how well authorities are currently performing in collecting data, analysing data and using data to support decision making and the use of resources.	Project Brief issued – June 2017. Survey issued to Denbighshire in Autumn 2017.

Activity	Scope	Status
Local Government Improvement Study – How well do public bodies provide services to rural communities	This review will focus on assessing how effective public organisations in Wales are in working together to assess needs, identify priorities, deliver and maintain the provision of key operational services to meet the needs of people in rural communities.	Project Brief issued – June 2017. Survey issued to Denbighshire in Summer 2017.
National Wales Audit Office reports	<ul style="list-style-type: none"> • Public procurement landscape review • Waste management (waste prevention) • Supporting People programme • Implementation of the NHS Finances (Wales) Act 2014 (integrated medium term planning) • NHS Wales informatics services • Access to public services with the support of specialist interpretation and translation • Preparations for the implementation of fiscal devolution in Wales (follow-on report) 	<p>Supporting People report published August 2017.</p> <p>Public procurement report published November 2017.</p> <p>Remaining Reports being drafted.</p> <p>Publication Winter/Spring 2018.</p>

Other inspection work 2017-18 – Denbighshire County Council

Exhibit 4: Other inspection work 2017-18 – Denbighshire County Council

Activity	Scope	Status
2017-18 Estyn	Apart from local school inspection programme an inspection of the Denbighshire education service is planned with fieldwork in February 2018.	GwE follow-up report published November 2017. Report on Denbighshire Council education service to be published Spring 2018.
2017-18 CSSIW	Nationally CSSIW are doing a joint review of community mental health services. No local follow-up work in Denbighshire has yet been announced.	National report

Page 100

Last updated: 16.12.17

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

Corporate Governance Committee Forward Work Programme

7 MAR 2018		Standing Items		
	1	Issues Referred by Scrutiny Committees (if any)	Scrutiny Coordinator – Rhian Evans	
	2	Recent External Regulatory Reports Received (if any)	Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale	
	3	Internal Audit Update	Head of Internal Audit – Lisa Lovegrove	
	4	Forward Work Programme	Democratic Services	
		Reports		
	5	Outside Bodies Report	Head of Legal, HR and Democratic Services / Gary Williams	
	6	CIPFA - Audit Committee Practical guidelines	Head of Internal Audit – Lisa Lovegrove	
25 APR 2018		Standing Items		
Page 103	1	Issues Referred by Scrutiny Committees (if any)	Scrutiny Coordinator – Rhian Evans	
	2	Recent External Regulatory Reports Received (if any)	Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale	
	3	Internal Audit Update	Head of Internal Audit – Lisa Lovegrove	
	4	Forward Work Programme	Democratic Services	
			Reports	
		5	Internal Audit Strategy	Head of Internal Audit – Lisa Lovegrove
	6	Internal Audit Annual Report	Head of Internal Audit – Lisa Lovegrove	
	7	Draft annual Governance statement	Head of Internal Audit – Lisa Lovegrove	
6 JUNE 2018		Standing Items		
	1	Issues Referred by Scrutiny Committees (if any)	Scrutiny Coordinator – Rhian Evans	
	2	Recent External Regulatory Reports Received (if any)	Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale	
	3	Internal Audit Update	Head of Internal Audit – Lisa Lovegrove	
	4	Forward Work Programme	Democratic Services	

Corporate Governance Committee Forward Work Programme

		Reports	
11 JULY 2018		Standing Items	
	1	Issues Referred by Scrutiny Committees (if any)	Scrutiny Coordinator – Rhian Evans
	2	Recent External Regulatory Reports Received (if any)	Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale
	3	Internal Audit Update	Head of Internal Audit – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		Reports	
	5	Draft Statement of Accounts	Head of Finance- Richard Weigh
6 SEPT 2018		Standing Items	
	1	Issues Referred by Scrutiny Committees (if any)	Scrutiny Coordinator – Rhian Evans
	2	Recent External Regulatory Reports Received (if any)	Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale
	3	Internal Audit Update	Head of Internal Audit – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		Reports	
	5	Approval of Statement of Accounts	Head of Finance – Richard Weigh
21 NOV 2018		Standing Items	
	1	Issues Referred by Scrutiny Committees (if any)	Scrutiny Coordinator – Rhian Evans
	2	Recent External Regulatory Reports Received (if any)	Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale
	3	Internal Audit Update	Head of Internal Audit – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		Reports	

Corporate Governance Committee Forward Work Programme

	5	Annual report on Whistle Blowing	Head of Legal, HR and Democratic Services / Gary Williams
	6	Annual RIPA (Regulation of Investigatory Powers Act 2000)	Head of Legal, HR and Democratic Services / Gary Williams

NB The exact date of publication of occasional reports by for example Wales Audit Office or Annual Reports by the Ombudsman are not presently known. They will be assigned a meeting date as soon as practicable.

Revised 25.01.18 SJ

This page is intentionally left blank