

To: Members of the Governance and
Audit Committee

Date: 19 January 2023

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Dear Councillor

You are invited to attend a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** to be held at **9.30 am** on **WEDNESDAY, 25 JANUARY 2023** in **COUNTY CHAMBER, COUNTY HALL, RUTHIN AND BY VIDEO CONFERENCE**.

Yours sincerely

G. Williams
Monitoring Officer

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 - 16)

To receive the minutes of the Governance and Audit Committee meeting held on 23 November 2022 (copy enclosed).

5 RECRUITMENT, RETENTION AND WORKFORCE PLANNING (Pages 17 - 50)

To receive a report on the position for Denbighshire County Council with regards to Recruitment and Retention issues and Workforce Planning activities (copy enclosed).

6 INTERNAL AUDIT UPDATE (Pages 51 - 82)

To consider a report by the Chief Internal Auditor (copy attached) updating members on Internal Audit progress.

7 BUDGET PROCESS UPDATE (Pages 83 - 94)

To receive an update on the current Medium Term Financial Plan and Budget Timetable (copy attached).

8 TREASURY MANAGEMENT (Pages 95 - 140)

To receive a report showing how the Council will manage its investments and its borrowing for the coming year and sets the policies within which the Treasury Management function operates (copy attached).

9 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME (Pages 141 - 146)

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

INFORMATION REPORT

10 INFORMATION REPORT - PUBLIC SECTOR READINESS FOR NET ZERO CARBON BY 2030 (Pages 147 - 172)

To receive for information a report by Audit Wales entitled Public Sector Readiness for Net Zero Carbon by 2030 (copy enclosed).

MEMBERSHIP

Councillors

Ellie Chard
Justine Evans
Carol Holliday

Elfed Williams
Mark Young

Lay Member

Nigel Rudd
David Stewart

Paul Whitham

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Town and Community Councils

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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'.

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Public Document Pack Agenda Item 4

GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Governance and Audit Committee held in Council Chamber, County Hall, Ruthin and by video conference on Wednesday, 23 November 2022 at 9.30 am.

PRESENT

Councillors Ellie Chard, Justine Evans and Carol Holliday

Lay Members Paul Whitham, Nigel Rudd and Dave Stewart

Cabinet Members – Councillor Gwyneth Ellis – Lead Member for Finance, Performance and Strategic Assets.

Councillor Julie Matthews – Lead Member for Corporate Strategy, Policy and Equalities.

ALSO PRESENT

Corporate Director: Governance and Business – Monitoring Officer (GW), Head of Finance and Property Services (Section 151 Officer) (SG), Chief Internal Auditor (BC), Interim Head of Service - Strategy & Performance, Projects, Climate Change, Community Development, Internal Audit (NK), Interim Head of Legal, HR & Democratic Services (LJ), Interim Head of Business Improvement and Modernisation Services (BE), Strategic Planning & Performance Officer (EH), Chief Accountant (RE), Auditor (SW), Committee Administrator (SLW) (Zoom Host) and Committee Administrator (SJ & NH).

Audit Wales representatives Mike Whiteley and Gwilym Bury was also in attendance.

1 APOLOGIES

Apologies for absence were received from Councillors Elfed Williams, Merfyn Parry and Mark Young.

2 DECLARATION OF INTERESTS

The Chair, lay member David Stewart declared a personal interest in agenda item 5 – Corporate Risk register as he was a member of the Wrexham County Borough Council Governance and Audit committee of which was referenced in the papers. He informed the committee in relation to agenda item 9 – Statement of Accounts he was a member of the Clwyd Pension Fund which he was in receipt of.

3 URGENT MATTERS

There were no urgent items.

4 MINUTES

The minutes of the Governance and Audit Committee meeting held on the 04 October 2022 were presented for consideration.

Page 8 – Minutes – The Chief Internal Auditor confirmed the WLGA online training module was a separate area of training to Treasury Management. The online module was in relation to the work of the Governance and Audit committee as a whole. He confirmed once the module was made available he would inform members.

Page 13 – Governance and Audit Forward Work Programme – The Chair confirmed he had requested that in future annual Fire Safety reports, further detail on compliance of fire measures were included.

RESOLVED, *subject to the above that the minutes of the Governance and Audit committee held on 04 October 2022 be received and approved as a correct record.*

5 CORPORATE RISK REGISTER

The Chair thanked the officers and Lead Member for the detailed report. He recognised the detailed work incorporated in the register and noted it may be beneficial to have a future training session on the Risk Register.

The Lead Member for Corporate Strategy, Policy and Equalities, Councillor Julie Matthews introduced the report to provide an update on the Corporate Risk Register Review, September 2022. The report asked Governance and Audit to review the risks facing the council and the risk appetite statement.

The Corporate Risk Register was developed and owned by the Senior Leadership Team (SLT) and Cabinet. It was reviewed twice every year by Cabinet at Cabinet Briefing.

The Strategic Planning and Performance Officer, Emma Horan confirmed the report was seeking assurance from members that risk management had been managed appropriately. An update of the latest review was also included. The risk appetite statement looked at the level of appetite the authority had in pursuit of its objectives. Officers requested members approval for an amendment to the statement.

Members heard that certain risks within the risk register had been escalated including Risk 01- Safeguarding where officers had applied extra management controls to manage the risks. CET were reviewing the risk on a monthly basis, in particular focusing on controls that are implemented to control the risk.

It was highlighted that the Corporate Risk Register had of late become very interconnected with a number of risks crossing over.

A review of the changes to the risks had been included within the covering report.

A review of the Risk Appetite Register with Cabinet members to review the register to ensure the correct level of risk was adopted. The Governance and Audit committee were responsible for the process and the methodology of the risk strategy. Due to the changing economic situation it had been proposed to amend the minimalist risk appetite in relation to Workforce: Terms and Conditions to a cautious appetite, to reflect the way we are 'flexing' recruitment processes – in a safe way – to alleviate challenges in filling roles. The reason for this change had been to try to resolve the issues faced in recruitment and retention, those processes needed to be more flexible.

During discussions the following points were made –

- Risks are highlighted during conversations during the biannual reviews with CET and Cabinet. A number of factors are considered and discussed when reviewing new risks. Risks can also be identified by services raising concerns to senior officers.
- Inherent risk is the full exposure level of that risk with the residual risk score took into account the mitigated actions that are in place. Any concerns on achieving the actions would be reviewed at the twice yearly meeting. Meeting and conversation with department, officers and Lead Members took place when a new risk is identified.
- New mitigated actions are monitored by service business plans.
- The Monitoring Officer confirmed the information contained in item 11 on the agenda was relevant when debating the amendment to the risk appetite and confirmed if members referred to that information that was reasonable.
- Members noted the close connectivity between a number of the risks. All of which had contributed to the challenges faced by the authority.
- Officers noted members suggestion of a picture map or table to identify risk changes or movements and would consider with the team.
- A report was scheduled for the January Governance and Audit committee meeting on recruitment and retention. Members also heard internal audit was also undertaking a review on recruitment and retention which would be presented to the committee following completion.
- Regional and National discussions had taken place with representations from Denbighshire in attendance. Those meetings had been to discuss recruitment and retention issues across the different authorities and partners.
- An Audit Wales report on workforce issues had been published earlier in the year.
- Risks emerge on the Corporate register when first apparent. The risks listed to be removed were historic and the actions and risks had been carried out and reviewed.
- Members suggested an impact of negative culture to potentially be added to the risk associated with fraud. Officers confirmed they would take the suggestion away for discussion with the risk owner.

The Chair thanked the officers for the detailed report and answers to members comments and concerns. Members were in agreement for some additional training on the Corporate Risk Register.

RESOLVED, that members note the risks, scores and controls included in the Corporate Risk Register (appendix 1), including the status of each risk against our Risk Appetite Statement (appendix 2). Also the committee considers the risk appetite statement and accepted the verbal update on any changes (appendix 2).

All members were in agreement to endorse the proposal to amend the Corporate Risk Appetite Statement.

Due to technical issues a 5 minute comfort break was observed (10.32. a.m.)

The meeting reconvened at 10.38 a.m.

6 ANNUAL SIRO REPORT

The Interim Senior Information Risk Owner (SIRO) guided members through the annual report (previously circulated).

The Chair thanked the officer for the report and confirmed it provided members with depth and information on the Council's information guidance.

It was explained to members the SIRO was the individual responsible for all information governance across the council. The SIRO stated he took on the role in April 2022.

The report covered the period from April 2021 to March 2022. It provided information on the Council's information governance. It included information about data breaches of the Data Protection Act that have been subject to investigation by the SIRO. It was stressed that the Council's Data Protection Policy required an annual report on progress to the Governance and Audit Committee to allow Member oversight of the process.

An increase in investment into safe management of data had allowed for extra information to be included in the report. Including:

- Greater engagement with Schools
- Additional dedicated officer time made available in Legal Services
- An effective cross-council collaboration in the form of the Information Governance Group, chaired by the Council's Senior Information Risk Officer
- Awareness raising across all services through training and dedicated support

Members heard despite the additional investment data breaches had still occurred. It was his opinion that given the amount of data that is handled and transferred the number of breaches was low.

Between April 2021 and March 2022, 36 breaches were recorded an increase of 14 from the previous year. It was a significant increase; the SIRO did comment he had concern that it may be linked to the change in working environment. Work around solutions for this were being undertaken including research in the use of auto filled email addresses when sending emails. Awareness training was being provided in areas of the authority where breaches were higher.

The SIRO guided members through the concerns and statistics that had been included in the report.

The Chair thanked the SIRO for the detailed introduction and report. Members thanked the SIRO for the detailed tables in the report that illustrated the trend for the previous 8 years.

Members heard when a breach of data was recorded it was presented to an internal panel made up of Officers. It was at that panel that decided if the breach needed escalating. If escalated to the SIRO a further meeting would be held with the service and legal for any further referrals to the Information Commissioner's Office that may be needed.

RESOLVED that the Governance and Audit Committee note the contents of the annual Senior Information Risk Owner report.

7 CAPITAL PROCESS AND THE FUTURE OF THE STRATEGIC INVESTMENT GROUP

The Lead Member for Finance, Performance and Strategic Assets along with the Head of Finance introduced the report to the committee (previously circulated).

The purpose of the report provided an update to members on the proposed new capital budget setting process and draft changes to the Terms of Reference and name of the Strategic Investment Group. Cabinet were in support of the proposed changes.

Members were directed to section 4 of the cover report which provided details of the reasons for change. One of the strongest reasons for change had been to adopt a more strategic approach to reviewing capital bids. The proposal aimed to reduce the chance of reviewing bids in isolation but to collate the bids into an annual process. To allow for the best decisions to be made with regard to capital funding.

The proposal included a new group called the Capital Scrutiny Group to be created. The group would scrutinise business cases and capital budgets. The group would not make any decisions. If the group were not in support of a project, it could still be provided to Cabinet for discussion and resolution.

If members were in support of the proposed changes and Cabinet in December agreed the constitution would need to be amended. Members also heard that if approved a full guidance pack would be created for project officers and services. Thus to ensure compliance with the process and how to complete the business case.

The report also included details of the proposal to have separate approval arrangements for fully grant funded projects and below £250k. Research had taken place to see what other local authorities allowed.

The Chair thanked the Lead Member and Head of Finance for the detailed introduction to the proposals.

Following the introduction members discussed the following in more detail:

- The Head of Finance agreed the report needed to include reference to the 100% grant funding schemes.
- A glossary would be helpful and beneficial to the reader of the report. Including a brief summary explaining each terminology.
- The process included in the council's constitution allowed Cabinet to approve individual capital schemes, with the annual Capital Plan requiring approval from full Council. Currently of projects are under £1mil the Strategic Investment Group could grant approval, if over £1mil Cabinet would have to approve and over £2mil the proposal had to be presented and approved by full Council.
- All project proposals that are not fully grant funding would have to be presented to Capital Scrutiny Group.
- The capital budget was due to be set in December for Cabinet approval in January.
- A suggested addition to the core functions of the Capital Scrutiny Group element of the report was raised. It was suggested 'refer to experiences of previous decisions/ projects' be inserted at the start of the first bullet point. The Head of Finance confirmed he would have a look at the section to ensure previous experience was included as a core function.
- It was stressed to members that a request had been made to Internal Audit to complete a review including before and after implementation if approved. The Chief Internal Auditor confirmed a mini audit was scheduled.
- The new Capital Scrutiny Group would aid in the support of putting the business cases together, providing members time to ready the cases.
- It was confirmed if the Chair of the group deemed a proposal needing Cabinet approval it could be presented to Cabinet for debate.
- It was noted the rising costs of inflation and how that may affect a proposal.

Members thanked the Head of Finance for the detailed responses to members comments and concerns.

RESOLVED that the committee were in agreement to proceed with the consultation and decision making process and the committee discussed and debated the changes to the capital process including the terms of reference to be reported back to Cabinet.

8 BUDGET PROCESS UPDATE

The Head of Finance introduced the budget process update report (previously circulated). It was highlighted that in the attached appendix the figures quoted were slightly out of date, due to the deadline for the reports. The figures included were a snapshot at the time of writing.

Members were guided to the timetable, which set out the tight timetable for the 2023/24 budget process. It was confirmed that service budget meetings had

concluded. The Head of Finance stated he was pleased with delivery of those meetings and the discussions that occurred.

On the 17th November – UK Government Autumn Statement was released. This provided the authority with the next two years predicted budget. It was stressed that the best case scenario was a disparity from expected government funding and inflation and demographic pressures.

Sessions for political groups had been arranged to discuss the budget process along with any suggestions or concerns.

A Council workshop had been arranged for the 17th January to brief members on the potential proposals for the budget settlement for 2023/24 and 2024/25. The proposals had included the use of cash reserves in 2024/25. This would allow time for services to review and sought savings.

Members were guided through the scenarios within the covering report. It was his opinion the likely outcome would be in line with scenario one. Details of the two reserves available for the purposes of supporting the budget were:

- Budget Mitigation Reserve – which currently stood at £4.85m
- Unearmarked reserves – an adopted policy to keep £5m unearmarked Reserve was observed. Currently the value stood at £7.1m.

Members heard there were a number of factors that could change depending on guidance and figures from Welsh Government. He stressed the importance to begin the work to review and find savings for 2024/25.

The Chair thanked the Head of Finance for the well written report. In response to members comments the following points were discussed in greater detail:

- Members noted the difficulty and challenges faced by the finance department and praised the work of the officers involved.
- The proposed potential plan for 2024/ 25 was the RSG would rise by 3.5%, the current proposal included council tax to rise by 3.8%- it was stressed the figure was under review. An increase in fees and charges had been suggested although a number of restrictions were associated with this proposal. It could potentially change during the process.
- The Head of Finance confirmed he produced a 3-5 year outlook. Future planning can often be difficult to predict due to the reliance on Capital funding.
- The £5m reserve funding was believed to be an appropriate level of funding. It had been obtained from the analogy of 2% of net revenue expenditure. Within the Statement of accounts, a detailed breakdown of all reserve funding was detailed. This included some funding which was allocated for specific plans.
- There was a recommended reserve of 4% for the Housing Revenue Account. This was currently under review to potentially be lowered. Income received through this account was mainly from rent so was easier to predict than the level of Capital funding.
- The national non domestic rate and business rate collection and reallocation was not based on a local collection. Collections were made on behalf of Welsh Government that was pooled together to aid support of the revenue support grant.

- Consultation with local businesses to provide extra information on the budget would be needed. Public understanding on the budget and services could also be improved. Consultation had been difficult due to the uncertainty of the level of funding that would be obtained.
- The Visitor Levy was currently in consultation at Welsh Government, Denbighshire had prepared and submitted a response. Concerns from officers had been on the delivery of that potential scheme.
- Information on the second homes council tax premium would be issued to members imminently. There was no proposed change to the level for 2023/24, which currently stood at an additional 50% tax.
- Committee members offered support to the Head of Finance, especially when difficult decisions were made. The Head of Finance requested that members keep in mind the financial background when reviewing reports and the potential knock on impact on funding of other services in the council. The level of delivery of services would have to change in the upcoming years. The current level of services would not be an option if the current projections of funding were received in 2024/25.

Members thanked the Head of Finance for the detailed response to members concerns. Following the discussion, it was;

RESOLVED, that members

- I. Noted and discussed the latest budget timetable for setting the budget for 2023/24 and 2024/25;*
- II. Noted the latest budget forecasts for the budget position for 2023/24 and 2024/25;*
- III. Agreed to include an update on the Budget Process at the January 2023 meeting.*

9 PROGRESS UPDATE ON STATEMENT OF ACCOUNTS 2021/22

The Head of Finance introduced Mike Whiteley from Audit Wales who was also in attendance to present the report to members.

The report explained the reasons why the Statement of Accounts for 2021/22 were not being presented to the committee. The approved Statement of Accounts were not in a position to be presented, mainly been due to the infrastructure and assets issued had not been resolved.

The Head of Finance stated he understood the views of Audit Wales not wanting to sign off the accounts without the new legislation. It was hoped the accounts would be ready for the next committee meeting.

The Wales Audit representative, confirmed it was a nationwide issue not confined to Wales. With similar concerns raised by auditors in other areas of the UK. Once the legislation was passed the technical team would assess guidance for auditors.

Members were reminded of the concern raised in the draft statement of accounts around rising inflation. Thus having an impact on asset values and those replaced

from cost. An agreed approach with Audit Wales had begun to address the concerns.

Members heard of the positive relationship between Denbighshire officers and Audit Wales. Thanks was given to each party for the continued close working.

The Chair thanked the officers for the update and hoped the accounts would be ready for the next meeting.

RESOLVED that members note the progress update on the Statement of Accounts 2021/22.

10 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

The Governance and Audit Committee's Forward Work Programme (FWP) was presented for consideration (previously circulated).

The Monitoring Officer confirmed a Budget Process update report to be added to the January 2023.

The report entitled workforce planning description should be to focus on recruitment and retention.

It was noted officers were hopeful the Statement of Accounts would be available for the January meeting.

The Monitoring Officer confirmed he would liaise with colleagues to find a suitable date for a report on the complaints process and the Performance Self-assessment to include in the FWP.

RESOLVED that, subject to the inclusion of the above addition the Governance and Audit Committee's forward work programme be noted.

11 INFORMATION REPORT - RECRUITMENT AND RETENTION ISSUES IN SOCIAL SERVICES

The Chair explained the report was for information.

RESOLVED, that members noted the contents of the information report.

Councillor Bobby Feeley applauded the Chair and the independent members for the detailed questions and debate raised during the meeting.

The meeting concluded at 12.40 p.m.

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Report to	Governance and Audit Committee
Date of meeting	25 th January 2023
Lead Member / Officer	Cyng/Cllr Julie Matthews
Head of Service	Louise Dougal, Interim Head of Service for HR
Report author	Louise Dougal, Interim Head of Service for HR
Title	Recruitment, Retention and Workforce Planning

1. What is the report about?

- 1.1. This report is intended to give the Governance and Audit Committee an update on the position for Denbighshire County Council with regards to Recruitment and Retention issues and Workforce Planning activities.

2. What is the reason for making this report?

- 2.1. In 2022, Recruitment and Retention was put on the Corporate Risk Register. This report has been produced in order to provide the committee with up to date information regarding Recruitment and Retention issues within the council and the progress on Workforce Planning activities.

3. What are the Recommendations?

- 3.1 It is recommended that the committee take note of the details contained within the report and the interventions that have been put in place in order to support and strengthen recruitment, retention and workforce planning.

4. Report details

Recruitment across the Council

- 4.1. In 2022, Recruitment and Retention was put on the Corporate Risk Register. Please refer to Appendix 1 for data on recruitment and retention.

- 4.2. Pre Pandemic, there were a small number of jobs within the council that were classed as 'hard to recruit'. These jobs included (but are not limited to); Cooks, Cleaners, Carers, School Crossing Patrol Assistants along with some specialised posts, such as Educational Psychologists, Architects, Electricians, Teaching Assistants and Social Workers. The traditional method of recruitment, whereby the job was advertised for two weeks was proving unsuccessful, therefore, the Recruitment Specialist would work with the departmental managers to agree a suitable alternative method of recruitment.
- 4.3. During the Pandemic, the statistics demonstrate that recruitment was at an all-time low (April 20 – March 21), however vacancies were still being advertised and filled, due to the steady flow of leavers and new jobs being created.
- 4.4. During 2020/21, as a council we advertised 475 jobs, in 2021/22 there were 953 jobs advertised and for the period of April 2022 to November 2022, there have been 763 jobs advertised. At year end this is likely to reach over 1000.
- 4.5. There are a number of positions, that are now deemed as hard to recruit to. This is mainly due to:
 - Pay – local government cannot compete with private sector, other public sector bodies and agencies rates.

However, the pay award in 2022 saw our bottom rate of £9.50 increase significantly to £10.50 per hour, this bottom rate is expected to rise significantly again by 2024 to £11.35 per hour which should see an increase in recruitment to our lower paid roles. The lower grade roles are now starting to compete with other bodies, however the pay award for the professional roles has not been as high and therefore the higher graded professional roles will still remain a recruitment and retention issue for the Council.

- Agile Working – significant increase in this new way of working in all sectors

Employees all over the UK, now have a wider geographical search area due to the post Pandemic agile working practices organisations have adopted, which in turn enable us, as a council to recruit from further afield due to our agile working practices. However, the North / South divide does not work in our favour when employees are being offered higher salaries in Cardiff and London for example. This has been witnessed in a few hard to recruit to positions and unfortunately we cannot compete. Our new proposed

Agile Working Policy gives employees more choice about how and where they work which should help improve our recruitment and retention of employees.

