

Governance and Audit Committee

Meeting Venue
Teams Live

Meeting Date
Thursday, 10 February 2022

Meeting Time
10.00 am

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County Hall
Llandrindod Wells
Powys
LD1 5LG

3 February 2022

Mae croeso i chi siarad yn Gymraeg neu yn Saesneg yn y cyfarfod.
Rhowch wybod pa iaith rydych am ei defnyddio erbyn hanner dydd, ddau ddiwrnod
gwaith cyn y cyfarfod.
You are welcome to speak Welsh or English in the meeting.
Please inform us of which language you wish to use by noon, two working days
before the meeting.

AGENDA

1.	APOLOGIES
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To receive apologies for absence.

2.	DECLARATIONS OF INTEREST
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To receive declarations of interest from Members.

3.	AUDIT WALES - FINANCIAL SUSTAINABILITY
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To consider the Audit Wales report and the Authority's response.
(Pages 3 - 18)

4.	AUDIT WALES - WORK PLAN UPDATE
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To consider the Audit Wales report.
(Pages 19 - 40)

5.	21ST CENTURY SCHOOL PROGRAMME GATEWAY REVIEW FINDINGS
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To consider the report of the Portfolio Holder for Education.
(Pages 41 - 60)

6.	SWAP - INTERNAL AUDIT ACTIVITY Q3
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To consider the Internal Audit Activity report for Q3.
(Pages 61 - 74)

7.	TREASURY MANAGEMENT
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To consider the report of the Portfolio Holder for Finance.
(Pages 75 - 96)

8.	CLOSURE OF ACCOUNTS
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To consider the report of the Head of Finance.
(Pages 97 - 98)

9.	CAPITAL WORKSTREAMS WORKING GROUP
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To consider the report of the Capital Workstreams Working Group.
(Pages 99 - 104)

10.	ANNUAL REPORT
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The Chair to provide an update on the Committee's Annual Report.

11.	WORK PROGRAMME
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To consider the forward work programme and whether any additional items should be included.
(Pages 105 - 106)

12.	ACCESS TO INFORMATION
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RESOLVED to exclude the public for the following item of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

13.	COUNTY COUNCIL DEBT
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To consider the report of the Head of Finance.
(To Follow)

Financial Sustainability Assessment – Powys County Council

Audit year: 2020-21

Month/Year issued: July 2021

Document reference: 2529A2021-22

This document has been prepared as part of work performed in accordance with section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) and section 18 of the Local Government (Wales) Measure 2009. It may also inform a study for improving value for money under section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under section 15 of the Wellbeing of Future Generations Act (Wales) 2015.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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What we looked at and why

- 1 We undertook this assessment as financial sustainability continues to be a risk to councils putting in place proper arrangements to secure value for money in the use of resources. In part, this was informed by the experiences of some councils in England, our knowledge of the financial situation in councils in Wales, and the general trend of decreasing resources for local government combined with rising demand for some services. We undertook a similar project in 2019-20, before the COVID-19 pandemic.
- 2 Our 2020-21 assessment on councils' financial sustainability was in two phases. Phase 1 was a baseline assessment of the initial impact of COVID-19 on local councils' financial position. Phase 1 drew on: the year-end position for 2019-20; the position at the end of quarter 1 for 2020-21; and projections for quarter 2 for 2020-21. Following Phase 1, in October 2020 we published a national summary report – **Financial Sustainability of Local Government as a result of the COVID-19 Pandemic**¹. We found that councils and the Welsh Government have worked well together to mitigate the impact of the pandemic to date, but the future sustainability of the sector is an ongoing challenge.
- 3 The pandemic has had an immediate and profound effect on public sector finances as a whole and, as a consequence, on councils' financial position. The summary report set a high-level baseline position, including the reserves position of local councils before the pandemic. It also set out the initial financial implications of the pandemic for local councils and the scale of the anticipated challenge going forward.
- 4 This report concludes phase 2 of our financial sustainability assessment work during 2020-21. As part of this we are producing a local report for each of the 22 principal councils in Wales.
- 5 We undertook this assessment between February 2021 and April 2021.