- Staff Development – when staff leave they are asked to complete a leaving questionnaire, these are not mandatory and some choose not to complete, However, on average, the majority of leavers to the council state in their exit survey questionnaire that ‘Career Progression’ is a reason for leaving followed by Retirement, Promotion and Work life balance in some services, where agile and flexible working is not possible. Staff Development is part of the CEO’s 5 principles and will be a focus of the People Strategy moving forward.

4.6. These Recruitment and Retention concerns are being addressed through the following groups / action plans:

- Corporate Workforce Plan – Led by HR, Action plan attached
- Social Care Recruitment & Retention Operational Group – Led by Nicola Stubbins, Action Plan attached
- Recruitment & Retention Risk Register Safeguarding – Led by Nicola Stubbins

4.7. From the action plans you can see the various actions and improvements we are making to our recruitment methods and terms and conditions of employment to help address these issues.

Recruitment & Retention in Community Support Services

4.8. Safeguarding has now moved to critical risk on the Risk Register and part of this is linked to recruitment and retention challenges within our Professional Social Worker roles. Nicola Stubbins is leading on the above groups to address the issues. The Risk Register group is made up of CET members and meets on a monthly basis. This group is looking specifically at pay and any other issues which they can influence and change.

4.9. The Social Care Recruitment & Retention Operational group is led by Nicola Stubbins and is made up of operational managers and HR Officers. Please see Appendix 2 for a summary of the Recruitment and Retention task group and associated actions.

4.10. Social Worker recruitment in both Children and Adults in the council is challenging. Denbighshire are not alone in this as this is a UK wide issue. Agencies are able to pay the Social Workers a higher salary which ultimately impacts the cost for the council. Staff are

leaving their permanent employment to go and work for an agency for a substantial amount more. As of 9th January 2022, Denbighshire have 14 Social Workers advertised, Conwy have 9, Flintshire have 6, Gwynedd 4, Anglesey 1 and Wrexham 0. This changes on a weekly basis.

Workforce Planning

4.11. A Workforce Planning Action Plan was created to monitor actions and measure progress of the Corporate Workforce Plan for 2022, this plan can be found within Appendix 3.

4.12. On an annual basis, the Council carries out workforce planning activities with all services. The workforce plan outlines the Council's commitment on how it will enhance and develop the workforce, now and in the future to deliver the best possible service to its residents within a changing economic landscape. The delivery aims of the Workforce plan focus on the following areas:

- Leadership & Management
- Recruitment and Retention of Talent
- Enabling High Performing, Engaged and Empowered Workforce
- Develop a Flexible and Agile Workforce
- Support Health & Wellbeing

4.13. The below areas are a summary of what we have achieved from the action plan in the last 6 months:

- Recruitment Policy and Process changes, inc new application form
- Created and launched DCC Facebook page for recruitment only.
- Designed and implemented a 'Work for Us' recruitment website.
- New branding for recruitment adverts.
- Supported a number of managers to recruit in areas where it's difficult to recruit (specialist packs and social media campaigns).
- Supported and increased the number of Career Pathways within the Authority.
- Evaluation of reasons for leaving in high areas of turnover and piloting a Stay Survey in CSS.
- Updated the Corporate Induction to include agile and flexible working.
- Created a New Management Induction.
- Arranged a Jobs Fair for frontline/hard to recruit vacancies.

- Increased the Corporate Learning and Development offer for employees via numerous funding streams at no cost to the Authority.
- Sourced and delivered financial wellbeing sessions for employees and introduced financial wellbeing information and advice on the website.

4.14. In the next six months, the focus will be on the development of a 'People Strategy,' which will include the outcomes from the CEO's 5 Principles workshops and a review of the Leadership Strategy. The New Ways of Working policy will also be finalised during this period.

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

5.1. All corporate priorities are impacted by the workforce within the council. Without the adequate number of staff in key positions, the service delivered could be impacted.

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

6.1. There are no associated costs as the report is for information only.

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

A wellbeing impact assessment has not been carried out as this is just for information only.

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

8.1. The report is for information only and therefore does not require consultation.

9. Chief Finance Officer Statement

9.1. Not applicable.

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

10.1. There are no risks associated with the recommendation as the report is just for information only.

11. Power to make the decision

13.1 No decision is required

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Governance and Audit Report Recruitment and Retention

Appendix Figure One



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1.0 Headcount in Denbighshire County Council

Please note that on 31st March 2020 Denbighshire Leisure Limited (DLL) left the council and therefore this data does not appear in the 2020 and beyond figures on the table below. Therefore, please use 2020 to 2022 for a comparison. The increase in headcount with Communities and Customers, Finance and Property, Highways, Facilities and Environmental Services and Planning, Public Protection and Countryside is due to DLL leaving and those Services acquiring the displaced departments. Customers and Communities acquired Housing, Finance and Property acquired Property, Highways, Facilities and Environment acquired Facilities and Planning, Public Protection & Countryside Services acquired School Transport and Countryside.

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Headcount for the Council (as at 1 st April for that year)				
	2019	2020	2021	2022
Business Improvement & Modernisation	87	81	79	89
Chief Executive Section	2	2	2	2
Communities & Customers	103	162	161	181
Community Support Services	534	524	514	526
Corporate Directors	3	3	3	1
Denbighshire Leisure	660	-	-	-
Education & Children Services	295	330	328	318
Finance & Property	57	159	164	165
Highways, Facilities & Environmental Services	348	626	609	612
Legal, HR & Democratic Services	87	81	79	80
Planning, Public Protection & Countryside Services	127	237	247	270
Schools	2066	2059	2034	2079
Total	3709	4264	4220	4323

2.0 Starters and Leavers to the Council

The table below details Starters to Denbighshire over a four-year period. These figures do not include DLL. During the Pandemic, 2020/21 there were a reduced number of starters to the council which was expected. Since that period, starters have nearly doubled in 2021/22 at 548.

Starters to Denbighshire – Excluding relief and supply and DLL				
	April 19 – March 20	April 20 – March 21	April 21 – March 22	April 22 – Nov 22
Denbighshire (including Schools)	425	295	548	534
Denbighshire (excluding schools)	219	156	285	312

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The table below details Leavers to Denbighshire over a four-year period. These figures do not include DLL. In 2021/22 there were 471 employees who left the council, an increase of 130 compared to that period in 2020/21. The Pandemic contributed to a lower number of employees leaving the council during 202/21. This financial year so far there have been 373 leavers to the council.

Leavers to Denbighshire – Excluding relief and supply and DLL				
	April 19 – March 20	April 20 – March 21	April 21 – March 22	April 22 – Nov 22
Denbighshire (including Schools)	383	341	471	373
Denbighshire (excluding schools)	168	162	249	197

3.0 Reasons for Leaving the Council

3.1 The table below provides detail on the leavers to the council per service. Year on year there is an increase in leavers for all Services within the council. The leavers are balanced with a rising number of vacancies being advertised and filled, which in turn keeps the turnover at a reasonable level. During the Pandemic, there was an expected reduction of leavers, at 341 compared to the previous year of 383 employees.

Leavers per Service (including schools)				
	2019/20	2020/21	2021/22	April – Nov 2022
Business Improvement & Modernisation	13	4	2	8
Chief Executive Section	0	0	1	0
Communities & Customers	11	7	16	13
Community Support Services	58	52	63	48
Corporate Directors	0	0	1	0
Education & Children Services	28	26	32	29
Finance & Property	5	10	9	10
Highways, Facilities & Environmental Services	29	43	93	63
Legal, HR & Democratic Services	9	6	6	7
Planning, Public Protection & Countryside Services	15	14	26	19
Schools	215	179	222	176
Total	383	341	471	373

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4.0 Top 5 Reasons for Leaving the Council

The below tables outline the top 5 leaving reasons per service for the 4 years. There are 5 main reasons why employees leave the council and these tend not to change year on year; Resignation, Retirement, End of Fixed Term Contract, Dismissal and Redundancy.

Governance and Audit Committee Report – Recruitment and Retention

Resignation is split into further categories; however, the majority select 'Resignation – Personal' followed by 'Resignation – Another Post outside of DCC'. The exit questionnaire that we ask staff to complete upon leaving is mandatory and therefore we do not always a full picture due to the number of responses received and reasons given.

Retirement as a reason for leaving has seen a steady increase over the past four years and has almost doubled during the Pandemic and continues to increase. On average, the majority of leavers to the council state in their exit survey questionnaire that 'Career Progression' is the reason for leaving followed by Retirement, promotion and Work life balance in some services, where agile and flexible working is not possible.

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Leaving Reasons per Service (including schools) in 2019/20						
	Dismissed	End of FTC	Redundancy	Resignation	Retirement	Other
Business Improvement & Modernisation	1	3	3	6	0	0
Chief Executive Section	0	0	0	0	0	0
Communities & Customers	1	1	1	5	3	0
Community Support Services	4	1	13	33	5	2
Corporate Directors	0	0	0	0	0	0
Education & Children Services	1	1	2	23	0	1
Finance & Property	0	3	0	4	1	0
Highways, Facilities & Environmental Services	5	0	0	14	6	1
Legal, HR & Democratic Services	2	0	2	4	1	0
Planning, Public Protection & Countryside Services	0	0	0	13	2	0
Schools	9	41	8	134	20	3
Total	23	50	29	236	38	7

Governance and Audit Committee Report – Recruitment and Retention

Leaving Reasons per Service (including schools) in 2020/2021						
	Dismissed	End of FTC	Redundancy	Resignation	Retirement	Other
Business Improvement & Modernisation	0	0	1	2	1	0
Chief Executive Section	0	0	0	0	0	0
Communities & Customers	0	0	0	5	2	0
Community Support Services	6	6	3	29	8	0
Corporate Directors	0	0	0	0	0	0
Education & Children Services	1	0	0	20	4	1
Finance & Property	0	0	0	4	5	1
Highways, Facilities & Environmental Services	3	0	0	31	5	4
Legal, HR & Democratic Services	1	0	0	2	2	1
Planning, Public Protection & Countryside Services	0	1	0	7	6	0
Schools	8	35	10	95	28	3
Total	19	42	14	195	61	10
Leaving Reasons per Service (including schools) in 2021/22						
	Dismissed	End of FTC	Redundancy	Resignation	Retirement	Other
Business Improvement & Modernisation	0	0	0	1	1	0
Chief Executive Section	1	0	0	0	0	0
Communities & Customers	1	3	0	6	4	2
Community Support Services	4	1	6	42	9	1
Corporate Directors	0	0	0	0	1	0
Education & Children Services	1	1	2	20	7	1
Finance & Property	0	0	0	6	3	0
Highways, Facilities & Environmental Services	8	2	0	58	17	8
Legal, HR & Democratic Services	1	0	1	4	0	0

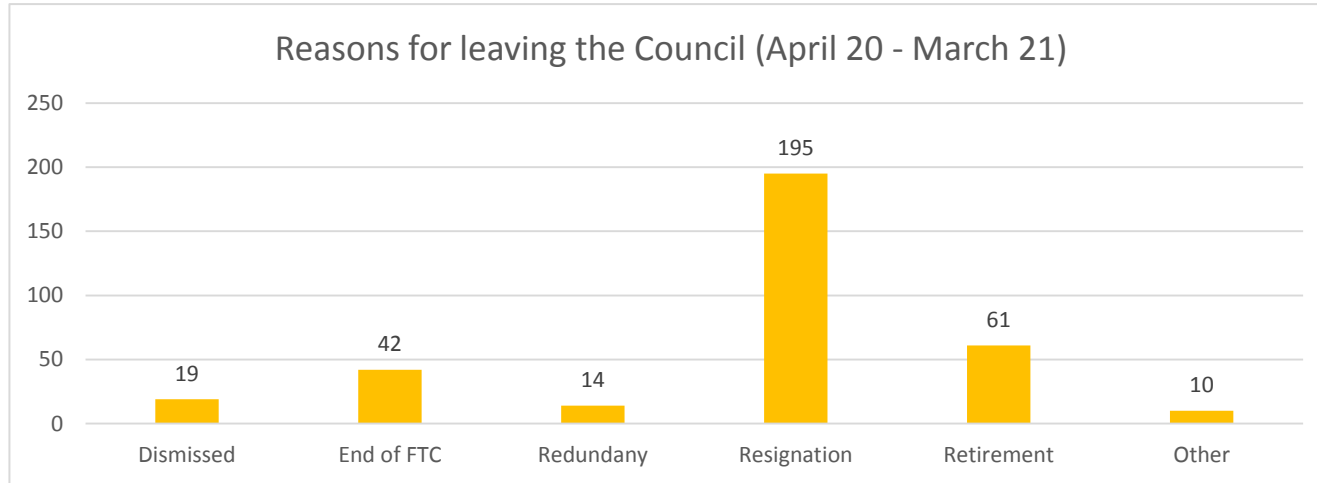
Governance and Audit Committee Report – Recruitment and Retention

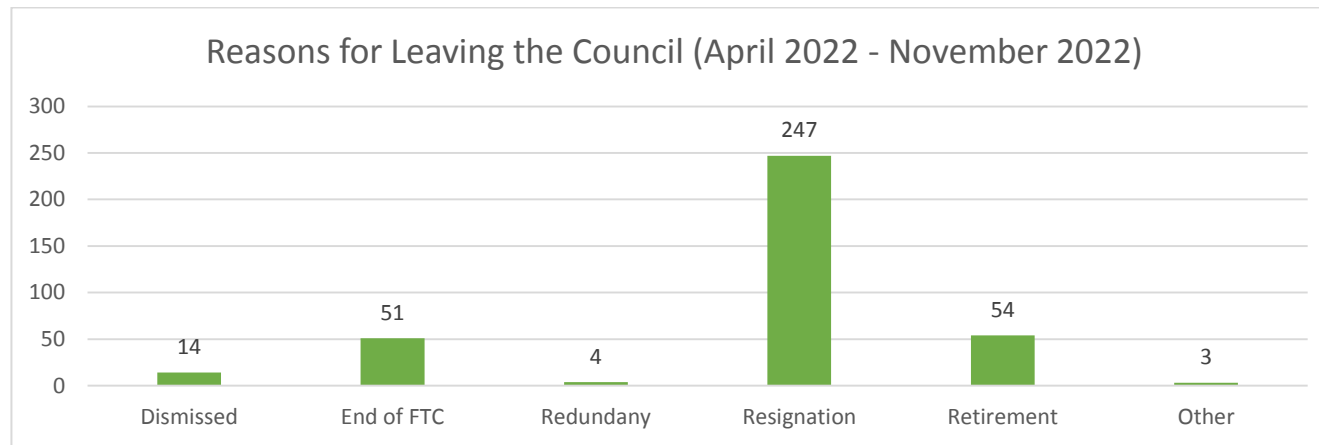
Planning, Public Protection & Countryside Services	1	5	1	14	5	0
Schools	4	20	6	156	34	2
Total	21	32	16	307	81	14

Leaving Reasons per Service (including schools) in April 2022 – Nov 2022

	Dismissed	End of FTC	Redundancy	Resignation	Retirement	Other
Business Improvement & Modernisation	0	0	0	8	0	0
Chief Executive Section	0	0	0	0	0	0
Communities & Customers	0	1	0	10	2	0
Community Support Services	4	1	0	32	11	0
Corporate Directors	0	0	0	0	0	0
Education & Children Services	1	2	0	22	3	1
Finance & Property	0	0	0	5	4	1
Highways, Facilities & Environmental Services	5	6	0	46	6	0
Legal, HR & Democratic Services	1	0	0	6	0	0
Planning, Public Protection & Countryside Services	0	4	0	10	5	0
Schools	3	37	4	108	23	1
Total	14	51	4	247	54	3

5.0 Reasons for Leaving the Council





6.0 Service Length of Leavers

The tables below detail the length of service at the time of leaving. With regards to the length of service at the time of leaving, if the trend continues for 2022/23, the council could see the number of employees who leave within the first year increase somewhat compared to last year. The reasons for this need to be explored in greater detail. The data contained within the below tables shows that on the whole, the leavers are evenly spread across all age groups with the majority of leavers working for the council 10 or more years. This could be linked to the reasons for leaving and the lack of career progression for those employees.

Governance and Audit Committee Report – Recruitment and Retention

Service Length for Leavers (including schools)				
	April 19 – March 20	April 20 – March 21	April 21 – March 22	April 22 – Nov 22
Under 1 year	89	78	88	112
1 year	41	37	38	37
2 years	33	25	44	31
3 years	24	17	39	21
4 years	17	12	20	14
5 – 9 years	54	47	58	41
10 or more years	125	125	184	117
Total	383	341	471	373

Service Length for Leavers (excluding schools)				
	April 19 – March 20	April 20 – March 21	April 21 – March 22	April 22 – Nov 22
Under 1 year	29	35	57	59
1 year	15	15	19	16
2 years	23	11	23	17
3 years	15	10	18	14
4 years	6	7	10	10
5 – 9 years	20	21	26	18
10 or more years	60	63	96	63
Total	168	162	249	197

7.0 Turnover and Comparisons

Turnover in the council was at its lowest in the 2020/21 at 7.4%, due to the Pandemic. The normal turnover figure stands in-between 9 and 10% for the council and if the trend continues, the council will end on somewhere between 9 and 10% in March 2023. The CIPD suggest that the median turnover rate stands at around 16% year on year, which means that the council has a lower turnover rate than the average.

Turnover in Denbighshire				
	2019/20	2020/21	2021/22	2022/23
Excluding schools	9.3%	6.9%	10.6%	6.4%
Including schools	9.0%	7.4%	10.2%	7.1%

7.1 The table below details the median rate of labour turnover as reported by the CIPD Resourcing and Talent Planning Survey 2022:

Median Rate of Labour Turnover				
2013	2014	2016	2019	2021
10%	14%	16.5%	16%	6%

7.2 Benchmarking data is available for local authorities which includes schools and is the percentage of staff who leave the employment of the local authority:

Percentage of staff who leave employment of the local authority							
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Denbighshire	13.1%	11.9%	11.1%	9.3%	8.6%	9.3%	7.5%
Wales	12.9%	11.4%	11.6%	11.4%	11.2%	10.8%	8.2%

Governance and Audit Committee Report – Recruitment and Retention

The graph below identifies the percentage of staff who leave employment in local authorities compared to Denbighshire:

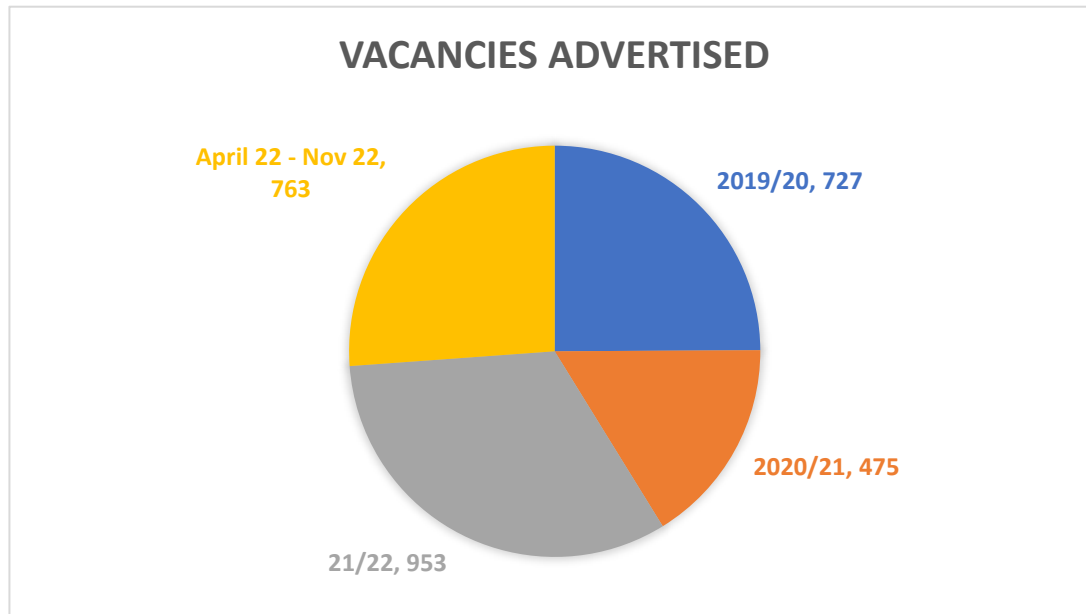


8.0 Vacancies Advertised

The table below displays how many vacancies have been advertised within the council. In 2021/22 the number of vacancies advertised doubled compared to 2020/21. The number of vacancies would have been predicted to increase due to the lower number of vacancies and jobs being offered during the Pandemic.

Vacancies Advertised				
	19/20	20/21	21/22	April – Nov 22
Vacancies Advertised	727	475	953	763

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Governance and Audit Committee Report – Recruitment and Retention

8.1 The table below details the number of vacancies per service. Services, including Finance and Property and BIM have seen an increase in the number of vacancies over the last 3 years, pre and post pandemic. In Finance and Property there have been a number of retirements during the pandemic and post pandemic period, along with the usual resignations which accounts for the increase in vacancies. In BIM, there have been 8 resignations in this year April 2022 to November 2022, a number of them have been due to more favourable terms and conditions elsewhere.