¹ Audit Wales, [Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic](#), October 2020.

Proposals for improvement

Exhibit 1: proposals for improvement

The table below sets out the proposals for improvement that we have identified following this review.

Proposals for improvement	
Addressing the medium-term budget gap	
P1	<p>The Council needs to formulate and progress its plans to meet the medium-term budget gap, including:</p> <ul style="list-style-type: none">• assessing the medium to long-term impact and opportunities arising from the pandemic and any resultant changes proposed to its service delivery model;• ensuring that its budget strategy considers, and is consistent with, other plans it has formulated eg workforce strategy, use of digital services; and• continuing to strengthen its savings planning process and evaluate why savings are not achieved, to inform future plans.
Capital Strategy	
P2	<p>The Council needs to ensure that its ambitious capital programme is affordable. This will require additional detail and improvements being made to its Capital Strategy with regard to:</p> <ul style="list-style-type: none">• the forecast level and timing of capital receipts; and• the impact that any additional financing requirements will have on its revenue budget.
Budget Planning Processes	
P3	<p>Due to the extraordinary nature of the 2020-21 financial year, it is difficult to determine the extent to which the improvements made to the Council's budget planning processes contributed to the improved forecast year-end position. It is important therefore that the Council continues to ensure that it monitors whether its budget planning processes are having the desired effect and helping to prevent significant overspends in key service areas.</p>

The Council has a significant medium-term budget gap and despite improvements to aspects of its financial management arrangements in recent years, it still faces a number of key risks which could impact on its financial resilience going forward

The immediate impact of COVID-19 on the Council's financial sustainability has been mitigated by additional Welsh Government funding

6 This section sets out the impact that COVID-19 has had to date on the Council's financial position and the extent to which this has been mitigated by additional funding from the Welsh Government.

7 We found that:

- the Welsh Government's commitment to maintain financial support for councils for the first six months of 2021-22 provides the Council with a level of confidence about its short-term financial position. However, risks remain in relation to the level of any ongoing additional COVID-19-related expenditure or lost income if the impact of the pandemic continues to be significant during the latter half of the financial year.
- the Council is taking a relatively prudent approach to its financial planning arrangements and is assuming that the levels of Welsh Government and UK government funding will not continue at the same level as they have been over the past 12 months. Departments and services are being reminded that additional funding is unlikely to be available on an ongoing basis.
- as shown in **Exhibit 2**, the Council's additional COVID-19-related expenditure and income losses are significant, but the majority of these have been covered by UK and Welsh Government funding. The pandemic, has not, therefore, had a detrimental impact on the Council's short-term financial position to the extent that it was initially forecasting at the end of Quarter 1 of the 2020-21 financial year.
- given the ongoing nature of the pandemic and the uncertainty attached to this, the Council is yet to assess the potential impact on its future operating model and service delivery provision in its Medium Term Financial Strategy (MTFS). This is a key matter that the Council will need to undertake detailed work on in the coming months.

Exhibit 2: the cost to the Council of COVID-19 over 2020-21

The table below shows the Council's estimated additional expenditure and lost income over 2020-21 as a result of COVID-19 and how much of this was mitigated by extra funding from the Welsh Government.

Figures below relate to the Welsh Government Hardship Fund and do not include any additional COVID-related Grant Funding.

The additional amount the Council estimates it will have spent, as a result of COVID-19 over 2020-21.	£14.221 million
The amount of income the Council estimates it will have lost as a result of COVID-19 over 2020-21.	£3.941 million
The amount of additional funding the Council estimates it will receive from the Welsh Government over 2020-21 to mitigate the impact of COVID-19.	£17.039 million
The cost to the Council of COVID-19 over 2020-21, after extra funding from the Welsh Government is taken into account.	£1.122 million

Source: Powys County Council

The Council continues to have a significant medium-term financial budget gap, and the impact of the pandemic has delayed its ability to consider the key actions it needs to take to address this

Why strategic financial planning is important

8 A clear and robust financial strategy is important to identify the likely level of funding available to a council, as well as the anticipated level of demand for, and cost of, providing services. Given the recent and anticipated funding pressures facing all councils, it is also important to identify how it intends to respond to those pressures, and particularly how they will meet projected funding gaps.