Number of Vacancies per Service (including schools)				
	2019/2020	2020/2021	2021/2022	April – Nov 2022
Business Improvement & Modernisation	14	10	18	27
Communities & Customers	16	14	29	16
Community Support Services	108	50	144	120
Education & Children Services	91	50	88	62
Finance & Property	24	16	19	33
Highways, Facilities & Environmental Services	110	53	187	118
Legal, HR & Democratic Services	9	8	27	21
Planning, Public Protection & Countryside Services	28	35	51	33
Schools	327	239	390	333
Total	727	475	953	763

9.0. Vacancy Applications, Shortlisting and Appointments

The table below details the job vacancy information, with data on the number of applicants at each stage. In terms of the number of applicants, shortlisting and appointed, as expected, during the pandemic, the numbers decreased in all areas but are now back to post pandemic figures. However, the number of applications may not reach pre pandemic levels (2019/20) by March 2023. If the data follows the trend, this means that by the end of March 2023, we might have an increase in the number of ‘no applicants’ compared to last year and the figure will be double compared to the pre-pandemic year of 2019/20. This will increase the number of hard to recruit to positions possibly.

The vacancies which have resulted in ‘no applicants’ in the period of April 2022 – Nov 2022, include Area cooks, Welsh and Maths Teaching posts, Surveyors and Social Workers (Children’s). In the year 2021/22, the job roles were very similar and included an Engineer and Digital Officer in BIM.

Number of applications through the different stages (including schools and supply/relief staff)				
	April 19 – March 20	April 20 – March 21	April 21 – March 22	April 22 – Nov 22
Applied	4731	3455	4086	3000
Shortlisted	1576	1004	1558	1143
Appointed	740	496	886	570
No applicants	26	22	40	43
Total	7073	4977	6570	4756

By virtue of paragraph(s) 12, 14 of Part 4 of Schedule 12A
of the Local Government Act 1972.

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By virtue of paragraph(s) 12, 14 of Part 4 of Schedule 12A
of the Local Government Act 1972.

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Report to	Governance & Audit Committee
Date of meeting	25 January 2023
Lead Member / Officer	Cllr Gwyneth Ellis / Bob Chowdhury – Chief Internal Auditor
Report author	Bob Chowdhury – Chief Internal Auditor
Title	Internal Audit Update

1. What is the report about?

1.1. This report provides an update for Governance & Audit 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?

2.1. To provide information on the 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. This enables the committee to discharge its responsibilities as per its Term of Reference. Delivery of the audit plan will assist the committee with obtaining assurance that the Annual Governance Statement appropriately reflects the conditions of the Council.

3. What are the Recommendations?

- 3.1. That the Committee considers the report content, assesses Internal Audit's progress and performance.
- 3.2. That the Committee decides whether it needs further assurance on any of the audited areas to follow up progress with implementing the improvement action plans.

4. Report details

- 4.1. Appendix 1 provides an update on internal audit work carried out since the last update report to the committee in September 2022.
- 4.2. Since the last Governance & Audit Committee update report, nine audits have been completed, none of which received a low assurance rating. There have been three follow up reviews completed since the last update and summaries are included for information.
- 4.3. In December 2022, the Chief Executive shared the consultation paper on the review of the Senior Leadership Team (SLT). The proposed restructure will see Internal Audit move from the Corporate Directive - Governance and Business into Finance and Audit Service and the team will report direct to Steve Gadd S.151 officer and HoS. However, as this is a consultation paper, the interim arrangements are still in place and Internal Audit will still report direct to Interim HoS Nicola Kneale.
- 4.4. The service continues to make progress with delivering the Audit Plan for 2022/23, an update is provided within the Appendix 1 report. The report highlights key matters relating to the operation of the internal audit service, to include:
 - Since the last update in September, Internal Audit filled the vacancies for a Principal Auditor and two Senior Auditors during the month of September, leaving just one vacancy for an Auditor, which the CIA was looking to change to a Career Pathway Auditor. However, the Principal Auditor and one of the Senior Auditors during October were successful in obtaining new positions outside of Denbighshire County Council Internal Audit team.
- 4.5. The Internal Audit team continues to progress proactive counter fraud efforts. Internal Audit has been involved in two investigation arising from whistleblowing, which has impacted progress on the delivery of assurance work. The Chief Internal Auditor continues to review the remaining priority projects contained within the Audit Plan 2022-23 to ensure higher priority audits are delivered and suitable assurance coverage is provided for the Annual Governance Statement. This will consider assurance gained from other sources e.g. Audit Wales.

4.6. Internal audit monitors performance in relation to addressing actions arising from audit reviews. It is management's responsibility to address the actions and record progress on the performance management system (Verto). Internal Audit continues to perform a 'follow up' and reports on progress with implementing action plans arising from low assurance audits to ensure that necessary improvements are being made.

4.7. The audit agreed actions that have been implemented by service figure has been left blank because currently School reviews have not been entered on Verto which means that we are not picking up all actions and secondly we have noted that not all Services are updating their action status on Verto. Therefore, we will look at addressing the issues identified and update this figure for the next Governance and Audit Committee.

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

5.1. There is no decision required with this report. There is no direct contribution to Corporate Priorities, but some projects in the audit plan will review Corporate Priority areas and will provide assurance on their delivery.

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

6.1. Not applicable – there is no decision or costs attached to the report.

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

7.1. Not applicable – this report does not require a decision or proposal for change.

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

8.1. Not required

9. Chief Finance Officer Statement

9.1. There are no financial implications attached to this report.

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

Sub-heading (delete as needed)

10.1. Should insufficient audit work be completed during the year, there is a risk that the Chief Internal Auditor is unable to draw on sufficient assurance to issue a complete annual opinion in accordance with the Public Sector Internal Audit Standards. Audits are prioritised to provide coverage of governance, risk management and internal controls and scopes for these audits will focus on key risks

11. Power to make the decision

11.1. Not applicable – there is no decision required with this report.

Internal Audit Update

January 2023

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Internal Audit Reports Recently Issued

Since the last Internal Audit Update report in September 2022, Internal Audit has completed:

- Nine reviews, but only eight can be shared, as the ninth review was completed for Denbighshire Leisure Limited and will be presents at their Governance Sub-Committee in February 2023. However, for the eight being reported on, a full copy of each report has been circulated to members of the committee.
- Work has started on the NFI data collection for the 2022-23 exercise and data should be available to work on in the next couple months
- Three follow-up reviews with a low assurance audit have also been completed with a reassessed assurance rating award based on the level of progress made with implementing the agreed action plan.

The assurance given and number of issues raised for each review is summarised below:

Area of work	Assurance Level	Critical Issues	Major Issues	Moderate Issues
Ysgol Caer Drewyn & Ysgol Carrog	High ●	0	0	3
Ysgol Gellifor & Ysgol Bryn Clwyd	Medium ●	0	0	5
Christchurch C P	High ●	0	0	2
PLASC	High ●	0	0	0

Internal Audit Update – September 2022

Highways Maintenance	Medium ●	0	0	4
Ysgol Melyd	Medium ●	0	1	2
Community Safety	Medium ●	0	1	2
Revenues and Benefits Phase 1	High ●	0	0	0
Accommodation Provision for the Homelessness follow up*	High ●	N/A	N/A	N/A
Contract Management follow up*	High ●	N/A	N/A	N/A
Registration Services follow Up*	High ●	N/A	N/A	N/A

* Follow Up of audits previously awarded a low assurance rating. It should be noted that the updated opinion is based on the assumption that systems and controls as previously identified during the original audit remain in operation and are being complied with in practice. The purpose of our follow up exercises is not to retest the operation of controls which have already been assessed, but to review how management has responded to the action plans following our initial work.

Ysgol Caer Drewyn & Ysgol Carrog – November 2022

High Assurance ● Number of Risk Issues: 3 Moderate ●

Ysgol Caer Drewyn and Ysgol Carrog operate as a federation with a single governing body.

Overall, governance arrangements are effective with a good standard of record keeping in place, examples include annual declaration of interests, governor training and DBS information. There is evidence governors are reminded to complete mandatory training within required timeframes. The governing body have completed risk assessments for governors who are undertaking the DBS process.

Statutory sub committees are in place with terms of reference and allocated governors based on their knowledge and skills. The governing body are in the process of reintroducing a documented skills gaps analysis, which has not been completed in recent years to identify training and development needs for governors. Decision making at the

governing body requires greater clarity, it was not always evident from the governing body minutes when decisions were agreed. (See Risk Issue 1)

Work is progressing to streamline policies to encompass both schools and will include key information such as review dates. This will reduce the amount of policies to be considered by the governing body, making the review process more effective. There is a timetable in place for the adoption process for statutory and non-statutory policies up to 2021-22. However, due to other priorities in the last couple of years not all policies have been reviewed in line with the timetable. (See Risk Issue 2)

Financial arrangements appear to be effective with evidence of regular monitoring of both schools' financial positions, financial limits and grant funding. Both schools use corporate systems with built in controls for the purchasing process, school meals and school funds.

Effective controls are in place for ICT security and GDPR with devices encrypted and staff have individual usernames and passwords. Staff have completed mandatory GDPR training further strengthened their awareness of data processing. School information is regularly backed up off site, which is operated by Denbighshire County Council Information Communications Technology (ICT) Services.

Asset and loans registers are in place for the recording and monitoring of assets over £50. A review of the asset registers identified only one of the schools have completed a review of the assets recently (Risk Issue 3).

The schools have received ICT devices through the Welsh Government (WG) EdTech grant, which are recorded on the asset registers. WG terms and conditions state schools should produce a sustainability plan for the replacement items. The school cluster is working with Denbighshire ICT department to produce a plan, but as an interim agreement have introduced an additional line in the budget to replace items received.

Health and safety arrangements appear to be effective with staff having completed mandatory training and DBS' are in place. There is evidence of regular fire risk assessments being completed, testing of fire drills and alarm testing performed, and an

asbestos report for contractors performing works at Ysgol Caer Drewyn. CCTV is present at Ysgol Caer Drewyn with an up to date policy in place.

Other areas such as PLASC, school funds and school meals are effective with independent checks performed as part of the processes.

Ysgol Gellifor & Ysgol Bryn Clwyd – November 2022

Medium Assurance ●

Number of Risk Issues:

5 Moderate ●

Ysgol Gellifor and Ysgol Bryn Clwyd operate as a federation with a single governing body. The schools are currently without a business and finance manager which has presented some challenges.

At the time of our review the full Governing Body had not held its first meeting of the new school year. The formal appointments of the new Chair of Governors, four parent governors, a community governor and Vice Chair are due to take place in the next week.

There were some examples of good record keeping practice, notably in relation to finance, school funds, school meals and statistical returns/PLASC. However more generally record keeping controls require improvement to ensure transparency and accountability for decision making and in relation to the completion of risk assessments. It is important that the Governing Body maintain accurate and up to date records of both attendances at meetings and the completion of mandatory training. Further details are included in appendix one of this report.

The schools have a comprehensive suite of governance and management policies in existence, it is important that these are reviewed and ratified on a regular basis. It was not always clear how and when the statutory policies had been reviewed and approved, further the latest policies were not consistently accessible to staff, governors and other stakeholders.

The school finance controls appear to be operating effectively notwithstanding the current business and finance manager vacancy. We have identified one moderate risk issue in relation to the review of financial authorisation limits.

Health and safety policies exist in comprehensive detail, however there was evidence that these are not being consistently implemented. It is important that the schools address in a timely manner the action taken to address both health and safety and fire risk assessment actions. There was limited supporting evidence to demonstrate how this was being achieved. It may be beneficial to include this as a standing agenda item at the Health and Safety sub-committee.

Almost all staff have completed mandatory eLearning training on both General Data Protection Regulation (GDPR) and Safeguarding. This training is underpinned by policies which contain procedural guidance for the safe handling of personal data and internet security. There were some instances where the guidance contained in the policies was not being fully implemented. Key areas for enhancement relate to the use of personal devices, email addresses and cloud based systems.

The review recognises that there are a number of effective controls in place particularly in relation to finance procedures. We are mindful of the challenges the governing body has faced in conducting meetings remotely over the last two years. The inaugural meeting of the new Governing Body should provide a good opportunity to agree and strengthen governance arrangements and procedures. Where we have raised issues, these have been largely identified by the schools and are beginning to take action to address these.

Christchurch CP– November 2022

High Assurance ●

Number of Risk Issues:

2 Moderate ●

Since the pandemic, the school's governing body's priority is to ensure the school remains safe for staff and pupils. The governing body and subcommittees operate and maintain a hybrid approach to termly meetings to support maximum attendance.

Our review identified a number of effective controls in place in relation to the governing body. Examples include skills analysis to ensure governors are linked with appropriate areas of responsibility and good record keeping to demonstrate an open and transparent

decision making process when actions are agreed in governing body and subcommittee meetings.

The governing body maintains a Governors Constitution document, which provides a useful overview of the governance arrangements in place. Terms of Reference (ToRs) for both the governing body and the subcommittees do not currently exist. (See Risk Issue 1)

The clerk to the governing body is responsible for maintaining records for governor training, DBS certificates and declaration of interest forms. Our review found a number of governors had not completed the mandatory training within 12 months of appointment. (See Risk Issue 2).

The school has a comprehensive suite of policies and supporting procedural guidance in place, with an effective review process by the governing body. The latest policies are posted on the school website to ensure accessibility to all stakeholders.

There are a number of effective controls in place in relation to ICT and GDPR security. The implementation of the GDPR policy is underpinned by staff training and the prohibition of devices being taken off school premises.

The governing body's approach to health and safety is one of the areas of greatest strength. Staff have completed an extensive range of health and safety training including Child Protection, Safeguarding, first aid and fire safety. Policies and procedures are in place and are intuitively implemented by staff, which was evident from site visits and reviewing records of health and safety documentation such as health and safety "walk-throughs" and risk assessments. There is evidence of regular fire risk assessments being completed, testing of fire drills and alarm testing performed. CCTV is in place across the school site with a supporting policy and training for those with access.

Financial controls appear effective; where finance reports and costings in relation to the school development plan are regularly reported to the governing body and the Pay and Resources Committee. There is a comprehensive finance policy in place, which sets out processes for school funds, lettings, school meals arrears and includes contact details for key stakeholders. It would be beneficial if this overarching policy was supported by

code to ensure a consistent approach is applied. While the HMM states that there will be a risk assessment review carried out at least every two years of highway assets, there was limited evidence to demonstrate that this has been achieved in full. Similarly, in relation to the frequency of review of the Network Hierarchy, which has not been formally completed for a number of years.

The highways maintenance strategy, which was approved and adopted in 2017, clearly details the benefits of adopting a proactive approach to planned maintenance rather than reactive repairs. This is further supported by a clear articulation of financial planning in the short, medium and long term cycle of highways maintenance.

The service has faced significant pressures since the publication of the Code of Practice, including adverse weather events such as storms and flooding and more recently the Covid-19 pandemic, which has compounded pressures on resources. The service has continued to deliver its winter maintenance plan and our testing has found that significant progress has been made in clearing the backlog of planned maintenance work whilst meeting targets on safety inspections and defect repairs.

The service recognises that the successful completion of formal training is required for inspectors to ensure that training and competency requirements stipulated in the Code of Practice are met. It is important that safety inspections and visual condition surveys are carried out by appropriately trained inspectors, given the increased volume of claims submitted in recent years.

There are a number of areas of good practice, notably the response to management of flood risk, good progress to reduce the backlog of defect repairs and continuing to meet inspection frequency targets. The service acknowledges that issues raised in this report require further action to ensure full compliance with the Code of Practice and the CSSW risk-based approach.

The full implementation of the risk-based approach set out in the code has not been achieved to date. While the financial and non-financial resource pressures faced by the service may explain why this remains an action on the current service plan, the outstanding areas continue to pose a number of moderate risks.

Ysgol Melyd – December 2022

Medium Assurance ●

Number of Risk Issues: 1 Major ● 2 Moderate ●

Since the pandemic, the school's governing body's priority is to ensure the school remains safe for staff and pupils, which has changed ways of working. They have adapted mechanisms and processes where necessary to ensure the governing body and operations remains effective.

Our review identified effective controls in place for the governing body, with good record keeping. Examples include: detailed minutes and supporting paperwork and full governing body and sub-committees' Terms of Reference. Not all declaration of interests had been completed. (Risk issue 1)

Governors are required to complete DBS checks as part of their role and notify the clerk in accordance with the 'Disclosure and Barring Service (DBS) Checks; Guidance for Governing Bodies in Denbighshire Schools'. Not all governors have completed DBS checks (Risk issue 2).

There are two governor vacancies, which the governing body are in the process of recruiting. The governing body perform an informal skills set analysis, however this should be recorded and used to identify any training and development opportunities. The chair, vice chair and clerk have completed appropriate training for their roles. However, not all governors have completed the mandatory training (Risk Issue 3).

Governing body meetings have been held virtually; going forward the governing body will have a combination of virtual and face-to-face meetings. All the supporting documents, including agendas and minutes, are shared with the governors in advance of meetings.

All statutory policies are reviewed annually and are accessible to staff and governors in electronic and paper format. Although the Governing Body reviews the schools' policies, it would be beneficial to have a policy timetable in place to ensure policies are reviewed on a regular basis.

The school has continued to review the School Development Plan. The school uses corporate systems for processing income, purchasing and invoicing. There is appropriate separation of duty in place and regular reconciliations being performed. School fund

certificates are audited annually and are up to date. Regular monitoring of the budget is performed, including annual reviews of financial limits, staffing costs and the school's financial position. The latter is forecasting a surplus balance until 2023-24.

Works required on site are procured through the corporate buildings maintenance team who perform relevant checks of approved suppliers. Grant funding received by the school is monitored by the school and by the Council's finance officers to ensure compliance with relevant terms and conditions.

There are good security controls in place at the school including CCTV cameras on site, regular fire drills and visitors are required to 'sign in' when visiting the school. Fire safety and health and safety assessments are also in place. CCTV footage is currently retained for 12 days, however, the school's CCTV policy states that footage is retained for 60 days. The council's retention guidance states that CCTV footage should be retained for 30 days, therefore it is advised that the CCTV system is amended to retain footage for 30 days and the policy is updated to reflect the amended retention period.

ICT security arrangements appear to be effective; staff have individual usernames and passwords and all external devices are encrypted and password protected. The school maintain an asset register for all ICT equipment purchased.

Corporate carbon targets have been agreed to help the council become a Net Carbon Zero and Ecologically Positive Council and to reduce carbon emissions by 2030, which include purchasing of goods and services in the council's supply chain. However, the governing body was not aware of the agreed targets. Audit Wales' recent review of climate change within the council highlighted a lack of awareness of the agreed targets within schools. We confirmed that actions are already in the process of being implemented.

Community Safety – November 2022

Medium Assurance ● Number of Risk Issues: 1 Major ● 2 Moderate ●

Strategically, measures have been put in place to provide a co-ordinated approach to community safety, as there is a Community Safety and Safeguarding Strategic Group with representation from officers attending regional community safety boards. The Group works well: meeting regularly, and identifying key complex issues for investigation. While the

purpose of the Group was discussed at its first meeting, there are no separate terms of reference so that its governance arrangements can be regularly reviewed.

Senior management are more aware of the Community Safety Manager and the work of the partnership through quarterly updates to the Senior Leadership Team (SLT). The previous lead member representing community safety was the Chair of the Safer North Wales Partnership Board, and annual reports are submitted to the Partnership Scrutiny Committee. As there have been new members as a result of the Local Government elections, further updates are planned to raise awareness of community safety.

Operationally, discussions with a sample of heads of services and officers identified good practice with community safety work, which has prompted better engagement across services. However, there is a lack of cohesion for Community Safety as roles and responsibilities are unclear and not having documented procedures to clarify arrangements in place. Services can appropriately deal with some issues themselves, but some officers were picking up work when it was not clear if it was under their remit, or perceived community safety to be the sole responsibility of the Community Safety Manager or Public Protection. This may impact capacity and affect prioritisation of other work. The SLT restructure will provide an opportunity to review current arrangements.

While the Conwy and Denbighshire partnership has its own joint work plan, there has been no extensive consultation on its content with all key services involved in community safety to create awareness, and ensure the plan is aligned with the Council's work. However, the Community Safety Manager is not clear of the expectations of the Council as priorities for community safety are not built into service and performance planning. She increasingly is involved in bigger projects without dedicated resources to support her, which is not practical when she is a shared resource with Conwy Council.

The focus of our audit was particularly on arrangements to manage anti-social behaviour (ASB). Where there have been continuing issues, measures have been put in place, e.g. setting up a working group to monitor and take action, and the Council, and its partners, recently won an award for tackling anti-social behaviour in Rhyl. However, ASB information is not easily accessible as it is recorded on individual systems of services

depending on the nature of the concern, which makes it difficult to identify escalating issues that impact cross-service or for freedom of information requests. Due to capacity and a lack of clear recordkeeping, the alley gates review has also not concluded in line with the Anti-Social Behaviour, Crime and Policing Act 2014.

While we did not review the partnership arrangements in detail, the Community Safety Manager is clearly enthusiastic and committed to the work of the partnership. The main areas for improvement are that there has been no review of governance and performance arrangements by either the Council or the partnership itself. Similarly, the partnership's own risk register has not been updated, and the Council needs to ensure that it has an effective mechanism for capturing partnership and community safety risks.

Revenues & Benefits Phase 1– December 2022

High Assurance ● Number of Risk Issues: 0

Overall, the project to bring the Revenues & Benefits Service back in-house has been well-managed. Roles and responsibilities have been clearly defined with a designated project manager, project executive and a separate project board. There is also a dedicated project team who have been actively engaged at the appropriate time within the project lifecycle, and elected members have been kept informed of the project progress.