We found that:

- our 2019-20 financial sustainability report highlighted that the Council had faced considerable challenges over recent years which meant that its

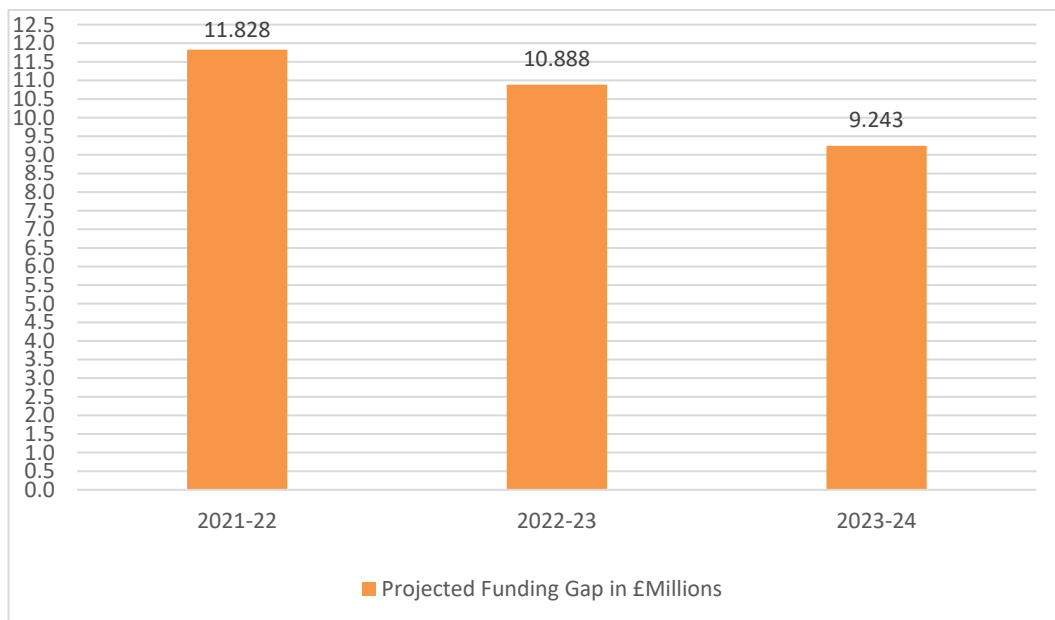
financial performance has not been sustainable. However, the Council understood the significant financial challenges it faced over the medium-term and was working to strengthen its overall financial resilience.

- our 2019-20 report also outlined that the MTFS for 2020 to 2025 identified significant funding gaps for future years, and that the recently introduced integrated business planning process together with its transformation programme were key to the Council meeting those gaps.
- the Council has confirmed, however, that the impact of the pandemic has delayed its ability to consider the key actions it needs to take within services, and that further work is therefore required to address the longer-term projected funding gaps within its MTFS and Integrated Business Plans.
- in setting its 2021-22 budget, the Council has updated its MTFS for the period 2021-2026. The MTFS highlights that the Council continues to face significant financial challenges going forward and, on a worse-case scenario, estimates a budget gap of £37.346 million during the period April 2022 to March 2026.
- in addition to this, planned savings of £19.548 million have already been identified for the period 2021-22 to 2025-26, giving an overall budget gap of £56.894 million over the five-year period.
- the updated MTFS worst-case scenario basis includes some fairly prudent assumptions. These include that the level of Revenue Support Grant Funding (RSG) will reduce by approximately 2% until 2025-26. The Council plans on the basis of a range of scenarios including flat cash settlement and +2%. Most other authorities assume no increase or a decrease to current funding levels.
- the updated MTFS also sets out risks including change delivery capacity, delivery of cost reductions, treasury management and availability of reserves which could impact on its overall financial strategy in the longer term.
- other risks are identified by the Council, but not contained within the MTFS, include the funding of its ambitious capital programme, particularly around schools' transformation.
- the level of its Capital programme as outlined in its Capital Strategy is significant (ie £628 million over the next ten years). This includes £380 million of non-HRA and £248 million of HRA expenditure. Approximately 70% of this expenditure (£439 million) is planned to take place within the next five years to 2024-25.
- the most significant element of the non-HRA Capital expenditure relates to the Council schools' modernisation and major improvements programme which is forecast to cost approximately £136 million between 2021-22 to 2023-24.
- the Capital Strategy also outlines that the net financing need for the period to 2024-25 is £205 million. The Council recognises, however, that further work is required in terms of its Capital Strategy particularly with regard to how it is