The project management process has been followed utilising the use of the corporate project management system, Verto and key documents such as a milestones log, risk register, etc. are accessible and up-to-date. Minor improvements have been discussed with the project team so they can either address or record in their lessons learnt log post-implementation, e.g. producing regular highlight reports and strengthening risk scoring.

Exit arrangements were complied with as there is a written agreement terminating the Civica contract: appointing an exit manager and team, and an exit plan documented. Both Procurement and Legal have been engaged to provide advice on contractual arrangements with Civica's sub-contractors, and there was just one service provider remaining where legal advice was being sought at the conclusion of our review.

Legal and HR have been actively involved with managing the TUPE of staff process. Prior to the service transition, staff were kept informed through regular meetings and staff

presentations. Job descriptions will be reviewed post-implementation, and staff will have a six-month period to complete any mandatory training. Pre-implementation, a written inventory was undertaken detailing ownership of equipment and for any staff not being TUPEd to the Council, ICT equipment was returned and building and system access disabled. Similarly, any equipment owned by Civica has been returned to them.

While not the impetus for this project, the Cabinet report (January 2022) detailed that it was envisaged that there would be cost savings by transitioning the Service back to the Council. Finance saving modelling was undertaken prior to implementation, and will be reviewed now the final staffing costs are known.

Accommodation Provision for the Homelessness follow up 3 – December 2022

High Assurance ●	Actions fully implemented:	18 (10 Major & 8 Moderate)
	Actions outstanding:	1 (1 Major & 1 Moderate)

Considerable progress has been made now since our last follow up review. Our last follow up review concluded that 72% of actions had been fully implemented compared to 89% currently.

Written procedures relating to the Rapid Rehousing Model have been developed and circulated to Welsh Government. These include a baseline of performance objectives to be achieved over the next five years, but these will be further developed by the Strategic Homeless Lead.

Despite staff having a high caseload, there is an improvement in the recordkeeping of homeless cases, e.g. diary notes being kept up-to-date. Controls need to be strengthened with putting in place assessments and the authorisation of housing plans. Since our last review, team leaders have improved the evidencing of their independent monitoring of homeless cases.

Due to capacity and other priorities, further documented guidance is still needed for staff to ensure that they carry out processes consistently.

Contract Management follow up 3 – November 2022

High Assurance ●	Actions fully implemented:	12 (11 Major & 1 Moderate)
	Actions outstanding:	1 (1 Major)

Significant demonstrable progress has been made in addressing the outstanding actions in the last 4 months. The roll out of the contract management framework and associated training began in earnest in July and August. There has been a concerted effort by the Contract Management and Procurement team to provide training and guidance to all services. External targeted training was arranged over the summer months and underpinned by documentary guidance on the implementation of the framework. It is clear that services are engaging in the risk evaluation of contracts with documentary recording on Proactis. A number of examples of good practice were evident in this third and final follow up review. These include process mapping against the framework requirements, greater risk consideration and improved governance oversight. It is important that momentum is not lost in implementing all elements of the framework, in particular the recording of contract management tasks. This was the only outstanding action of the thirteen originally proposed.

Registration Services follow up 2 – October 2022

High Assurance ●	Actions fully implemented:	15 (12 Major & 3 Moderate)
	Actions outstanding:	1 (1 Moderate)

Progress has been made since our last review with the outstanding actions, as a new telephone system has been implemented, and a GDPR review completed of the registration service. A new system has been procured that will assist in an efficient and effective service delivery for making appointments and ordering certificates electronically. Implementation of the system has been delayed due to key staffing issues, which impacts the last remaining action. Data deletion cannot be carried out on the current system, but the data retention schedule will be run on the new system post-implementation.

WAO reports update for 2022/23

Review	Start Date	Date Report out	Report status	Link to report
Financial Statement Audit	27 th June 2022	February 2023		
Assurance and Risk Assessment	On-going throughout the year	End of January 2023		
Cross-sector review focusing on the flow of patients out of hospital	October 2022	May 2023		
Corporate Support Function	15 th August 2022	End of January 2023	Corporate Support Function	15 th August 2022

Estyn visits / reports update for 2022/23

School Name	Estyn Visit W/C	Date Report out	Report status	Link to report
Christ the Word	16/05/22	20/07/22	Special Measures	https://www.estyn.gov.wales/provider/6635902
Ysgol Uwchradd Glan Clwyd	May 2022		LA to review	
Ysgol Llywelyn	June 2022		No Follow Up	

Internal Audit Update – September 2022

Denbigh High School	27/09/22	N/A	N/A	N/A
School Name	Estyn Visit W/C	Date Report out	Report status	Link to report
Ysgol Y Castell	10/10/22		Not follow Up	https://www.estyn.gov.wales/system/files/2022-12/Inspection%20report%20Ysgol%20Y%20Castell%202022_0.pdf
Rhyl High	17/10/22		No Follow Up	https://www.estyn.gov.wales/system/files/2022-11/Inspection%20report%20Rhyl%20High%20School%202022.pdf
Ysgol Borthyn	Oct 2022		No Follow Up	https://www.estyn.gov.wales/system/files/2022-11/Inspection%20report%20Borthyn%20V.C.%20Primary%20School%202022_0.pdf
Ysgol Carrog	Nov 2022		Report Not Published Yet	
Ysgol Caer Drewyn	Nov 2022		Report Not Published Yet	
Denbigh High School	Follow up due this term			
Christ the Word	Follow up due this term			

CIW reports update for 2022/23

Area Reviewed	Date of Review	Date Report Issued	Report Status	Link to Report

Other reports update for 2022/23

Area Reviewed	Date of Review	Date Report Issued	Report Status	Link to Report
Joint Inspection of Child Protection Arrangements: Denbighshire County Council, Betsi Cadwaladr University Health Board, North Wales Police	February 2023			

Progress in Delivering the Internal Audit Assurance

Since the last Internal Audit update in September 2022, the consultation paper on the review of the Senior Leadership Team (SLT) has been shared and under the proposed restructure Internal Audit will move over to Finance and will report to Steve Gadd S.151 officer and HoS. However, as this is a consultation paper, the interim arrangements are still in place and Internal Audit will still report direct to Interim HoS Nicola Kneale.

The consultation period closes on the 18th January and it is hoped that the new proposed structure will be in place by the new financial year. The Chief Internal Auditor will keep this

committee updated of changes as they happen and the Internal Audit Charter will be updated to reflect the change in reporting lines.

The current position in the September update was the Principal Auditor post had been filled by one of the Senior Auditors, and at the meeting in October (September meeting had to be re-arranged due to the passing of her Majesty the Queen) the Chief Internal Auditor verbally updated the committee that the two Senior Audit posts had been advertised and filled by internal candidates. However, since this update in October, two auditors have been successful in securing new positions outside of Denbighshire, leaving the team with three vacant posts.

During this year we have carried a number of vacancies and although we are carrying out interviews in January for the vacant posts, they could remain vacant for the remainder of this financial year. This will ultimately mean that we will not be able to complete every review within the Audit Plan for 2022/23 and we will therefore, be prioritising our reviews to ensure that we cover all statutory reviews and ensure appropriate coverage in all services.

A couple of audits have needed to be postponed due to legislative delays or other accepted factors, and a few audits are no longer required due to assurance provided by the council's external regulators. The table on the next page provides an update on progress against the Audit Plan for 2022/23.

Based on the current trajectory, the Chief Internal Auditor is satisfied that internal audit will have provided adequate coverage of corporate risks and services areas, together with assurances gained from elsewhere e.g. Audit Wales, to enable the Internal Audit Annual Report 2022-23 to provide assurance without any limitations.

Audits due to commence shortly include:

- Revenues & Benefits Phase 2;
- Financial Services Review;
- DLL reviews (completed under a SLA, but feed into the S.151 annual Financial Statement);
- Housing Support Grant

- Cefyndy
- Workforce Planning;
- Blue Badges - process review;
- Insurance;
- Court of Protection;
- ICT Asset Management;
- Partnership Arrangements; &
- Risk Management;

Internal Audit Update – September 2022

Area of work	Current status	Assurance level	Critical issues	Major issues	Moderate issues	Comment
AONB Grant 2021/22	Draft	-	-	-	-	Annual accounts audit
Fostering	Not yet started	-	-	-	-	
Looked after children – Independent Reviewing Officer	Not yet started	-	-	-	-	
Programme & Project Management	Not yet started	-	-	-	-	
Liberty Protection Safeguards	Not yet started	-	-	-	-	
Procurement – pre tender stage	Not yet started	-	-	-	-	
Mediquip	Not yet started	-	-	-	-	
Rhuddlan Town Council 2022-23	Complete	N/a	N/a	N/a	N/a	External fee earning work
National Fraud Initiative	Complete	N/a	N/a	N/a	N/a	2020-21 exercise
Revenues & Benefits 2021/22	Complete	High ●	0	0	0	
Financial Services 2021-22	Complete	High ●	0	0	2	
Court of Protection	Not yet started	-	-	-	-	
Community Equipment Service	Not yet started	-	-	-	-	
Partnership Arrangements	Not yet started	-	-	-	-	
Youth Service	Not yet started	-	-	-	-	
Blue Badges	Not yet started	-	-	-	-	
Workforce Planning	Not yet started	-	-	-	-	
Tackling Poverty	Not yet started	-	-	-	-	

Internal Audit Update – September 2022

Area of work	Current status	Assurance level	Critical issues	Major issues	Moderate issues	Comment
Equalities	Complete	Medium ●	-	-	3	
Asset Management	Not yet started	-	-	-	-	
IT Asset Management	Not yet started	-	-	-	-	
Health and Wellbeing	Not yet started	-	-	-	-	
Flood Risk Strategy	Not yet started	-	-	-	-	
Insurance	Not yet started	-	-	-	-	
Planning Applications	Not yet started	-	-	-	-	
Post 16 Education Grant	Complete	High ●	0	0	0	
Ysgol Brynhyfryd	Complete	High ●	-	-	2	
Ysgol Dewi Sant	Draft	-	-	-	-	
Ysgol Melyd	Complete	Medium ●	0	1	2	
Ysgol Hiraddug	Complete	High ●	-	-	2	
Ysgol Y Castell	Complete	High ●	-	-	1	
Ysgol Tremeichion	Complete	High ●	-	-	1	
Homelessness	Not yet started	-	-	-	-	
Financial Services 2022-23	Not yet Started	-	-	-	-	Starting in January 2023
Revenues & Benefits 2022-23	Complete	High ●	0	0	0	
Cefndy Healthcare	Scope	-	-	-	-	
Risk Management	Not yet started	-	-	-	-	
Highways Improvements	Complete	Medium ●	0	0	5	
Health & Wellbeing	Scoping	-	-	-	-	
Commercial Waste	Complete	Medium ●	-	1	2	
Families First	Complete	High ●	-	-	-	
Community Safety Partnership	Complete	Medium ●	0	1	2	

Internal Audit Update – September 2022

Area of work	Current status	Assurance level	Critical issues	Major issues	Moderate issues	Comment
Denbigh High School	Scope					
Esgob Morgan	Scope					
Bryn Clwyd and Gellifor	Complete	Medium ●	0	0	5	
Ysgol Carrog and Yagol Caer Drweyn	Complete	High ●	0	0	3	
Pentrecelyn	Scope					
Christchurch	Complete	High ●	0	0	2	
Christ the Word	Fieldwork					
Library fees & charges	Not yet started					
Cash Collection	Scoped					
ALN	Fieldwork					
Direct Payments for Children 2 nd follow up	Complete	Medium ●	-	-	-	
Payment Card Industry – Data Security Standards 3 rd follow up	Complete	Medium ●	-	2	1	
Project Management: Queen's Building 2 nd follow up	Complete	High ●	-	-	-	
Contract Management 3 rd Follow Up	Complete	High ●	0	11	1	
Exceptions, Exemptions and Variations from the Contract Procedure follow up	Not yet started	-	-	-	-	Staffing issues agreed to undertake review in Q1 2023/24
Support Budgets & Direct Payments: Adults 3 rd Follow Up	Complete	Medium ●	-	-	-	
Housing Support Grant	Scope					
Provision of Homeless Accommodation 3 rd Follow Up	Complete	High ●	0	9	7	1 Major & 1 Moderate, but significant progress made since the last follow up
Whistleblowing Investigation	Fieldwork	N/a	N/a	N/a	N/a	

Area of work	Current status	Assurance level	Critical issues	Major issues	Moderate issues	Comment
Follow up audits	Ongoing	N/a	N/a	N/a	N/a	
School fund audits	Ongoing	N/a	N/a	N/a	N/a	

Progress with Counter Fraud Work

Counter fraud work carried out since the last internal audit update includes:

1. Providing advice on counter fraud to officers on request. This has included the emergency Covid-19 related grants for businesses.
2. We have currently uploading the data for the National Fraud Initiative (NFI) exercise for 2022-23 and will start looking at the matches in quarter 1 of 2023/24 financial year.
3. Assist Education Support with ensuring that schools continue to complete school fund certificates promptly.
4. The Strategy for the Prevention and Detection of Fraud, Corruption and Bribery and Fraud Response Plan was endorsed by Cabinet in September 2021. This is now available on the Council's website. E-learning is being developed to advise staff on what to do should they suspect fraud.
5. A template Counter Fraud Policy and procedural guidance has been produced for schools and the first training session is being rolled out on the 19 January in conjunction with Education Support.
6. Alerts from the National Anti-Fraud Network (NAFN) reviewed with the relevant service and response taken accordingly.
7. Responding to a whistle blowing response and counter response of concerns of potential fraud. This is an on-going investigation and the findings will be shared with relevant officer.
8. Attending the newly formed North & Mid Wales Audit Partnership sub-group focusing on taking action to address the matters raised in the Audit Wales report 'Raising Our Game – Tackling Fraud in Wales'

<https://www.audit.wales/publication/raising-our-game-tackling-fraud-wales>

Referrals 2022/23

While it is not Internal Audit's role to identify or investigate fraud, as this responsibility rests with management, Internal Audit keeps abreast of potential fraud from a view of ensuring that any governance, risk management or control weaknesses are addressed in line with Financial Regulations and the Strategy for the Prevention and Detection of Fraud, Bribery & Corruption.

Two allegation relating to potential fraud have been referred to Internal Audit during the financial year 2022/23. The first allegation has been investigated and recommendations for internal controls to be put in place or strengthened and the second allegation is currently being investigated.

Whistleblowing concerns are reported separately to Committee as part of the Annual Whistleblowing Report but are detailed above should there be an element relating to potential fraud.

Internal Audit Performance Standards

The table below shows Internal Audit's performance to date for 2022/23.

Performance Measure	Target	Current Performance
Send a scoping document before the start of every audit	100%	100%
Issue draft report within 10 days of the closing meeting	Average days less than 10	12.1 days
Issue final report within 5 days after agreeing the draft report and action plan	Average days less than 5	3.9 day
Percentage of audit agreed actions that have been implemented by services	75%	Please see explanation below

The audit agreed actions that have been implemented by service figure has been left blank because currently School reviews have not been entered on Verto which means that we are not picking up all actions and secondly we have noted that not all Services are updating their action status on Verto. Therefore, we will look at addressing the issues identified and update this figure for the next Governance and Audit Committee.

There have been a number of capacity issues over the last nine months with staffing. We have been through three recruitment exercise to appoint into the CIA, Principal and Senior Auditor roles, but unfortunately after appoint into the Principal and one of the Senior Auditor positions we received their resignations due to them securing more senior roles within the NHS and retail sector.

This has meant that a fourth recruitment exercise was carried out and over December and interviews are due to take place in January.

Internal Audit are prioritising the completion of assurance work and continue to follow up previous reviews awarded a low assurance to ensure that necessary improvements are being made. While many actions are taking longer to resolve than originally envisaged by services, we are satisfied that progress is still being made to implement the requisite change.

Appendix 1 – Assurance Level Definition

Assurance Level	Definition	Management Intervention
High Assurance ●	Risks and controls well managed and objectives being achieved	Minimal action required, easily addressed by line management
Medium Assurance ●	Minor weaknesses in management of risks and/or controls but no risk to achievement of objectives.	Management action required and containable at service level. Senior management and SLT may need to be kept informed.
Low Assurance ●	Significant weaknesses in management of risks and/or controls that put achievement of objectives at risk.	Management action required with intervention by SLT.
No Assurance ●	Fundamental weaknesses in management of risks and/or controls that will lead to failure to achieve objectives.	Significant action required in a number of areas. Required immediate attention from SLT.

Risk Issue Category	Definition
Critical ●	Significant issues to be brought to the attention of SLT, Cabinet Lead Members and Governance and Audit Committee.
Major ●	Corporate, strategic and/or cross-service issues potentially requiring wider discussion at SLT.
Moderate ●	Operational issues that are containable at service level.

Report to	Governance and Audit Committee
Date of meeting	25 th January 2023
Lead Member / Officer	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets / Steve Gadd, Head of Finance and Property
Report author	Steve Gadd
Title	Budget Process Update

1. What is the report about?

- 1.1. To update the Committee on the current Medium Term Financial Plan and Budget Timetable.

2. What is the reason for making this report?

- 2.1. To ensure the G&AC have received the latest information regarding the budget setting process.

3. What are the Recommendations?

- 3.1. Members note the latest budget proposals and position for 2023/24 and 2024/25 (see Section 4 and Appendix 1).

4. Report details

- 4.1 **Budget Update for 2023/24**– An overall update of the final proposals (which has been sent to all Members) is included as an appendix. The better than expected settlement has allowed Cabinet and Council to consider a balanced budget which hasn't required a high Council Tax increase or the use of cash reserves. The timetable for the spring is reproduced below:

- 17th January – Full Council Briefing
- 24th January – Cabinet Budget Report
- 31st January – Council Budget Report

- 28th February – Council – Full Council Tax Report / Approval
- Early March – Final Settlement

4.2 Budget Update for 2024/25

Obviously the better settlement for 23/24 impacts future years also – both in term of actual forecast Revenue Support Grant and be able to set a balanced budget without the use of cash reserves. As such the estimated gap for 24/25 is now forecast to be £6.3m which is a lot lower than the £20+m that we feared. However this will still need careful planning and consultation to bridge that gap. It is also a long way off – and we have all learnt that a lot can change in 3 months let alone 12 months.

Original 5 year Budget Plan hoped to make savings through identification of large projects including:

- Scope for commercialisation – charging / alternative delivery models – ensuring full cost recovery
- Scope for doing things differently – Business Process Re-engineering / areas that require financial benchmarking
- Services own plans and ideas for savings

This is still important but will still not be sufficient to cover the scale of the budget gap and work will commence in the spring to develop further proposals.

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

- 5.1. Setting a balanced budget each year is a core duty of the Council and is crucial to ensure the good governance of the Council as set out in the new Corporate Plan.

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

- 6.1. Section 4 and Appendix 1 clearly outline the financial implications of the budget position for 23/24 and 24/25.

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

- 7.1. A wellbeing impact assessment will be presented to Cabinet and Council as part of the Budget Report.

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

8.1. In addition to regular reports to the Corporate Governance Committee, the budget process has been considered by SLT, Cabinet Briefing, Group Leaders and Council Briefing meetings. The School Budget Forum have been included in the proposals through-out the year. Trade Unions have been consulted through Local Joint Consultative Committee.

9. Chief Finance Officer Statement

9.1 The aim of the budget process is to ensure that the council delivers a balanced budget. The proposals set out in this report offer a balanced approach which takes into account the principles of the new budget process:

- Aim to recognise and remedy in year and forecast service pressures as much as possible in order to build in resilience.
- Ensure services are challenged to deliver efficient services, but to try and minimise the impact of proposals on services users and staff.
- Keep Council Tax increases as low as practicable.
- Limit the use of Cash which only delays the need to identify savings.
- Maintain funding for corporate priorities.

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

10.1. The risks associated with the budget position are clearly stated in Section 4. The non-financial risks are difficult to quantify until proposals are finalised but a reduction in real terms funding of this scale is likely to impact service delivery.

11. Power to make the decision

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.

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Member Briefing on Progress setting the Budget for 2023/24

Key Aspects of Budget Process

- Process to consider and review non-strategic Budget Pressures
- Process to consider and review Strategic Budget Pressures
- 1% Efficiency Target for services
- The better settlement resulted in additional income of £8.2m. At the time the budget gap was at £4.8m and proposals to fill that gap relied on further increasing Council Tax by 1% to 4.8% and using £4m of cash which just delays the need to find savings. **We now do not need to consider these options.** Unfortunately, just before Christmas, we received further bad news about our expected energy bills for next financial year which has required an additional pressure of £2.6m. This left £0.8m which it is proposed is used to accept additional base budget pressures submitted by services which had previously been accepted only on a cash basis (ie temporary funding).

Proposals going to Cabinet on 24th January

The Draft Local Government Settlement for 2023/24 was received by the council on 14th December and resulted in a positive settlement of 8.2%, compared to the Welsh average of 7.9%. The Final Settlement is expected in early March but Welsh Government (WG) have indicated that there should be very few changes. Within the announced figure WG have advised the following:

- All pay increases for both teaching and non-teaching posts are included within the RSG.
- The responsibility to pay both our own Social Care and the private sector Social Care sector the Real Living Wage.

The draft settlement includes a slightly increased indicative average settlement increases of 3.0% for 2024/25. Although this is very welcome from a planning perspective it does indicate that difficult decisions will be required over the coming years.

There were no 'transfers in' included in the draft settlement.