to fund the capital programme going forward. This includes, for example, more detail on the anticipated level of Capital Receipts and the impact that any additional financing requirements will have on its revenue budget.

Exhibit 3: the Council has a total projected funding gap for the three years 2021-22 to 2023-24 of £31.959 million

This graph shows the funding gap that the Council has identified for the following three years.



Source: Powys County Council updated Medium Term Financial Strategy, updated February 2021

With the exception of the 2020-21 financial year, the Council’s useable reserves have declined in recent years, and they are relatively low in relation to the net cost of services compared with other Welsh councils

Why sustainable management of reserves is important

- 9 Healthy levels of useable reserves are an important safety net to support financial sustainability. As well as being available to fund unexpected funding pressures, useable reserves can also be an important funding source to support ‘invest to save’ initiatives designed to reduce the ongoing cost of providing services. Councils that show a pattern of unplanned use of reserves to plug gaps in their revenue budget that result in reductions of reserve balances reduce their resilience to fund unforeseen budget pressures in future years.

10 We found that:

- our 2019-20 report highlighted that although the level of the Council's general fund has remained fairly constant since March 2017, its level of earmarked reserves had declined. Earmarked reserves have fallen from £28.3 million in March 2017 to £19.1 million in March 2020, a decrease of £9.2 million. The general fund has been maintained and remains in line with the Council's reserve policy.
- the Council has previously agreed the principle that reserves will not be used to fund recurrent deficits and this principle continues to be applied going forward. The recent MTFS reiterates the need for prudent reserve levels to support ongoing financial challenges.
- previous audit work has highlighted that the Schools Delegated Reserves were also under pressure with a deficit reserve at 31 March 2020 of £1.26 million. The Revenue Outturn Report for the 2020-21 financial year presented to Cabinet on 22 June 2021 highlights that the position at 31 March 2021 had improved to a surplus position of £2.880 million. This improved position is due to the receipt of a £4 million grant received in March 2021 to support school core costs. Despite the total school reserves showing a surplus position of £2.880 million, secondary school reserves continue to be in deficit. The deficit has reduced by £1.354 million during the year and as at 31 March 2021 is £2.078 million.
- the Council's draft Financial Statements for the 2020-21 financial year highlight that its Council Fund and Useable Earmarked Reserves have increased significantly in 2020-21. As at 31 March 2021, its Council Fund Balance was £13.634 million (31 March 2020: £9.471 million) and Earmarked Reserves were £34.142 million (31 March 2020: £19.114 million).

11 The Council's 2020-21 Budget Outturn report acknowledges the improved financial position for the current year but stresses that it is important to recognise that this is not driven by recurring funding. The report highlights that the Council is setting aside funding to support one-off costs that will aid recovery and meet short-term additional demand. This ensures that the Council's general fund is maintained at an appropriate level and provides an opportunity for the Council to maximise the opportunity presented to improve financial resilience as it moves into further uncertainty and the continuing challenges ahead.

Exhibit 4: amount of reserves versus annual budget

This exhibit shows the amount of usable reserves the Council had during 2020-21 and the previous four years as a proportion of the net cost of the services the Council delivers.

	2016-17	2017-18	2018-19	2019-20	2020-21
Net Cost of Services in £ millions	£286.5	£262.8	£281.5	£274.0	£276.8
Total Useable Reserves in £ millions ²	£37.0	£37.1	£26.8	£28.6	£47.8
Total Useable Reserves as a percentage of the net cost of services ³	13.6%	14.4%	8.1%	10.4%	17.2%
Comparison with the other councils of Wales	14/22	12/22	21/22	15/22	2020-21 comparison not available

Source: Audit Wales central team analysis

The Council's performance against budget for 2020-21 shows an improved position compared to previous years

Why accurately forecasting expenditure is important

- 12 It is important that overspending and underspending are kept under control and that actual expenditure is as close to the levels planned as possible. A council that is unable to accurately forecast and plan expenditure runs the risk of creating unforeseen financial pressures that may compromise the ability to set a balanced budget. Significant patterns of underspending may be reducing the ability of a council to deliver its key objectives or meet its statutory responsibilities.
- 13 We found that:
- one of our key messages from the 2019-20 report was that the Council has consistently overspent in key service areas (eg Children's Services, Adult Services and Highways, Transport and Recycling) against its budget in recent years. Additional grants awarded late in the financial year, use of specific reserves and other accounting adjustments (eg the change in the Council's policy for its Minimum Revenue Provision) have helped to significantly reduce the forecast level of deficits or ensured that previously predicted overspends did not occur. The Council's Revenue Outturn forecast

² By usable reserves we mean the total general fund balance, together with earmarked reserves that councils are not legally prevented from redirecting to use for another purpose. Source: Statement of Accounts

³ Audit Wales calculation.

to the year-end as at 28 February 2021 indicated that three service areas would be overspent: Adult Services (£707,000), Children’s Services (£60,000) and Finance (£348,000).

- the financial forecast for 2020-21, as at 28 February 2021, also highlights that additional funding streams received late in the financial year have significantly impacted on previous in-year financial forecasts. The report highlighted that several Welsh Government funding announcements were made throughout February 2021, which provided additional grants totalling £7.8 million to support council services. Some of this funding is to be carried forward and will be utilised in 2021-22, whilst other elements are to be utilised to offset in-year expenditure. The additional support provided by the Welsh Government significantly altered the Council’s previously predicted deficit position at the year-end. The Council is now forecasting a projected surplus of £7.902 million (£5.906 million when HRA and Schools delegated budgets are excluded).
- the Council has aimed to address patterns and issues around the delivery of planned budgets in recent years through the introduction of its Integrated Business Planning (IBP) process, transformation programme and a changed approach to setting budgets within services. As highlighted above, the Revenue Outturn forecast indicates an overall improved performance against budget for most key services. However, due to the extra-ordinary nature of the financial year, where additional unplanned expenditure and lost income have occurred as a result of the COVID-19 pandemic, it is difficult to confirm whether the improvements in the budget planning process had the desired affect or whether the improved performance is as a result of additional funding being provided by the Welsh Government.

Exhibit 5: the following exhibit shows the amount of overspend or underspend for the Council’s overall net revenue budget for the last four years and also the year to date as reported forecast at the end of February 2021

	2016-17	2017-18	2018-19	2019-20	2020-21
Original Net revenue budget £ millions ⁴	£237.10m	£240.00m	£247.00m	£255.20m	£269.40m
Actual Net Revenue Outturn ⁵	£237.14m	£234.74m	£244.78m	£251.40m	£261.50m

⁴ Value used is the net cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest. Source: Statement of Accounts

⁵ By usable reserves we mean the total general fund balance, together with earmarked reserves that councils are not legally prevented from redirecting to use for another purpose. Source: Statement of Accounts

	2016-17	2017-18	2018-19	2019-20	2020-21
Amount of overall surplus/overspend ⁶	-£0.04m overspend	£5.26m surplus	£2.22m surplus	£3.8m surplus	£7.9m surplus
Percentage difference from net revenue budget	-0.01%	2.19%	0.89%	1.49%	2.93%

Despite making incremental improvements to the rigour and challenge to savings proposals, the full quantum of annual savings required is not being achieved