The final proposals to balance the 2023/24 budget are shown in the Medium Term Financial Plan (MTFP) in Appendix 1. The main areas of growth and pressures are:

- Pay pressures (including net impact of decrease in National Insurance) of £3.269m
- Price and energy inflation of £2.897m – this includes the latest energy increase estimates received on the 22nd December (increase of £2.6m)
- Fire Service Charge of £535k
- Allowance for increase in Council Tax Reduction Scheme of £350k
- Schools inflationary pressures are recognised amounting to £3.936m
- Schools demographic pressure of £310k
- £8.187m to recognise demand pressures and forecasts in Community Support Services as part of the council's long term strategy to manage care budgets as well as recognising the agenda to ensure all care staff are paid the Real Living Wage
- £2.700m to recognise existing pressures in Education and Children's Services relating to Out of County Placements and Recoupment.
- £1.000m pressure to meet the increased costs within School Transport which is becoming evident in the monthly monitoring
- Increase in insurance costs relating to impact of inflation of £150k
- Investment in priorities amounting to £0.500m:
 - Further investment in Carbon Zero Project of £134k for additional staff to undertake the necessary work. The programme proposes to use the existing allocation of prudential borrowing to fund capital spend in 23/24 due to underspends over the last two years.
 - Increased Investment in Highways Capital Programme as proposed by Council (£4m capital) – requires an estimated £235k in Capital Finance Budget
 - This leaves £131k which it is proposed will be used in year to continue to fund capital projects in year (eg those that were brought forward by the Horizon Scanning exercise or that come out of the new Capital Plan) - £131k would equate to capital investment of c£2.2m.

- Service non-strategic pressures of £1.282m – pressures and requirements for investments identified by services themselves and summarised in Appendix 2.

The pressures identified above amount to £25.116m. A draft settlement of around 14.5% would have been required in order to fund all these pressures. The net +8.2% settlement generates £14.231m additional revenue leaving a funding gap of £10.885m. The following items are included in the proposals in order to bridge that gap:

- There are savings in the Capital Financing Budget amounting to £1.067m – these do not reflect reductions in the capital programme but an increase use of cash and delays to some projects.
- Corporate contingencies relating to the unused element of the Covid Contingency put aside as part of last year’s budget process amounting to £1.200m.
- The impact of the triennial actuarial review of the Clwyd Pension Fund means that the Council now finds itself in a position of a small surplus instead of a significant deficit that required repaying. This results in a saving of £3.828m.
- The savings from bringing the Revenues and Benefits Service back in house are now confirmed and a further £300k can be released.
- Services were asked to identify 1% savings/efficiencies and were able to identify £961k of savings as summarised below (and included in full at Appendix 3):
 - Fees and Charges Income Budgets have been inflated in line with agreed Fees and Charges policy which increases external income by £423k.
 - Savings involving some element of service change amount to £371k
 - Technical budget reductions which have no impact on service delivery amount to £167k
- Schools were also asked to plan for 1% efficiencies which amount to £816k.
- It is recommended that the Council Tax increases by 3.8% which, along with minor changes to the Council Tax Base, will generate £2.713m additional revenue. This level is at the lower end of indicative increases across Wales. It is also lower than the average of 4.35% over the last four years.

App 1: Medium Term Financial Plan:

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Funding				
Revenue Support Grant & NNDR (RSG)	173,640	187,871	193,507	197,764
Council Tax	60,055	62,768	65,720	68,668
SSA / Budget Requirement	233,696	250,639	259,227	266,433
Use of Balances				
Total Funding	233,696	250,639	259,227	266,433
Expenditure				
Base Budget	216,819	233,696	250,640	265,590
Inflation / Pressures:				
Pay	3,000	3,269	4,000	1,019
Price - targeted		2,897	400	100
Price	250	150	150	150
CTRS	350	350	350	350
Fire Levy	321	535	100	100
Income Inflation	(120)		(250)	(250)
Social Services	3,127	8,187	2,000	1,000
Childrens Service	750	2,700	2,000	1,000
Other Service Pressures	500			
Covid Contingency	1,991	(1,000)		
CJCs	300	(200)		
School Transport		1,000		
Schools Inflation	3,769	3,936	4,000	2,000
Schools Demography Adjustment	606	310	700	700
Other known items:				
Investment in Priorities 1	81			
Investment in Priorities 2	1,200	500	500	700
Service Non-Strategic Pressures	1,111	1,282	1,000	1,500
Transfers into/out of Settlement	275			
New Responsibilities				
EFFICIENCIES / SAVINGS:				
Capital and Corporate Savings		(1,067)		
Pensions Triennial Review		(3,828)		
Service Efficiencies - 1%	(634)	(961)		
Service Savings - Projects		(300)		
Schools Efficiency Target		(816)		
Total Expenditure	233,696	250,640	265,590	273,959
Funding Shortfall / (Available)	0	0	6,362	7,526
Annual increase/(decrease) in shortfall	(0)	0	6,362	1,164
Key Assumptions				
Settlement %	9.20%	8.20%	3.00%	2.20%
Council Tax Increase % Band D	2.95%	3.80%	3.80%	3.80%

App 2: Non-Strategic Pressures

NON-STRATEGIC PRESSURES				
REF	SERVICE	TITLE	DETAILED DESCRIPTION	CUMULATIVE BUDGET A/O REED 2023/24 £
C&C-P02	Communications and Customers	Blue Badge Support	20 hours - Libraries Grade 5 /37 hours - Grade 2 @ Contact Centre: originally £64K now £49K. Covered under slippage this year, but pressure for next year	49,000
C&C-P06	Communications and Customers	Youth Service	We have seen a significant increase in personal support and targeted 1 to 1 interventions with young people especially after Covid and an increase in more complex cases being referred to the service. To reduce pressure on the team's waiting list we would need an increase in staffing to reduce the current waiting list of 72 young people. 2X Full Time youth workers with all included costs including programme costs would be £84,000 per year (with recruitment April 23-June 24 would be an overall cost of £112,000) which could reduce the current waiting list by approx. 60 young people by the end of June 2024.	84,000
ECS-P01	Education and Children's Service	Sensory Service	Tri sensory service WCBC, DCC & FCC. FCC are host authority original cost £175k, increased to £194k	19,000
BIM-P01	Business Improvement and Modernisation	Internal Audit Structure	As Audit Wales have reduced their performance auditing work for DCC it is vital that we have an Internal Audit structure which can repond to this and maintain a lower level of input from Audit Wales . The team requires an additional Senior Auditor who is able to work independently and therefore enable the team to succeed in delivery.	8,700
BIM-P03	Business Improvement and Modernisation	Strategic Planning & Performance Team	1 FTE @ G9. With an increase in Corporate Plan themes from 5 to 9, there will be added work required for this team to provide strategic support to boards/groups, develop and monitor performance, write reports, etc.	17,581
LHR&D-P01	Legal, HR and Democratic Services	Electoral and Election Services	A re-structure of the existing unit to add sufficient capacity to sustainably support electoral and election services in Denbighshire.	34,302
LHR&D-P02	Legal, HR and Democratic Services	Legal services	Trainees have applied for and been successful in securing permanent positions that we have been struggling to fill. We wish to submit a pressure to continue with this strategy to recruit 2 further trainees. These are 2 year fixed term posts.	64,000
LHR&D-P03	Legal, HR and Democratic Services	HR	The HR software system, I-Trent has a cloud based module for onboarding which would make it easier for applicants and succesful candidates to self serve. This would make the process easier for managers and would relieve some oressure in the HRA team that currently has to provide significant support to the process.	23,000
F&P-P01	Finance and Property	Property: Building Maintenance Revenue Budgets.	Increased construction material and labour costs impacting on building maintenance budgets. Costs have been increasing at unprecedented rates since Coved/Brexit.	228,000
HES-P01	Highways and Environmental Services	Highways	Increased demand has out-stripped available resources in highways	196,312
HES-P02	Highways and Environmental Services	Streetscene	Increased demand has out-stripped available resources for public realm and grounds maintenance functions	110,258
HES-P03	Highways and Environmental Services	Waste	Increased demand has out-stripped available resources in the Waste and Recycling Service	58,359
HES-P04	Highways and Environmental Services	School Catering and Cleaning	Increased revenue pressures and demands on the service realting to rollout of Universal Primary Free School Meals programme	288,000
PPP-P07	Planning and Public Protection	Food Safety - EHO Officer (NB Last Years Bid accepted in principle)	Previously EU grant funded post - funding running out in 23/24	48,500
PPP-P08	Planning and Public Protection	Bodelwyddan Country Park (NB Last Years Bid accepted in principle)	Revenue capacity to manage the Park - cash used in 22/23	52,537
				1,281,549

App 3: 1% Efficiency Savings

1% EFFICIENCY SAVINGS						
REF	SERVICE	TITLE	Description	Category	SAVING 2023/24 £	
C&C-E01	Communications and Customers	Library New Income Stream	New SLA with Grwp Llandrillo Menai for use of Library Buildings for community teaching	Fees and Charges	18,000	
C&C-E02	Communications and Customers	Library Income Target Increase	Work to improve income from hosting external events in Libraries	Fees and Charges	3,000	
C&C-E03	Communications and Customers	Design Income	Increase in fee income from services using the corporate Design and Print Framework	Fees and Charges	1,000	
C&C-E04	Communications and Customers	Tourism Savings	Reduce number of face-to-face Tourism Forums to one per year.	Service Change	5,000	
C&C-E05	Communications and Customers	Major Events Budget Savings	Reserve now held corporately with no annual contribution required	Technical Budget Reduction	2,000	
C&C-E06	Communications and Customers	Youth Service Savings	Reduce programme costs budget across the County	Service Change	6,000	36,000
EC&S-E01	Education and Children's Service	Childrens: Family Resource Centre relocation	Property savings from transferring services from the Famil Resource Centre at Bedford Street Rhyd to vacant space within the Oaktree Centre which is a more child focussed environment that also has the added benefit of parking and a reception area (which Bedford Street does not have) and will mitigate lone working & health and safety issues for the staff members.	Service Change	25,604	
EC&S-E02	Education and Children's Service	Childrens: Childcare costs review	Increase of Childcare Fees at the Oaktree which have not been reviewed since September 213 despite rapidly increasing costs. The fees will still be the lowest in the county and still include a hot meal. 34% of children are fully grant funded, with a further 16% part funded.	Fees and Charges	20,000	
EC&S-E03	Education and Children's Service	Childrens: Budget reduction Direct Payments.	The budget has underspent over the last few years. This reduction is based on current spending requirements so the budget is no longer required. If provision increases in future years the service will submit a service pressure to cover the costs.	Technical Budget Reduction	20,000	
EC&S-E04	Education and Children's Service	Education: Review of Service underspends	Budgets have been reviewed and small areas of underspend identified. In previous years these have been used to offset overspends - however pressures have now been recognised in the budget proposals	Technical Budget Reduction	57,292	122,896
HE&S-E01	Highways and Environmental Services	Catering and Cleaning	Increased income from school catering and public convenience services	Fees and Charges	25,500	
HE&S-E02	Highways and Environmental Services	Highways	Increased income from streetworks charges along with straffing restructure	Fees and Charges	26,000	
HE&S-E03	Highways and Environmental Services	Waste	Increased income from garden waste, bulky waste and trade waste services. Review of HRC waste treatment cost.	Fees and Charges	102,200	
HE&S-E04	Highways and Environmental Services	Streetscene	Increased income from Cemeteries and roundabout sponsorships	Fees and Charges	18,000	
HE&S-E05	Highways and Environmental Services	Street Lighting	Increased income from external work along with savings from reduction in service fleet requirements	Fees and Charges	20,000	
HE&S-E06	Highways and Environmental Services	Fleet and Service Improvement	Increased income from external customers	Fees and Charges	15,000	208,700
LHR&D-E01	Legal, HR and Demooratio Services	Legal Services Income	Review of fees and charges for externally funded legal work	Fees and Charges	5,000	
LHR&D-E02	Legal, HR and Demooratio Services	Registrars Fee Income	Review of discretionary fees and charges for registrars' services such as weddings etc.	Fees and Charges	5,000	
LHR&D-E03	Legal, HR and Demooratio Services	Service Wide	Budget alignment exercise	Technical Budget Reduction	15,000	26,000
PPP-E01	Planning and Public Protection	Increased parking tariffs	Increased tariffs at Loggerheads, Moel Farnau and Llantysilio	Fees and Charges	50,000	
PPP-E02	Planning and Public Protection	Plas Newydd - Admissions	Increased admission price for adults at Plas Newydd to £7	Fees and Charges	1,500	
PPP-E03	Planning and Public Protection	Price Increases Plas Newydd shop and tea rooms	10% increase in pricing	Fees and Charges	7,500	
PPP-E04	Planning and Public Protection	Management Budget Efficiency	Savings already achieved in year	Technical Budget Reduction	14,000	
PPP-E05	Planning and Public Protection	Increased Building Control Fees	Income has increased through an increase in fees and also take up of the service	Fees and Charges	30,000	103,000

App 3 continued

REF	SERVICE	TITLE	Description	Category	SAVING 2023/24 £	
F&P-E01	Finance and Property	Efficiencies within Property	A number of small efficiencies already achieved in year - budget now held in management codes	Technical Budget Reduction	13,500	
F&P-E02	Finance and Property	Finance Budget Re-alignment	Re-alignment following bringing in of Civica and changes to staffing arrangements due to retirements	Technical Budget Reduction	45,500	68,000
CSS-E02	Community Support Services	Right Sizing Care and Support	Review existing packages of care through 'right-sizing' e.g. reducing the number of double-handed care calls and increasing our use of Micro-Providers and volunteers.	Service Change	327,717	
CSS-E03	Community Support Services	Review of Telecare Charging	The monthly fee for Telecare has remained static for a number of years, a review of the costs and monthly charges will be completed, a rise from £15 to £17 per month for example will generate additional income of £55K	Fees and Charges	55,000	382,717
BIM-E01	Business Improvement and Modernisation	Increase in daily recharge rate for Project Management	The daily recharge rate for Corporate Project Management has not increased in quite a number of years. It is proposed to increase the rate from £250 to £284 per day. This daily rate will support the team of 7 PMs plus the Lead Project Manager.	Fees and Charges	18,000	
BIM-E02	Business Improvement and Modernisation	Increase charges for Archives services and materials	Increase the charges for have not been reviewed or increased for many years doing so now will yield a relatively low sum.	Fees and Charges	1,800	
BIM-E03	Business Improvement and Modernisation	Shared Archives Service	Reduce budget in line with budget savings set by Flintshire for their contribution to the shared service. Likely to be achieved by reviewing current vacancies.	Service Change	7,200	27,000
						981,313

Appendix 4

Council Tax Sensitivity Analysis

2023/24	Increase %	Increase in Band D £	Proposed Band D £	Total Funding £000	Inc/Dec in Funding £000	
	0.00%	0.00	1,436.76	58,734	0	
	0.50%	7.18	1,443.94	59,028	294	
	1.00%	14.37	1,451.13	59,322	588	
	1.50%	21.55	1,458.31	59,616	882	
	2.00%	28.74	1,465.49	59,910	1,176	
	2.50%	35.92	1,472.68	60,204	1,470	
	2.75%	39.51	1,476.27	60,351	1,617	
2022/23 Increase	2.95%	42.38	1,479.14	60,468	1,734	-500
	3.00%	43.10	1,479.86	60,498	1,764	
	3.25%	46.69	1,483.45	60,645	1,911	
15 Year Average	3.31%	47.56	1,484.31	60,680	1,946	-288
	3.50%	50.29	1,487.04	60,792	2,058	
7 Year Average	3.77%	54.17	1,490.92	60,950	2,217	-18
Current Assumption	3.80%	54.60	1,491.35	60,968	2,234	
	4.00%	57.47	1,494.23	61,086	2,352	
2020/21 Increase	4.30%	61.78	1,498.54	61,262	2,528	294
4 Year Average	4.35%	62.50	1,499.26	61,291	2,558	323
	4.50%	64.65	1,501.41	61,380	2,646	
	5.00%	71.84	1,508.60	61,674	2,940	
	5.50%	79.02	1,515.78	61,968	3,234	
	6.00%	86.21	1,522.96	62,261	3,528	
2019/20 Increase	6.35%	91.23	1,527.99	62,467	3,733	1,499
	6.50%	93.39	1,530.15	62,555	3,822	
	7.00%	100.57	1,537.33	62,849	4,116	

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Report to	Governance and Audit Committee
Date of meeting	25 January 2023
Lead Member / Officer	Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets
Report author	Steve Gadd, Head of Finance
Title	1. Treasury Management Strategy Statement (TMSS) 2023/24 and Prudential Indicators 2023/24 to 2025/25 (Appendix 1) 2. Treasury Management (TM) Update Report 2022/23 (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 TM Update Report (Appendix 2) provides details of the Council's TM activities during 2022/23.

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 Governance and Audit Committee is required to review this report before it is approved by Council on 28 February 2023. 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 2023/24 and the Prudential Indicators for

2023/24, 2024/25 and 2025/26 (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 normally 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 2023/24

- 4.3 The TMSS for 2023/24 is set out in Appendix 1. This report includes TM Prudential Indicators which set limits on the Council's TM activity as shown in Appendix 1 Annex A.

Capital Prudential Indicators

- 4.4 The Capital related Prudential Indicators are included in the Capital Strategy Report which gives a high level, concise and comprehensible overview to all elected members of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Council's services.
- 4.5 The Capital Strategy Report will be reported to Council in February alongside the Capital Plan and will include the following Capital related Prudential Indicators:

Estimates of Capital Expenditure and Financing

Ratio of Financing Costs to Net Revenue Stream

Capital Financing Requirement

Authorised Limit and Operational Boundary for External Debt

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 additional 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 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 It is a requirement of the CIPFA Code of Practice on TM for Council to approve a TMSS each financial year.

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 2023/24 to 2025/26**

Contents

- 1. Background**
- 2. Treasury Position**
- 3. Treasury Investment Strategy**
- 4. Borrowing Strategy**
- 5. Debt Rescheduling**
- 6. MRP Statement 2023/24**
- 7. Reporting Treasury Management Activity**
- 8. Other Items**

Annexes

- A. Prudential Indicators**
- B. Interest Rate Outlook**
- C. Glossary**
- D. Liability Benchmark Chart**
- E. Debt Maturity Profile**

Treasury Management Strategy Statement and Investment Strategy 2023/24 to 2025/26

1 Background

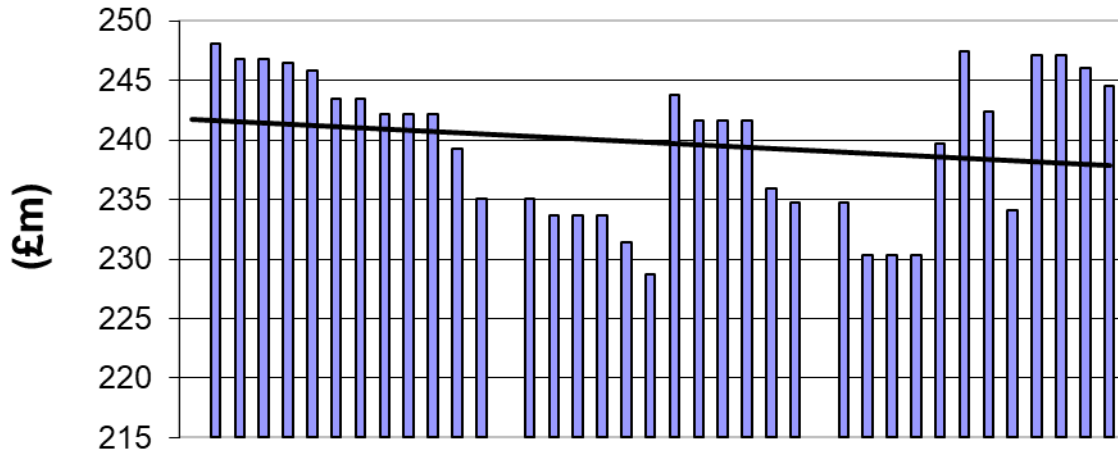
- 1.1 The Council is responsible for its Treasury Management decisions and activity which involves looking after the Council's cash. This is a vital part of the Council's work because approximately £0.5bn passes through the Council's bank account every year.
- 1.2 In December 2021, CIPFA published its revised Prudential Code and Treasury Management Code of Practice. The Code requires the Authority to approve a treasury management strategy statement (TMSS) before the start of each financial year. There is also a new requirement to add the Liability Benchmark as a Treasury Management Prudential Indicator (see Annex A Section 5). There is also now a requirement to provide quarterly Treasury Management update reports to members to be implemented during the 2023/24 financial year.
- 1.3 In addition, the Welsh Government (WG) issued revised *Guidance on Local Authority Investments* in November 2019 that requires the Authority to approve an investment strategy before the start of each financial year. It also requires the Authority to include details of investments and loans which are not held for Treasury Management purposes. Following a review, the Authority has concluded that it doesn't have any non-Treasury related arrangements which fall within the scope of this guidance.
- 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 2023/24
 - Annual Investment Strategy for 2023/24
 - Prudential Indicators for 2023/24, 2024/25 and 2025/26 (Annex A)
 - Minimum Revenue Provision (MRP) Statement

2 Treasury Position

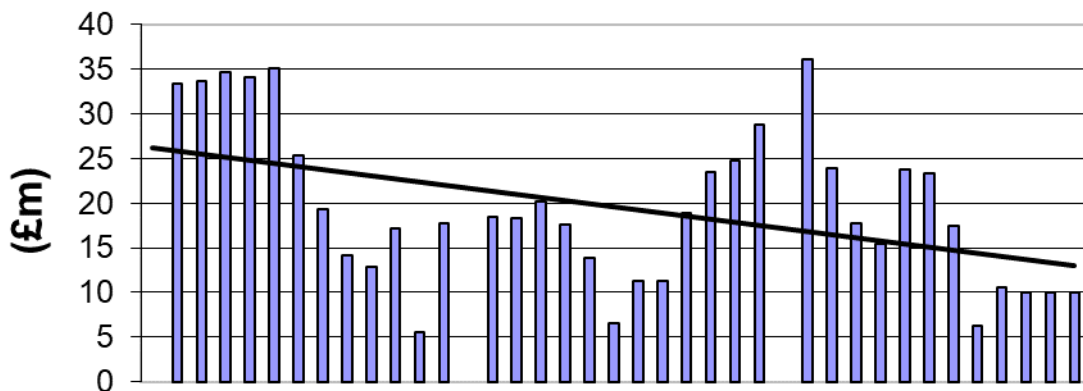
- 2.1 The levels of the Council's borrowing and investment balances over the last three years are shown in the graphs below. The first chart shows the Council's borrowing has decreased slightly over this period. The second chart shows a slight corresponding decrease in the amount of money which is available for investment.