Why the ability to identify and deliver savings plans is important

- 14 The ability to identify areas where specific financial savings can be made, and to subsequently make those savings, is a key aspect of ensuring ongoing financial sustainability against a backdrop of increasing financial pressures. Where savings plans are not delivered, this can result in overspends that require the use of limited reserves whilst increasing the level of savings required in future years to compensate for this. Where savings plans are not delivered and service areas are required to make unplanned savings, this increases the risk either of savings not being aligned to the Council's priorities, or of 'short-term' solutions that are not sustainable over the medium term.
- 15 We found that:
- a key message from our 2019-20 report was that the Council does not have a track record of delivering the totality of its planned annual savings targets. Despite making incremental improvements to the rigour and challenge to savings proposals made by service areas over recent years, the Council has not achieved more than 80% of its annual savings targets.
 - as at 28 February 2021, the Council was forecasting that it will achieve £9.544 million of its savings target of £12.394 million for the 2020-21 financial year. This represents approximately 77 % of its target. Of the £2.85 million of savings that are not predicted to be achieved, £1.634 million are now not considered to be deliverable, in the main due to the impact of the pandemic which halted transformation projects as the Council concentrated on business critical work. These have been reviewed and removed from the 2021-22 budget.
 - the remaining £1.216 million is still currently considered to be deliverable and has been rolled forward to 2021-22 and beyond.
 - if the Council achieves the same level of savings it predicts in 2020-21 (ie 77%) over the next five financial years, it will mean that it will only achieve £37.9 million of its target of £49.174 million.

⁶ Audit Wales calculation.

- therefore, the Council's ability to deliver the full quantum of savings as outlined in its MTFS over the next few years continues to represent a significant risk to its financial sustainability going forward.

Exhibit 6: savings delivered during 2019-20 as a percentage of planned savings

The following exhibit sets out how much money the Council intended to save from its savings plans during 2016-17 and 2019-20, and how much of this it actually saved as well as estimated figures for 2020-21.

	2016-17	2017-18	2018-19	2019-20	2020-21 estimate
Total planned savings in £ millions ⁷	12.1m	11.8m	12.3m	21.7m	12.4m
Planned savings achieved in £ millions ⁸	9.6m	8.3m	6.5m	15.9m	9.5m
Planned savings not achieved in £ millions	2.5m	3.5m	5.5m	5.8m	2.9m
Percentage of savings achieved	79%	71%	53%	73%	77%

Source: Powys County Council

The Council's financial liquidity ratio is fairly low, but shows a steady position over the last few years

Why the Council's liquidity position is important?

- 16 Why gauging current assets to current liabilities (liquidity) is important:
- it is an indicator of how a council manages its short-term finances.
 - while it is commonly used to examine whether organisations are able to pay their debts in the short term, this is unlikely to be a risk for councils given their ability to take short-term borrowing. It does also, however, act as an indicator of how a council manages its short-term finances.
 - councils with low liquidity ratios should ensure they have arrangements in place to meet their liabilities.

⁷ Value used is the net cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest. Source: Statement of Accounts

⁸ By usable reserves we mean the total general fund balance, together with earmarked reserves that councils are not legally prevented from redirecting to use for another purpose. Source: Statement of Accounts

- there may be additional costs for councils that rely on short-term borrowing to pay debts.
- councils with very high liquidity ratios should consider whether they are managing their current assets in the most effective way.

17 We found that:

- **Exhibit 7** provides an analysis of the Council's liquidity position since 2015-16. A liquidity ratio above 1.0 means that a council has more current assets at that point in time, than current liabilities.
- the analysis shows that since 2015-16, the Council's liquidity ratio has decreased to below 1.0. The key reason for this decrease is that there has been a significant increase in the level of short-term borrowing and short-term creditors over this period. Short-term borrowing has increased from £3.0 million in 2015-16 to £73.4 million in 2020-21, and short-term creditors have increased from £28.6 million to £49.0 million over the same period.
- during this period, the most significant movement in current assets relates to short-term debtors which have increased by £20 million.
- the Council's liquidity ratio based on its draft 2020-21 financial statements will remain at 0.8 at the end of the 2020-21 financial year.