**Treasury Management Strategy Statement
and Investment Strategy 2023/24 to 2025/26**

Borrowing Balances (2020/21 - 2022/23)



Investment Balances (£m) (2020/21 - 2022/23)



3 Treasury Investment Strategy

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

Treasury Management Strategy Statement and Investment Strategy 2023/24 to 2025/26

- 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: Treasury Investment Counterparties and Limits

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

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

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 generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Treasury Management Strategy Statement and Investment Strategy 2023/24 to 2025/26

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

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

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

Money Market Funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee.

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

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

Treasury Management Strategy Statement and Investment Strategy 2023/24 to 2025/26

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

- 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 A-.
- 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, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 3.8 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, 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 investment returns to fall but will protect the principal sum invested.

**Treasury Management Strategy Statement
and Investment Strategy 2023/24 to 2025/26**

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 unless the counterparty is a local authority,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations 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 and investments with bodies and schemes not meeting the definition of high credit quality. Under this category, the Council has given three loans to Town Councils for capital purposes which are being paid back in instalments over the agreed terms.

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 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	£30m

4 Borrowing Strategy

4.1 The Council has continued 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.

Treasury Management Strategy Statement and Investment Strategy 2023/24 to 2025/26

- 4.2 At the same time, the Council will also continue to monitor its cash position and interest rate levels to ensure that further long-term borrowing is undertaken at the optimal time to fund on-going Capital commitments.
- 4.3 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
 - any other UK public sector body
 - 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

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 sets aside money each year to repay debt and this is known as the Minimum Revenue Provision (MRP).
- 6.2 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.
- 6.3 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.

Treasury Management Strategy Statement and Investment Strategy 2023/24 to 2025/26

6.4 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.

6.5 MRP on housing assets funded through prudential borrowing is charged on a straight line basis over 20 years for improvement works to comply with the Welsh Housing Quality Standards (WHQS) and for property appropriated by the HRA, and over 50 years for new build properties and for the loans used to buy the HRA out of the government subsidy scheme on 31st March 2015. For capital expenditure incurred before the introduction of the WHQS the authority charges MRP on a 2% reducing balance basis.

7 Reporting Treasury Management Activity

7.1 The Section 151 Officer (Chief Finance Officer) will report to the Governance and Audit 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. The Capital Strategy Report will also be reported to Council in February with the Capital Plan.

Treasury Management Strategy Statement and Investment Strategy 2023/24 to 2025/26

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 last Treasury Management training session for all members was given on 28 October 2022.

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

8.1.2 Staff Training

Staff attend training courses, seminars and conferences provided by Arlingclose and CIPFA. One member of the TM team retired at the end of June and his replacement was already part of the TM team so she will continue to undertake her TM duties. Two new employees have also been added to the TM rota to provide additional cover and they have received training and have recently started their TM duties. There is therefore a team of four 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). The operational processes which staff must follow are shown within the Treasury Management Practices (TMPs) which have been updated recently.

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. The Council's current contract is due to end on 31 December 2023 and a tendering exercise will therefore be undertaken before the end of this year.

Treasury Management Strategy Statement and Investment Strategy 2023/24 to 2025/26

8.3 Markets in Financial Instruments Directive (MIFID)

8.3.1 Under the Markets in Financial Instruments Directive (MIFID), local authorities can 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 have been 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, have continued to advise retail 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. 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 2023/24 to 2025/26**

8.6 Housing Revenue Account (HRA)

The Council operates one loans pool for the General Fund and the HRA. A proportion of the Council's investment and debt interest is apportioned to the HRA at year end. The amount of HRA investment interest is calculated by applying the Council's average investment interest rate to the HRA's average notional cash balance.

**Treasury Management Strategy Statement
and Investment Strategy 2023/24 to 2025/26**

ANNEX A

PRUDENTIAL INDICATORS 2023/24 TO 2025/26

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

- 1.1 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).
- 1.2 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.

	2022/23 Approved %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	100	100	100
Upper Limit for Variable Rate Exposure	40	40	40	40

- 1.3 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.

2 Maturity Structure of Fixed Rate borrowing

- 2.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates 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.
- 2.2 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.

**Treasury Management Strategy Statement
and Investment Strategy 2023/24 to 2025/26**

Maturity structure of fixed rate borrowing	Actual %	Lower Limit %	Upper Limit %
under 12 months	3.99	0	30
12 months and within 24 months	4.03	0	30
24 months and within 5 years	10.93	0	30
5 years and within 10 years	15.67	0	30
10 years and above	65.38	50	100

3 Credit Risk

3.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.

3.2 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.

3.3 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.

3.4 The only indicators with prescriptive values are credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

4 Upper Limit for total principal sums invested over 1 year

4.1 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 1 year	2022/23 Approved £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
	10.00	10.00	10.00	10.00

**Treasury Management Strategy Statement
and Investment Strategy 2023/24 to 2025/26**

5 Liability Benchmark

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

	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m
Loans CFR	287.973	317.525	391.084	449.989	478.468
Less: Balance Sheet Resources	84.833	-73.381	-67.733	-62.733	-62.733
Net Loans Requirement	203.140	244.144	323.351	387.256	415.735
Plus: Liquidity Allowance	28.70	10.00	10.00	10.00	10.00
Liability Benchmark	231.840	254.144	333.351	397.256	425.735

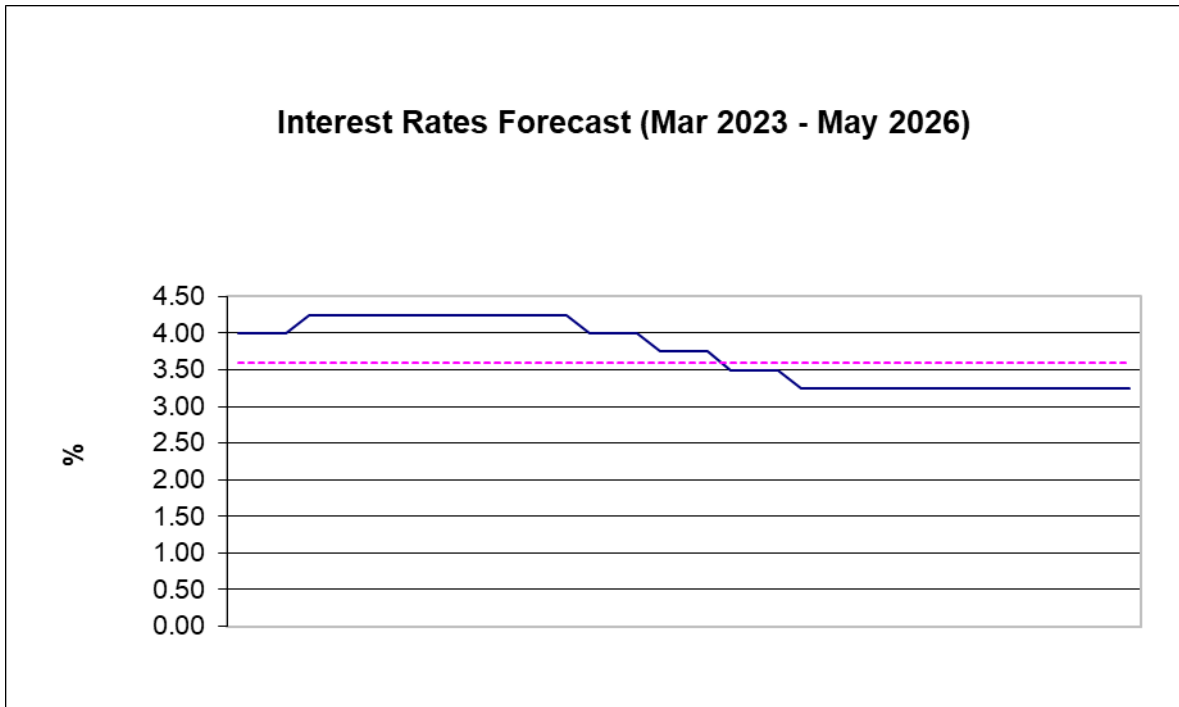
5.2 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external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

5.3 This is shown in the liability benchmark chart in Annex D together with the Council’s debt maturity profile in Annex E.

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 2023 to May 2026. 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 slightly more expensive to borrow than to invest at the moment with the Official UK Bank Rate expected to decrease and then to remain fairly constant over the period.



—— Official Bank Rate
----- 50-yr GILT Rate

**Treasury Management Strategy Statement
and Investment Strategy 2023/24 to 2025/26**

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 2023/24 to 2025/26

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 economic outlook remains uncertain following the impact of the coronavirus and the war in Ukraine. In view of this uncertainty, the Council will continue to take a cautious approach in relation to its investments.

2 Investment Strategy

- 2.1 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council has placed a far greater emphasis on investing with the UK Government's Debt Management Office (DMO) in order to minimise these risks. The majority of our investment cash is therefore placed with the DMO on a short term basis to meet monthly outgoings and the remainder with an instant access call account up to a maximum limit of £5m.
- 2.2 The Council's cash flow position is monitored constantly with a view to undertake further borrowing if required later in the year as the level of our investment cash decreases.

3 Borrowing Strategy

- 3.1 The Council decided to borrow £10m in August 2022 and £10m in September 2022 from the Public Works Loan Board (PWLB) in advance of further interest rate rises. The Council will continue to monitor its cash position and interest rate levels to ensure that further long term borrowing is undertaken from the PWLB at the optimal time to fund on-going Capital commitments.
- 3.2 At the last strategy meeting with the Council's treasury advisers, Arlingclose Ltd, the analysis of the Balance Sheet projections showed that the Council is likely to have a significant borrowing requirement in the future so the Council will continue to fund this borrowing requirement through a mix of temporary local authority borrowing and long term PWLB borrowing. This is reviewed and discussed monthly in the Capital and Treasury Management update meeting.
- 3.3 The Council currently has 4 temporary loans from other local authorities for £23m in total over a 3 month period. This total is made up of £10m which is repayable in January and £13m in March. At that time, the Council will review its cash flow position and will either repay those loans or continue the loans for a further period if the cash is required. Local authority loans remain a readily available source of

cash at historically low rates so the Council will therefore continue to undertake temporary borrowing from other local authorities in the future as required to cover short-term cash flow requirements.

4 PWLB Borrowing Update

- 4.1 We are required to submit annually a detailed 3 year capital expenditure plan to the PWLB with confirmation of the purpose of our capital expenditure. In particular, we have to confirm that we are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. We have been able to give this assurance so we can continue to take advantage of PWLB borrowing at low rates.

5 Controls

5.1 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 2022/23 as stated in the TM Strategy Statement and the Capital Strategy Report agreed by Council in February 2022. The Council has not deviated from the Capital related indicators either.

- 5.2 The Capital related Prudential Indicators are included in the Capital Strategy Report. It is intended to give a high level, concise and comprehensible overview to all elected members of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Council's services.

- 5.3 The Capital Strategy Report was included with the Capital Plan report to Council in February 2022 and included the following Capital related Prudential Indicators:

Estimates of Capital Expenditure and Financing
Ratio of Financing Costs to Net Revenue Stream
Capital Financing Requirement
Authorised Limit and Operational Boundary for External Debt

5.4 Audit Reviews

The last Internal Audit review undertaken in January 2021 found effective controls in place with good examples of working practices identified. The next Internal Audit review is due in Spring 2023.

6 Future

6.1 TM Strategy for next six months

As planned capital expenditure is incurred, the Council will continue to monitor its cash flow position to ensure that temporary borrowing is undertaken if required. The Council will also monitor market conditions and interest rate levels to ensure that external PWLB borrowing is undertaken at the optimal time in line with the TM strategy.

6.2 Staffing Changes

One member of the TM team retired at the end of June and his replacement was already part of the TM team so she will continue to undertake her TM duties. Two new employees have also been added to the TM rota to provide additional cover and they have received training and have recently started their TM duties.

6.3 Medium Term Capital Strategy

Work is continuing to develop a medium term strategy for capital. This will help identify projects that we are planning to develop and invest in over a 5 to 10 year period, but have not yet gone through the approval process. This will impact on the level of borrowing that the Council will require to undertake over the coming years. To complement and aid this work a new capital approval process has been developed which was reviewed by the Governance and Audit Committee in November and approved by Cabinet in December. This includes setting up a new Capital Scrutiny Group, the papers of which will be available to all Members.

6.4 Reports

The next reports will be the annual TM Review Report 2022/23 and the TM Update Report 2023/24 which will be reported to the Governance and Audit Committee in July.

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Treasury Management Strategy Statement 2023/24: Well-being Impact Assessment Report

This report summarises the likely impact of the 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 2023/24

Date Completed: 19/12/2022 14:45:05 Version: 25

Completed by: Rhys Ifor Jones

Responsible Service: Finance and Property Services

Localities affected by the proposal: Whole County,

Who will be affected by the proposal? Proposals have little or no direct impact on the vast majority of residents as the strategy involves managing the Council's investments and borrowing.

Was this impact assessment completed as a group? No

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

2 out of 4 stars

Actual score : 23 / 36.

Summary for each Sustainable Development principle

Long term

The impact of this report is neutral in this particular area.

Prevention

The impact of this report is neutral in this particular area.

Integration

The impact of this report is neutral in this particular area.

Collaboration

The impact of this report is neutral in this particular area.

Involvement

The impact of this report is neutral in this particular area.

Summary of impact

Well-being Goals	Overall Impact
A prosperous Denbighshire	Positive
A resilient Denbighshire	Positive
A healthier Denbighshire	Neutral
A more equal Denbighshire	Neutral
A Denbighshire of cohesive communities	Neutral
A Denbighshire of vibrant culture and thriving Welsh language	Neutral
A globally responsible Denbighshire	Neutral

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.

Further actions required

Sound financial planning and efficient long term treasury management strategies ensure that the positive impact of this report on the County's prosperity is maximised.

Positive impacts identified:

A low carbon society

Not applicable

Quality communications, infrastructure and transport

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.

Economic development

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.

Quality skills for the long term

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.

Quality jobs for the long term

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.

Childcare

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

Negative impacts identified:

A low carbon society

Not applicable

Quality communications, infrastructure and transport

Not applicable

Economic development

Not applicable

Quality skills for the long term

Not applicable

Quality jobs for the long term

Not applicable

Childcare

Not applicable

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.

Further actions required

Good investment decisions will help the Council to develop more efficient working practices which will use less resources which will help to maximise the positive impact of this report on the County's resilience.

Positive impacts identified:

Biodiversity and the natural environment

Not applicable

Biodiversity in the built environment

Not applicable

Reducing waste, reusing and recycling

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

Reduced energy/fuel consumption

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.

People's awareness of the environment and biodiversity

Not applicable

Flood risk management

Not applicable

Negative impacts identified:

Biodiversity and the natural environment

Not applicable

Biodiversity in the built environment

Not applicable

Reducing waste, reusing and recycling

Not applicable

Reduced energy/fuel consumption

Not applicable

People's awareness of the environment and biodiversity

Not applicable

Flood risk management

Not applicable

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.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

A social and physical environment that encourage and support health and well-being

Not applicable

Access to good quality, healthy food

Not applicable

People's emotional and mental well-being

Not applicable

Access to healthcare

Not applicable

Participation in leisure opportunities

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

Negative impacts identified:

A social and physical environment that encourage and support health and well-being

Not applicable

Access to good quality, healthy food

Not applicable

People's emotional and mental well-being

Not applicable

Access to healthcare

Not applicable

Participation in leisure opportunities

Not applicable

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.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

Improving the well-being of people with protected characteristics. The nine protected characteristics are: age; disability; gender reassignment; marriage or civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation

Not applicable

People who suffer discrimination or disadvantage

Not applicable

People affected by socio-economic disadvantage and unequal outcomes

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

Areas affected by socio-economic disadvantage

Not applicable

Negative impacts identified:

Improving the well-being of people with protected characteristics. The nine protected characteristics are: age; disability; gender reassignment; marriage or civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation

Not applicable

People who suffer discrimination or disadvantage

Not applicable

People affected by socio-economic disadvantage and unequal outcomes

Not applicable

Areas affected by socio-economic disadvantage

Not applicable

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.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

Safe communities and individuals

Not applicable

Community participation and resilience

Not applicable

The attractiveness of the area

Not applicable

Connected communities

Not applicable

Rural resilience

Not applicable

Negative impacts identified:

Safe communities and individuals

Not applicable

Community participation and resilience

Not applicable

The attractiveness of the area

Not applicable

Connected communities

Not applicable

Rural resilience

Not applicable

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.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

People using Welsh

Not applicable

Promoting the Welsh language

Not applicable

Culture and heritage

Not applicable

Negative impacts identified:

People using Welsh

Not applicable

Promoting the Welsh language

Not applicable

Culture and heritage

Not applicable

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.

Further actions required

The impact of this report is neutral in this particular area so this is not applicable.

Positive impacts identified:

Local, national, international supply chains

Not applicable

Human rights

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.

Broader service provision in the local area or the region

All borrowing is undertaken from central Government as detailed in the strategy and in line with other local authorities.

Reducing climate change

Not applicable

Negative impacts identified:

Local, national, international supply chains

Not applicable

Human rights

Not applicable

Broader service provision in the local area or the region

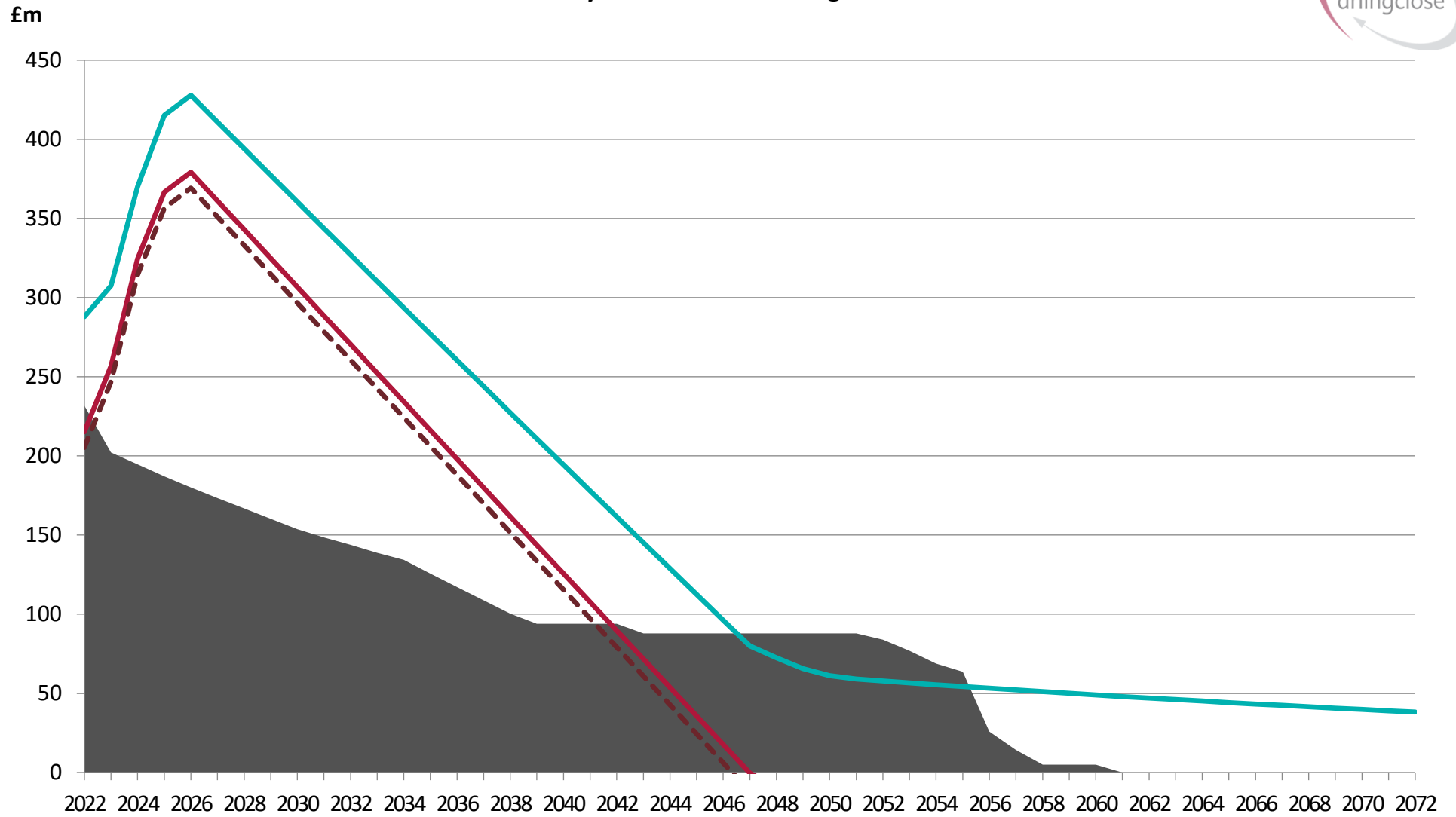
Not applicable

Reducing climate change

Not applicable

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Liability Benchmark - Denbighshire CC

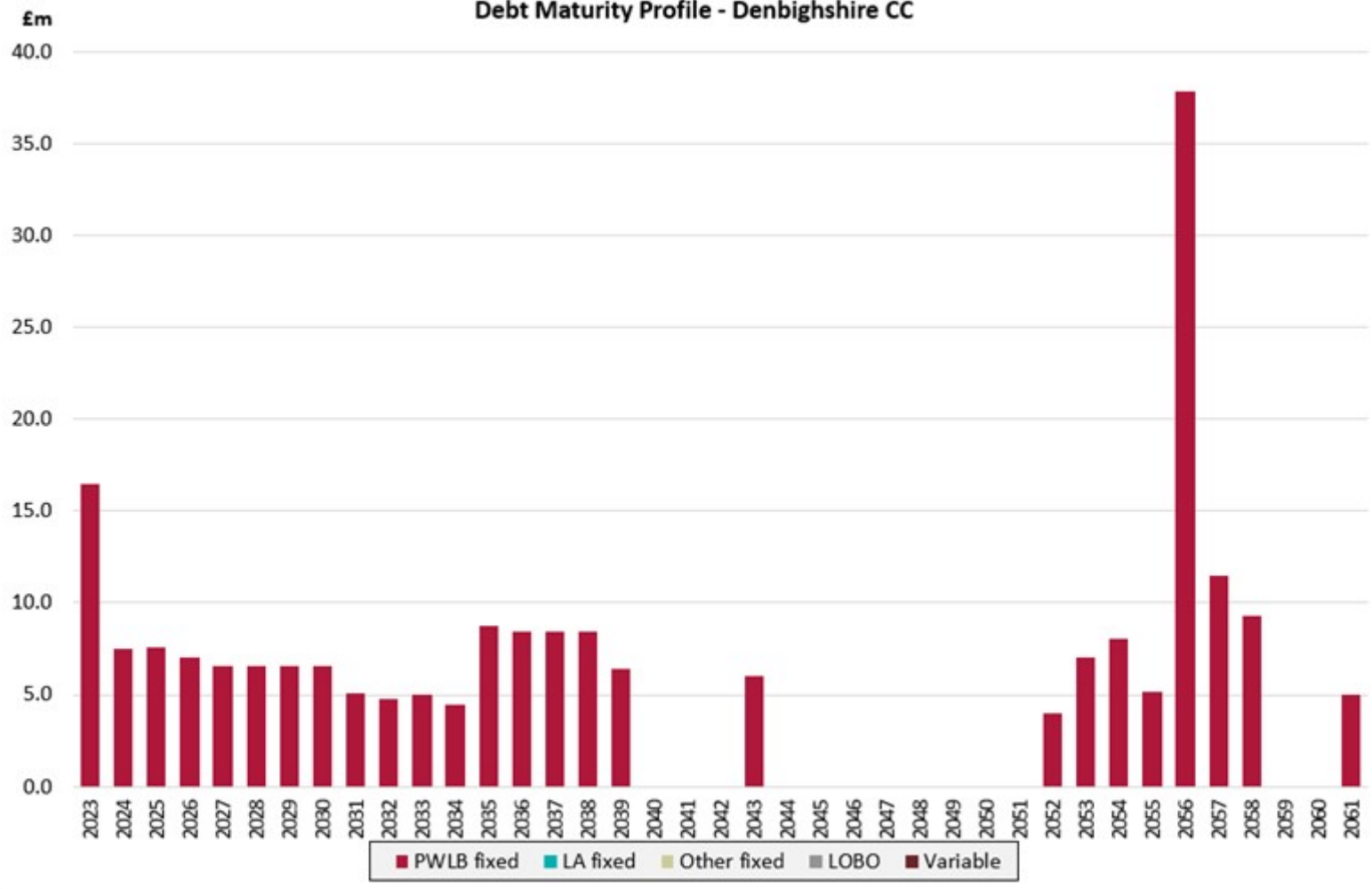


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Debt Maturity Profile - Denbighshire CC



Meeting	Item (description / title)		Purpose of report	Decision required (yes/no)	Author – contact officer
8 March 2023					
	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Forward Work Programme			Democratic Services
		Reports			
	4	Capital Projects -Contingency Report			Head of Finance – Steve Gadd
	5	Approval of the Statement of Accounts 2021/22	To receive the audited accounts	Yes	Head of Finance – Steve Gadd
	6	Audit of Accounts Report 2021-22			Head of Finance – Steve Gadd
	7	Follow up report – Internal Audit- Exceptions and Exemptions	To receive an update following a low assurance Internal Audit review		Chief Internal Auditor
	8	Whistleblowing	To receive the annual whistleblowing report		Gary Williams – Monitoring Officer
26 April 2023					
	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans – Scrutiny Co-ordinator

Meeting	Item (description / title)		Purpose of report	Decision required (yes/no)	Author – contact officer
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Internal Audit Update	To update committee on Internal Audit's latest progress		Internal Auditor
	4	Forward Work Programme			Democratic Services
		Reports			
	5	Draft Annual Governance and Audit Committee Report- (This report will be for the last 2 years)	To present to Full Council- the annual report from Governance and Audit		Gary Williams – Monitoring Officer
14 June 2023					
	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Forward Work Programme			Democratic Services

Meeting		Item (description / title)	Purpose of report	Decision required (yes/no)	Author – contact officer
		Reports			
	4	Annual Whistleblowing Report			Gary Williams – Monitoring Officer
	5	Council Performance Self-Assessment			Emma Horan/ Nicola Kneale
26 July 2023					
	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Internal Audit Update	To update committee on Internal Audit's latest progress		Internal Auditor
	4	Forward Work Programme			Democratic Services
		Reports			
	5	Treasury Management update and review			Head of Finance – Steve Gadd
20 Sept 2023					
	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans – Scrutiny Co-ordinator

Meeting	Item (description / title)		Purpose of report	Decision required (yes/no)	Author – contact officer
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Forward Work Programme			Democratic Services
		Reports			
	5	Annual Corporate Health and Safety report	To consider the Health & Safety management within DCC during 2021-2022.		Corporate Health and Safety Manager – Gerry Lapington
	6	Fire Safety Report	To receive the annual report on the Fire Safety programme and performance.		Fire Safety Manager – Dawn Jones
22 Nov 2023					
	1	Issues Referred by Scrutiny Committees (if any)	To receive and issues raised at Scrutiny		Rhian Evans – Scrutiny Co-ordinator
	2	Recent External Regulatory Reports Received (if any)	To consider any reports received		Nicola Kneale – Interim Head of Service Business Improvement & Modernisation - Strategic Planning Team Manager
	3	Internal Audit Update	To update committee on Internal Audit's latest progress		Internal Auditor
	4	Forward Work Programme			Democratic Services

Meeting	Item (description / title)		Purpose of report	Decision required (yes/no)	Author – contact officer
		Reports			
	5	Budget Process Update			Head of Finance – Steve Gadd
	6	Corporate Risk Register: September 2023 Review	Review the risks facing the council and our risk appetite statement.		Iolo McGregor/Heidi Barton-Price

FUTURE ITEMS			
	1	Updates of Commissioning of older peoples care home placements.	Nicola Stubbins – To present to committee when an update is available.

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.

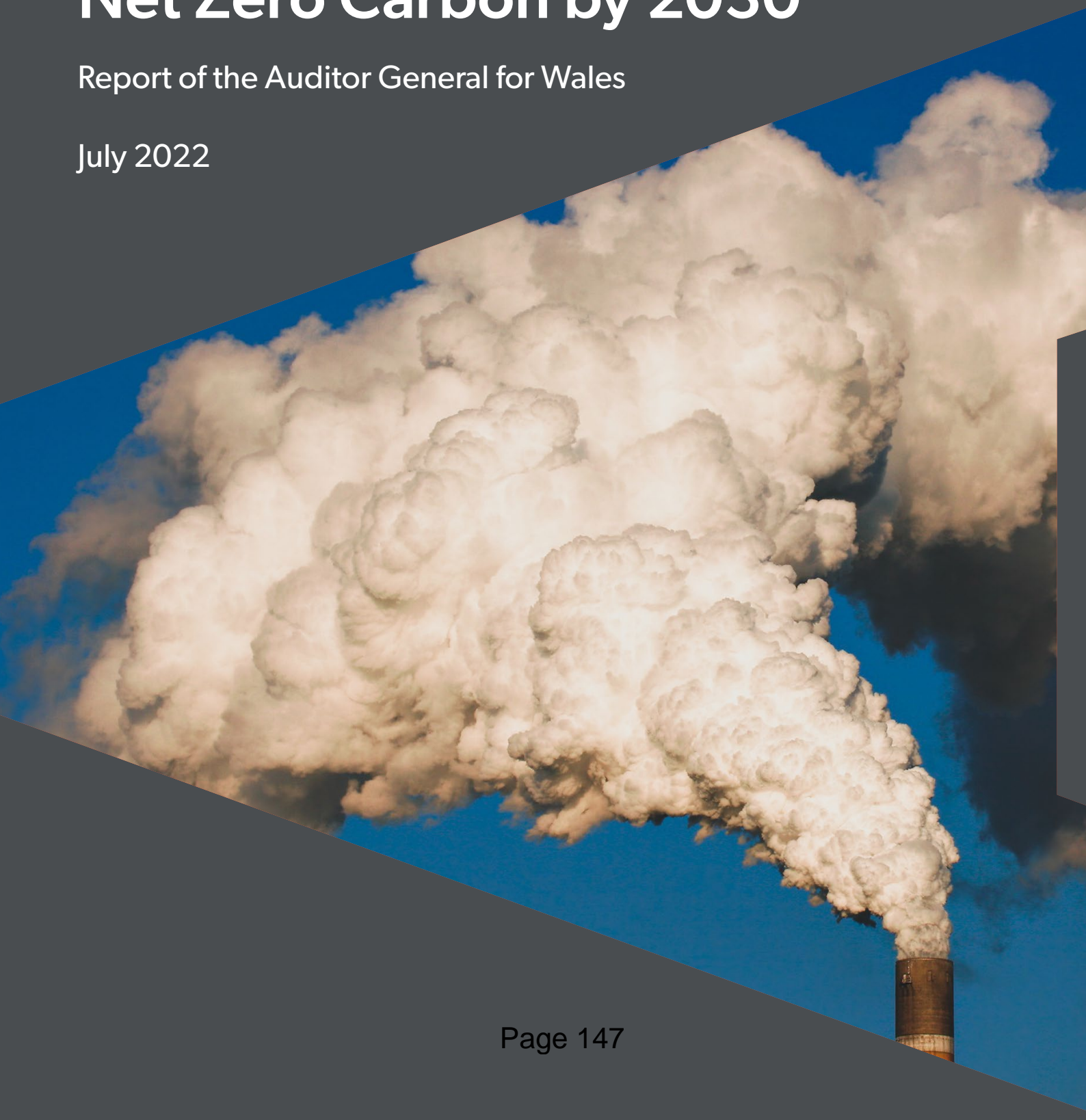
Date Updated : 21/12/2022 SJ

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Public Sector Readiness for Net Zero Carbon by 2030

Report of the Auditor General for Wales

July 2022



This report has been prepared for presentation to the Senedd under the Government of Wales Act 2006, the Public Audit (Wales) Act 2004 and the Well-being of Future Generations (Wales) Act 2015.

The Auditor General is independent of the Senedd and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the Senedd on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Detailed report

Background

- 1 Climate change is one of the world's defining challenges and it requires immediate action from everyone. A landmark [report](#) by the United Nations in August 2021 said that human activity is changing our climate in unprecedented ways and that drastic reductions in carbon emissions are necessary.
- 2 The latest climate projections for Wales show an increased chance of milder, wetter winters and hotter, drier summers, rising sea levels and an increase in the frequency and intensity of extreme weather events. The implications are clearly stark.
- 3 A crucial way to mitigate the impacts of climate change is to reduce carbon emissions. In March 2021, following advice from the Climate Change Committee¹ in December 2020, the Welsh Government set new [targets](#) for a 63% carbon reduction by 2030, an 89% reduction by 2040, and a 100% reduction by 2050². In addition, the Welsh Government set out a more challenging collective ambition for the Welsh public sector³ to achieve net zero carbon by 2030 (the 2030 collective ambition).
- 4 In June 2021, the Welsh Government published its [Programme for Government 2021-2026](#) which puts tackling the climate and nature emergencies at the heart of the new government. The Programme for Government also makes a series of commitments to embed a response to climate change in everything the Welsh Government does.

1 The Climate Change Committee (CCC) is an independent, statutory body established under the Climate Change Act 2008. Its role is to advise the UK governments on emissions targets and to report on progress made in reducing greenhouse gas emissions and preparing for and adapting to the impacts of climate change.

2 Net zero does not mean eliminating greenhouse gas emissions but balancing the greenhouse gas emissions with the amount of gases being removed from the atmosphere.

3 The Welsh Government's definition of the 'public sector' in this case covers 65 bodies as set out in Appendix 2 of the [Welsh Government, Public sector net zero data: baseline and recommendations, June 2022](#).

- 5 The Welsh Government has also published Net zero carbon status by 2030: A route map for decarbonisation across the Welsh public sector (the public sector route map) to support the Welsh public sector in achieving the 2030 collective ambition. Alongside the public sector route map, the Welsh Government published the net zero reporting guide and associated spreadsheet to allow the public sector to capture and report emissions on a consistent basis.
- 6 The Auditor General has committed to carrying out a long-term programme of work on climate change. Our first piece of work is a baseline review that asks: '**How is the public sector preparing to achieve the Welsh Government's collective ambition for a net zero public sector by 2030?**'. To inform the baseline review, 48 public bodies, including the Welsh Government, completed a call for evidence. **Appendix 1** explains our audit approach and methods.
- 7 We are publishing two reports to share our findings:
 - **this key findings report:** this report targets senior leaders and those with scrutiny roles in public bodies, with the aim of inspiring them to increase the pace of their work on achieving the 2030 collective ambition. We have included questions at the end of each section of this report for organisations to reflect on. While these questions are not exhaustive, they provide important pointers for organisations to consider.
 - **evidence report – to follow:** a report that will provide more detailed findings and data from the call for evidence and our wider work.

Overall conclusion

- 8 There is clear uncertainty about whether the public sector will meet its 2030 collective ambition. Our work identifies significant, common barriers to progress that public bodies must collectively address to meet the ambition of a net zero public sector by 2030. And while public bodies are demonstrating commitment to carbon reduction, they must now significantly ramp up their activities, increase collaboration and place decarbonisation at the heart of their day-to-day operations and decisions. Organisations need to be bold and innovative and share experiences of their successes and failures. The Auditor General will not criticise organisations for taking well-managed risks to address this unprecedented challenge.
- 9 We have set out five calls for action for organisations to tackle the common barriers to decarbonisation in the public sector. These are:



- 1** Strengthen your leadership and demonstrate your collective responsibility through effective collaboration



- 2** Clarify your strategic direction and increase your pace of implementation



- 3** Get to grips with the finances you need



- 4** Know your skills gaps and increase your capacity



- 5** Improve data quality and monitoring to support your decision making

- 10 We are not making specific recommendations given the high-level nature of our review. However, we encourage public bodies to consider the messages in this report, and through their internal governance structures, set out publicly how they intend to respond to the calls for action.

Calls for action



Strengthen your leadership and demonstrate your collective responsibility through effective collaboration

- 11 The Welsh Government showed leadership when it declared a climate emergency in 2019. Many of the other public bodies have followed suit, for example, 18 out of 22 Welsh councils have now declared a climate emergency.
- 12 The Welsh Government also demonstrated leadership when it set the 2030 collective ambition and in May 2021 when it established a new Ministerial portfolio for climate change. A related change to the Welsh Government's organisational structure came into effect from 1 April 2022.
- 13 We have found considerable activity by public bodies, supporting the move towards decarbonisation. So, public bodies are clearly taking this agenda seriously.
- 14 Despite this, they must do more because there is considerable uncertainty (and clear doubt from some organisations) about whether the 2030 collective ambition will be met. In the NHS, we found uncertainty that even a 34% reduction in emissions would be achieved across that sector⁴. Bodies told us about significant barriers to progress in decarbonising, such as difficulties in translating strategy into action, uncertainty about finances, a lack of skills and capacity, and issues with decarbonisation data. These matters are discussed throughout this report.
- 15 Now is the time for bold leadership. Public bodies must reduce carbon emissions from their estates, from their services, and from the goods and services they procure. On top of that, they must adopt a wider leadership role in championing the decarbonisation agenda in all sectors within the communities they serve to work towards a 'just transition'⁵.
- 16 Public bodies will need to demonstrate stronger collective leadership because collaboration between organisations will be critical to achieving the 2030 collective ambition. Some respondents told us that a wholesale change of thinking is required, with a more co-ordinated and joined-up approach across the public sector.

4 The NHS Wales Decarbonisation Strategic Delivery Plan sets out 46 initiatives that are estimated to reduce carbon emissions by 34% by 2030.

5 A 'just transition' means taking action on climate change and greening the economy in a way that is as fair and inclusive as possible to everyone concerned. Policy 1 in [Net Zero Wales Carbon Budget 2 \(2021-2025\)](#) sets out the Welsh Government's views on a just transition.

- 17 Several cross-organisational panels and programme boards already exist to collaborate on climate issues including decarbonisation. And while public bodies expressed largely positive views about the way they are collaborating, there was also recognition that these efforts need to be ramped up. There is a collective responsibility on the public sector to make existing structures work. Public bodies also need to consider what additional collaboration is needed within sectors and across the public sector.
- 18 Senior leaders must do more to demonstrate they fully grasp the urgency and scale of the challenge and clearly identify this as a top priority for their organisation if they are to achieve their ambitions. Decarbonisation (and wider climate risks) must be at the core of day-to-day business decisions and operations. This agenda must be integrated into all services and operations, so that decarbonisation is delivered alongside other outcomes.
- 19 The frameworks provided by the Well-being of Future Generations (Wales) Act 2015 (including public services boards and the setting of well-being objectives) can be used to help organisations decarbonise. Application of the sustainable development principle in key areas such as procurement, workforce planning and finance will also help delivery of the decarbonisation agenda.
- 20 Those charged with governance and scrutiny roles in individual organisations need to support the direction of travel while at the same time challenging whether enough is being done.

Questions that senior leaders and those who scrutinise them may want to ask

- Are we treating the climate crisis and the need to decarbonise as a real 'emergency'?
- Can we demonstrate that decarbonisation is at the core of day-to-day business decisions and operations?
- Is the urgency and scale of the challenge well communicated by senior leaders and understood throughout our organisation?
- Do we have specific and effective scrutiny and governance arrangements for managing the journey to net zero?
- Do we understand the main barriers to progress and how well are we collaborating to overcome them?