Exhibit 7: working capital ratio 2015-16 to 2019-20 from the Statement of Accounts and Audit Wales calculation, and 2020-21 from Powys County Council

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 estimate
Current Assets ⁹	£38.1m	£59.0m	£38.5m	£50.9m	£60.4m	£107.8m
Current Liabilities ¹⁰	£33.7m	£66.4m	£52.4m	£57.7m	£74.7m	£136.7m
Liquidity Ratio	1.1	0.9	0.7	0.9	0.8	0.8

⁹ Current Assets, includes: Short Term Investments; Assets held for sale; Inventories; Short Term Debtors; and Cash and equivalent

¹⁰ Current Liabilities, includes Short Term Borrowing; Short Term Creditors; and Provisions due in one year.



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Audit Wales Work Programme and Timetable – Powys County Council

Quarterly Update: 31 December 2021

Annual Audit Summary

Description	Timetable	Status
A report summarising completed audit work since the last Annual Audit Summary, which was issued in February 2021.	February 2022	Being Drafted

Financial Audit work

Description	Scope	Timetable	Status
Audit of the Council's 2020-21 statement of accounts	Providing the audit opinion on the Authority's 2020-21 statement of accounts, including its Housing Revenue Account.	30 September	Complete
Audit of the Powys Pension Fund 2020-21 Accounts	Providing the audit opinion on the 2020-21 Powys Pension Fund statement of accounts. The draft statement of accounts was received on 6 September.	30 November	Complete

Description	Scope	Timetable	Status
Grant Certification Work	The annual certification of certain grant claims and returns prepared by the Authority for 2020-21.	December 2021 to March 2022	Ongoing

Performance Audit work

2020-21 Performance Audit Work	Scope	Timetable	Status
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.	Published	National Summary Report published September 2021
Scrutiny Follow Up	Follow-up Review of Scrutiny Arrangements from 2018. This review sought to answer the question: Has the Council acted on Audit Wales' previous proposals for improvement and identified further opportunities for improvement?	Complete	Report published October 2021

2021-22 Performance audit work	Scope	Timetable	Status
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	We will seek to integrate the delivery of our WFG examinations of steps to deliver well-being objectives with our other audit work. We will discuss this with the council as we scope and deliver the audit projects listed in this plan.	Ongoing	Ongoing
	We will examine the extent to which the Council has acted in	Ongoing	Ongoing

	accordance with the sustainable development principle in setting its Well-being Objectives.		
Improvement reporting audit	Audit of discharge of duty to publish an assessment of performance.	Complete	Certificate Issued September 2021
Assurance and Risk Assessment	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</p> <p>At Powys County Council the project is likely to focus on:</p> <ul style="list-style-type: none"> • Financial position • Self-assessment arrangements • Recovery planning • Implications of the Local Government and Elections (Wales) Act • Carbon reduction plans <p>At Powys Council, the project will also likely focus on areas identified in the 2020-21 ARA, including: Housing, Highways, Waste and Recycling</p> <ul style="list-style-type: none"> • ARA work includes ongoing engagement with the Council 	Ongoing	Ongoing
Springing Forward – Examining the building blocks for a sustainable future	As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.	Planned for Autumn 2021 onwards – to be confirmed following scoping.	Project Brief sent September 2021

Review of Planning Services	Through the review we will seek to gain an insight into the Council's Planning Service. We will have regard to the economy, efficiency and effectiveness of the Planning Service and the extent to which the Council is acting in accordance with the sustainable development principle in delivering the Service.	Aim to undertake work towards the end of the audit year (April/May/June 2022)	To be confirmed
Corporate Safeguarding Arrangements	The review will focus on the Council's arrangements for safeguarding. This review will seek to answer the question: Has the Council acted upon the recommendations and proposals for improvement contained in the national and local reports of the Auditor General published in 2014 and 2015?	Self-Assessment and accompanying documents due from the Council early November 2021 with fieldwork early 2022	Ongoing

Local government national studies planned/in progress

Study	Scope	Timetable	Status	Fieldwork planned at Powys County Council
Direct Payments	Review of how local authorities manage and promote the use of Direct payments	Publication Winter 2021-22	Drawing conclusions mid-October, drafting and publication early 2022	No – work being delivered via Direct Payment Forum and a selection of follow-up interviews
Emergency Services	Review of how well emergency services (blue light) collaborate	Publication winter 2021-22	Published in January 2022	N/A