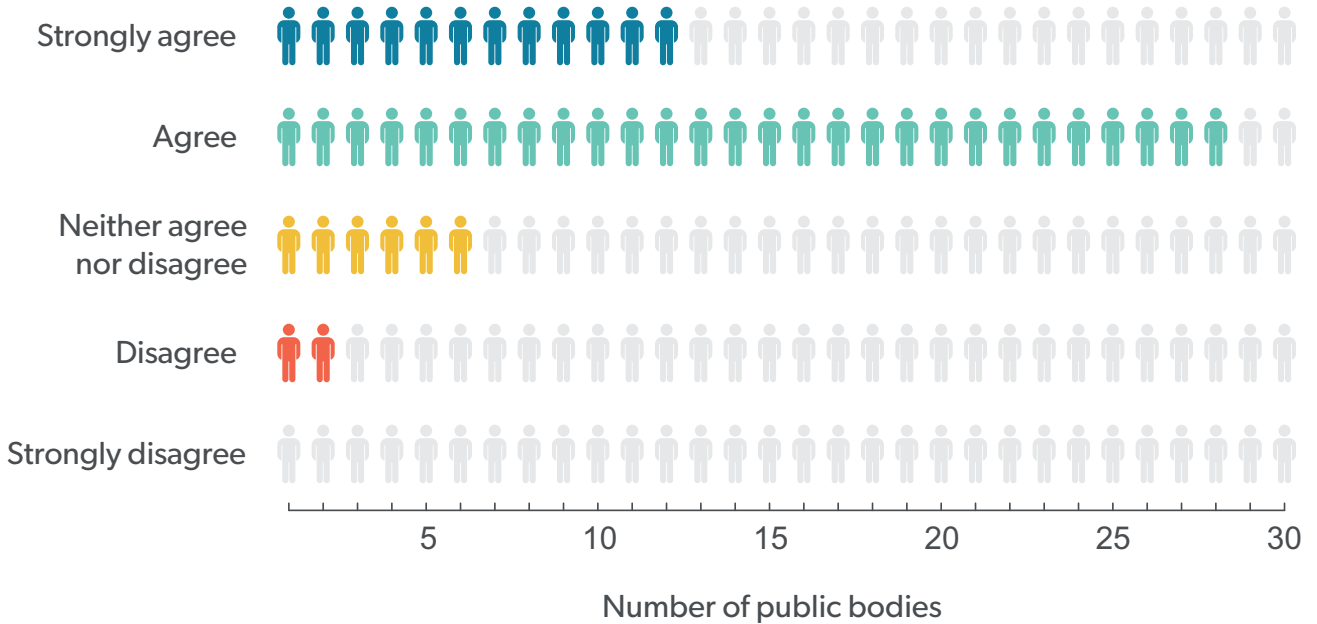




Clarify your strategic direction and increase your pace of implementation

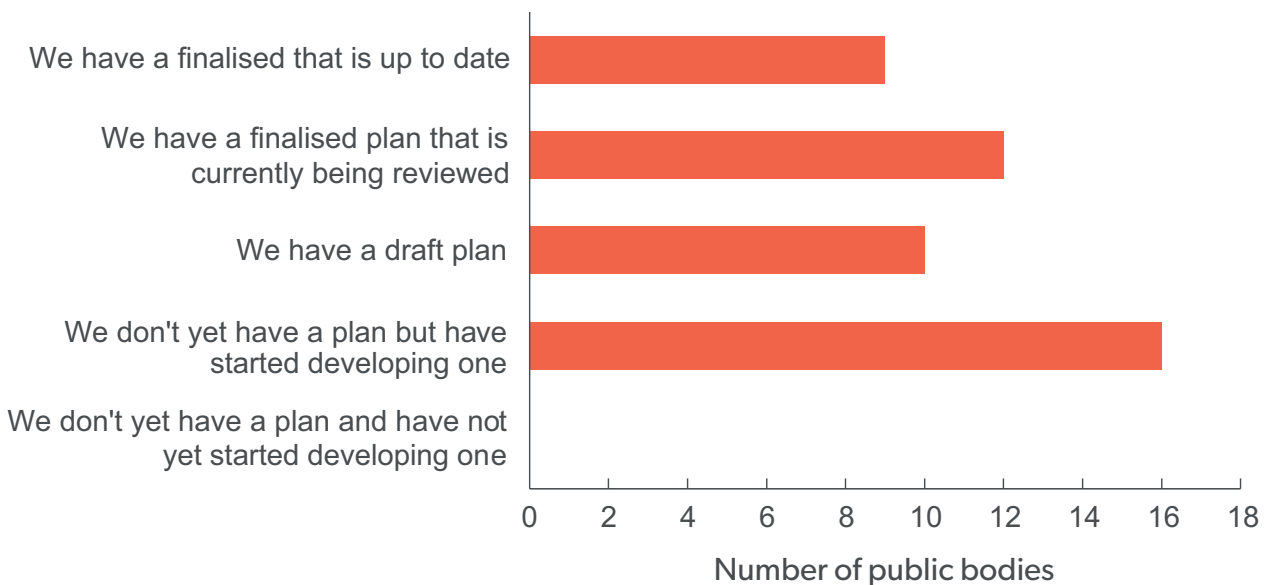
- 21 To deliver the 2030 collective ambition, it is essential that Wales has clear, joined-up, integrated strategies across the public sector. The action plans resulting from those strategies will also have to be implemented at pace.
- 22 In response to our call for evidence, public bodies were generally positive about the strategic direction set out by the Welsh Government and that it had been communicated well through the [public sector route map \(Appendix 3\)](#). In response to our question about the extent to which they were using the public sector route map, most public bodies said they were using it, to varying degrees, and only five said they were not.
- 23 Despite generally positive views about the national strategic direction, public bodies want more help to translate the strategy into action. Several organisations told us that while the public sector route map provides a high-level template, they need more clarity, support and guidance on how to decarbonise.
- 24 The Welsh Government told us that it deliberately designed the public sector route map to be a high-level framework to assist public bodies in developing local solutions based on individual circumstances, rather than a one-size-fits-all approach. The Welsh Government is providing other forms of central assistance on decarbonisation, including support through the [Welsh Government Energy Service](#), grant funding for various programmes and funding of the Welsh Local Government Association [transition and recovery support programme](#).
- 25 Some sector-specific guidance is available to support public bodies to translate the vision into action. For the NHS, the Carbon Trust and the NHS Wales Shared Services Partnership have set out more detailed actions in the [NHS Decarbonisation Strategic Delivery Plan](#). In local government, the Welsh Local Government Association is developing more tailored support and guidance for councils.
- 26 Overall, our work has shown that public bodies are at very different stages in setting out their action plans for decarbonisation. While **Exhibit 1** shows most public bodies feel they have set a clear strategic direction, **Exhibit 2** shows that just over a third of organisations did not have a decarbonisation plan at the time of our call for evidence. All organisations had at least started to develop their plan, and under Welsh Government policy they have until April 2023 to develop one.

Exhibit 1: public bodies’ responses to the statement, ‘Our organisation has set a clear strategic direction to support the achievement of the 2030 carbon reduction targets’



Source: Audit Wales call for evidence

Exhibit 2: status of public bodies’ action plans



Note: One public body did not respond to this question.

Source: Audit Wales call for evidence

- 27 The public sector route map sets out milestones for 2021-22, during which the Welsh Government expects the public sector to be 'moving up a gear'. The Welsh Government considers there has been good progress and the public sector is picking up the pace. However, the Welsh Government recognises there is still significant work to be done and to date, the public sector has not fully achieved the 'moving up a gear' milestones.

Questions that senior leaders and those who scrutinise them may want to ask

- Have we set out a clear strategic approach and action plan for decarbonisation? If not, why not?
- Have we given due consideration to recommendations from the Future Generations Commissioner on decarbonisation, including those within the Future Generations Report 2020⁶?
- Are we involving our staff, stakeholders and citizens in the development and delivery of our strategic approach?
- Have we collaborated with others to develop our overall approach?
- How will our approach to decarbonisation help us deliver against other strategic objectives (including well-being objectives) as well as meeting the 2030 collective ambition?
- Do our other corporate strategies, policies and operations reflect the strategic approach we have set out for decarbonisation?
- Does our action plan set out clear milestones that align with the 2030 collective ambition and is it being implemented at sufficient pace?



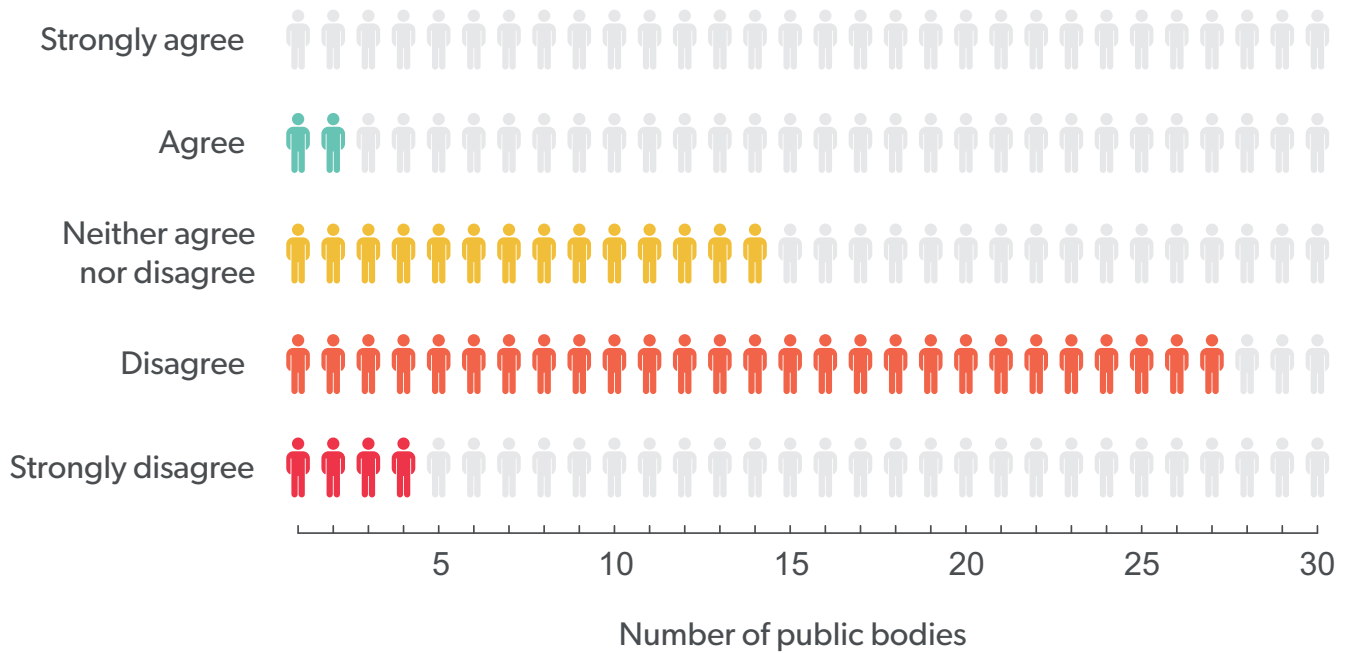
6 [The Future Generations Commissioner for Wales, Future Generations Report 2020, May 2020.](#)



Get to grips with the finances you need

- 28 Public bodies need to plan their finances in such a way that they can deliver their decarbonisation strategies and action plans. This will require long-term planning because decarbonisation will need investment for many years. It will also require immediate expenditure because if the 2030 collective ambition is to be met, urgent action is essential.
- 29 Public bodies recognised that significant investment in decarbonisation will be required, particularly for upfront infrastructure costs. But they were uncertain about where the funding for this investment would come from. The Welsh Government is providing funding to public bodies in various ways, but it has said it cannot fund everything. Public bodies will therefore need to think carefully about how they can use their existing funding in different ways, explore potential additional funding opportunities and consider how they might share costs with partner organisations.
- 30 Overall, public bodies told us that finances are a significant barrier to achieving the 2030 collective ambition. This is because of uncertainty in relation to the long-term additional funding they will have available to them, and about difficulties in getting to grips with the costs of decarbonising. **Exhibit 3** shows that most public bodies have not fully assessed the financial implications of the 2030 collective ambition. In some cases, this is because they have not yet set out a clear set of actions and activities to achieve net zero.

Exhibit 3: public bodies' responses to the statement, 'Our organisation has fully assessed the financial implications of meeting the 2030 carbon reduction targets'



Note: One public body did not respond to this question.

Source: Audit Wales call for evidence

Questions that senior leaders and those who scrutinise them may want to ask

- Do we know what we are currently spending on activities to help meet the 2030 collective ambition?
- Do we know how much we would need to spend to help achieve the 2030 collective ambition?
- How are we deciding how much to spend on decarbonisation?
- If we have not yet assessed the financial implications of the 2030 collective ambition, do we understand why we have been unable to?
- What are we doing to collaborate with others, to understand the financial implications, and to share costs?
- Do our budgets and expenditure reflect the need to reduce carbon emissions urgently?
- Are we setting out a good level of detail in our financial statements in relation to decarbonisation spending?
(See [our blog](#) on this matter).





Know your skills gaps and increase your capacity

- 31 Within public bodies it is everyone's responsibility to take action towards the 2030 collective ambition. Delivering that ambition will require public bodies to have staff in place with some specialist expertise. Our work found enthusiasm to deliver, but we also found widespread capacity issues and skills gaps. Skills gaps in relation to decarbonisation are not unique and are symptomatic of a wider challenge across the public sector. For example, in our [Picture of Public Services 2021](#) report, we highlight that staffing numbers have fallen and skills deficits have emerged.
- 32 Public bodies told us their resources are stretched in delivering their core services, and they are lacking specialist skills in carbon reduction and in monitoring carbon emissions. In addition, the complex nature of the field means that bodies are competing for limited expertise and knowledge.
- 33 Public bodies need to understand the staff capacity and skills they have in place through robust workforce planning. Training will play a crucial role in ensuring staff understand their decarbonisation responsibilities and are best equipped to deal with the task at hand. There is also an opportunity to share the knowledge, expertise and capacity that exists within the public sector as well as the private and third sectors.

Questions that senior leaders and those who scrutinise them may want to ask

- Do we know what skills are needed, both now and in the future, to ensure we can deliver against the 2030 collective ambition?
- Do we have a plan in place to deal with any identified skills and capacity gaps through training, recruitment or working with peers and stakeholders to share resources and expertise?





Improve data quality and monitoring to support your decision making

- 34 Public bodies need to understand where their emissions are coming from so they can check if they are making progress. We found that data issues are a major barrier to having a shared understanding of the problem and to taking strategic decisions about the solutions.
- 35 Carbon emissions monitoring and reporting is a complex and rapidly developing area worldwide. The Welsh Government has published a common reporting methodology for public bodies to report their emissions through the [Welsh Public Sector Net Zero Reporting Guide](#) and the net zero reporting spreadsheet. In doing so, the Welsh Government is trying new ways of improving emissions data. Welsh public bodies responded by putting new arrangements in place and by submitting their first set of annual data in October 2021.
- 36 The Welsh Government commissioned independent consultants, to review the first submission of emissions data from public bodies and in June 2022, the Welsh Government published the consultancy report in full. The report⁷ provides the first estimate of the full range of emissions by the public sector in delivering services for the people of Wales. The report states that the figures include significant uncertainty, particularly in relation to supply chain emissions, and that the data has not been thoroughly audited. The figures suggest emissions across Wales for the public sector reduced by 5% between 2019-20 and 2020-21.
- 37 In response to our call for evidence, public bodies recognised the usefulness of having a common reporting methodology. However, some responses pointed to concerns over some calculation methods, particularly regarding supply chain and land use, and called for further clarity of definitions to ensure consistent interpretation and reporting. Some responses also noted that existing systems were not able to capture the required data, and had to be updated, or new systems had to be put into place. This was often time consuming and resource intensive. NHS bodies also raised concerns about duplication with existing reporting arrangements on carbon emissions.

⁷ [See Footnote 3.](#)

- 38 It is important to get the data right because this information will underpin decision making and monitoring of progress for decades to come. However, we acknowledge this is the first year of the new arrangements to report a complex issue and the Welsh Government is committed to developing the guidance further to address the issues identified in the consultancy report (**paragraph 36**) and to reflect wider feedback. The Welsh Government published revised [reporting guidance](#) in July 2022. We also acknowledge that while there are concerns about supply chain data, the requirement to report this data reinforces the findings from previous studies that show the importance of reducing emissions from procurement and the supply chain⁸.

Questions that senior leaders and those who scrutinise them may want to ask

- Are we playing our part in building a system that will provide consistent, accurate, high-quality data on carbon emissions across the public sector to support transparency and scrutiny?
- Do we know what the existing data is telling us and what further data do we need to support decision making?
- Based on our understanding of our own data, do we have plans in place to take appropriate action?
- How can we improve our understanding of emissions resulting from our supply chain and relevant third parties?



⁸ [Welsh Government, A route map for decarbonisation across the Welsh public sector \(Appendix A\), May 2021.](#)



Appendices

- 1 Audit approach and methods**
- 2 Legislative and policy framework underpinning decarbonisation**
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1 Audit approach and methods

In November 2021, we issued a call for evidence to 48 public bodies, asking questions about their baseline position in achieving the 2030 collective ambition. Most public bodies responded in the period December 2021 to January 2022. We sent the call for evidence to the bodies covered by the [Well-being of Future Generations \(Wales\) Act 2015](#) at the time. This included all principal councils, fire and rescue authorities, national park authorities, health boards and NHS trusts, and the larger Welsh Government sponsored bodies.

We also sent the call for evidence to the Welsh Ambulance Services NHS Trust, Digital Health and Care Wales, and Health Education and Improvement Wales to ensure we had a more complete picture across the NHS. We also sent the call for evidence to NHS Wales Shared Services Partnership (NWSSP), which is an independent mutual organisation, owned and directed by NHS Wales, that delivers a range of services for and on behalf of NHS Wales. NWSSP is hosted by and operates under the legal framework of Velindre University NHS Trust, which is itself covered by the Well-being of Future Generations (Wales) Act 2015.

We received responses from all bodies that were sent the call for evidence, although in a small number of instances not all questions were answered. Where questions were not answered by all public bodies, this is set out in a note to each relevant graph.

To inform our work, we held discussions with relevant stakeholders including the Welsh Government, the Office of the Future Generations Commissioner for Wales, representatives of NHS Wales and the Welsh Local Government Association. We also reviewed key documents, including policies and guidance, and other relevant information provided to us by the Welsh Government and other stakeholders.

We did not undertake a detailed review at each of the public bodies. While we have largely relied on what they reported through their call for evidence responses and any supporting documentation, we have also sought to triangulate our findings through discussions with stakeholders and evidence from our wider document and data review. We also shared and discussed our emerging findings at a [public webinar](#) held in May 2022. 109 people from outside Audit Wales attended the webinar, representing a range of public, private and third sector organisations.

As stated earlier in this report, the Auditor General for Wales has committed to a long-term programme of work on climate change. We have already reported on the decarbonisation efforts of [fire and rescue authorities](#), we have begun to review council decarbonisation action plans and we are preparing a report on flood risk management. Following a recent consultation on our future work programme, we are considering our next steps in relation to auditing actions to decarbonise and to adapt to the changes already happening to our climate.

2 Legislative and policy framework underpinning decarbonisation

The graphic below sets out the key legislation, policies and guidance related to decarbonisation and climate change that apply across the Welsh public sector. We refer to sector-specific legislation and policies in the main body of this report where relevant.



April 2016

The Well-being of Future Generations (Wales) Act 2015 came into force and required public bodies covered by the Act to act in accordance with the sustainable development principle. The five ways of working set out in the Act aim to help bodies work together better, avoid repeating past mistakes and tackle long-term challenges.

March 2019

The Welsh Government published the first statutory Low Carbon Delivery Plan, Prosperity for All: A Low Carbon Wales (LCDP1).

November 2019

The Welsh Government published Prosperity for All: A Climate Conscious Wales, its most recent climate adaptation plan.



March 2016

The Environment (Wales) Act 2016 came into force and placed a duty on Welsh Ministers to set targets for reducing greenhouse gas emissions and to set carbon budgets.

July 2017

The Welsh Government set an ambition of achieving a carbon neutral public sector by 2030.

April 2019

The Welsh Government made a Climate Emergency Declaration.



March 2021

Following advice from the Climate Change Committee in December 2020, the Welsh Government set new legal targets for a 63% carbon reduction by 2030, 89% by 2040, and 100% by 2050.

May 2021

The Welsh Government published the Welsh public sector net zero reporting guide and the net zero carbon reporting spreadsheet. **Appendix 3** provides further detail.



June 2021

The Welsh Government published its Programme for Government 2021-2026 which puts tackling the climate and nature emergencies at the heart of the new government and makes a series of commitments to embed climate change in a number of ways.

July 2021

The Welsh Government published Net zero carbon status by 2030: A route map for decarbonisation across the Welsh public sector. **Appendix 3** provides further detail.



October 2021

The Welsh Government published Net Zero Wales Carbon Budget 2 (2021 to 2025). This sets out specific policies for the public sector, including a target for decarbonisation plans to be in place by March 2023, targets relating to buildings, vehicles and procurement, and development of a new health and social care decarbonisation plan.

July 2022

The Welsh Government published updated versions of the Welsh public sector net zero reporting guide and the net zero carbon reporting spreadsheet.

3 The public sector route map and reporting guide

To support the public sector to achieve net zero, the Welsh Government published its [public sector route map](#) in July 2021. The route map sets out four priority areas for action: buildings, mobility and transport, procurement, and land use. It also sets out key milestones for the public sector to achieve, which are:



2021-
2022

Moving up a gear: Where understanding the context and what needs to be done is vital, and where action needs to accelerate.



2022-
2026

Well on our way: Where there is an expectation that low carbon is becoming the norm and the public sector is definitely on the way to net zero.



2026-
2030

Achieving our goal: Where choosing zero carbon has become routine, culturally embedded, and self-regulating.

In May 2021, the Welsh Government published the [Welsh Public Sector Net Zero Carbon Reporting Guide](#). The aim of the guide is to develop a universal set of instructions for use by public bodies to assist in meeting the 2030 collective ambition, in particular to:

- **Baseline:** To understand the current situation and quantify organisational emissions and removals for a consistently drawn boundary. And to quantify the likely emission gap to carbon neutral operations by 2030.
- **Identify mitigation potential:** An assessment to identify significant sources of emissions enabling organisations and the public sector to prioritise action needed to move to carbon neutral operations by 2030.
- **Monitor progress:** A need to gather, collate and analyse data to assess whether organisations are on track to achieving their goal of carbon neutrality by 2030.

Alongside the guide, the Welsh Government published the [Net zero carbon reporting spreadsheet](#) for use by public bodies to capture and report their emissions data in a consistent way. The Welsh Government asked public bodies to submit the first data by October 2021 for the 2020-21 financial year. The second submission is required by September 2022 for the 2021-22 financial year.

The guide states that public bodies should report actions to reduce emissions and move to carbon neutral operations by 2030, but the format and narrative of that reporting are not prescribed. The guide does suggest it could be in the form of an annual report on progress against a published action plan or a separate document. It also suggests that management information used in collating an emissions report will provide a good basis for the narrative report. As part of our work, we have not reviewed any narrative reports produced by public bodies, although **paragraphs 34-38** of this report comment on the challenges relating to the carbon emissions data and reporting. Following feedback from public bodies and a review of the first year's data submissions, the Welsh Government published revised reporting guidance in July 2022.



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