Study	Scope	Timetable	Status	Fieldwork planned at Powys County Council
Follow-up on People Sleeping Rough	Review of how local authorities responded to the needs of people sleeping rough during the pandemic following up on the AGW's report of July 2020	N/A	N/A	This work is not progressing in 2021-22
Poverty	Understanding how local authorities ensure they deliver their services to minimise or reduce poverty	Autumn 2021 – Autumn 2022	Fieldwork	Yes – interview with nominated officer at the Council
Social Enterprises	Review of how local authorities are supporting and utilising social enterprises to deliver services	Autumn 2021 – Autumn 2022	Fieldwork	Yes – interview with nominated officer at the Council
Community Resilience	Review of how local authorities can build greater resilience in communities	Autumn 2021 – Autumn 2022	Fieldwork	Yes – interview with nominated officer at the Council

Estyn

Estyn planned work 2021-22	Scope	Timetable	Status
Local Government Education Services Inspections	Estyn have worked closely with Directors of Education to review their inspection guidance for local government education services to reflect the experiences of the pandemic. The updated guidance (published on 1 July) will be piloted on the first inspection and feedback will be sought on whether any further refinements need to be made.	LGES inspections to resume from late Autumn term	N/A
Curriculum Reform thematic review	Regional consortia and local authority support for curriculum reform.	Evidence collecting in September/October – publish in early February	N/A

Care Inspectorate Wales (CIW)

CIW planned work 2021-22	Scope	Timetable	Status
National Assurance Check 2020-21	CIW has now published all assurance check letters. CIW has published its national assurance check report highlighting key findings and recommendations.	Published	Complete
Programme 2022-23	CIW will run an annual programme of assurance checks, performance evaluation inspections and risk-based inspections.	April 2022 – March 2023	Planning

CIW planned work 2021-22	Scope	Timetable	Status
National review	Support for disabled children and their families.	Published	Complete
Follow-up	CIW will be following up on areas for improvement identified in the Assurance Checks or through risk-based inspection activity with individual local authorities where necessary.	Ongoing	One follow-up risk-based inspection has occurred and is due to be published. Two further follow-up assurance checks have occurred and are due to be published in due course
Inspection	Risk-based inspection activity will continue where required.	As required	No inspections are scheduled at this time (up until April 2022)
Development	CIW will continue to develop its approach to inspection and review of local authorities.	April 2022	In progress
Deprivation of Liberty Safeguards Annual Monitoring Report for Health and Social Care 2020-21	Annual monitoring report in draft format currently – this is a joint report with Health Inspectorate Wales.	December 2021	In progress
Annual meeting with Statutory Directors of Social Services	CIW will meet with all Directors of Social Services.	December 2021 and January 2022	In progress

Audit Wales national reports and other outputs published since 1 April 2021

Report title	Publication date and link to report
Care Home Commissioning for Older People	December 2021
The Welsh Government's Warm Homes Programme	November 2021
Taking Care of the Carers? How NHS bodies supported staff wellbeing during the COVID-19 pandemic	October 2021
Financial Sustainability of Local Government	September 2021
NHS summarised accounts infographic	September 2021
Picture of Public Services ¹	September 2021
Town Centre Regeneration	September 2021
Student finances	August 2021
NHS finances data-tool 2020-21	June 2021
Rollout of the COVID-19 vaccination programme in Wales	June 2021
Quality governance arrangements at Cwm Taf UHB – follow-up	May 2021

¹ Main report published 15 September. Over the following six weeks we published five short sector commentaries: [A picture of local government](#), [A picture of healthcare](#), [A picture of social care](#), [A picture of schools](#), [A picture of higher and further education](#).

Report title	Publication date and link to report
Welsh Health Specialised Services Committee governance arrangements	May 2021
At your Discretion – Local Government Discretionary Services	April 2021
Procuring and Supplying PPE for the COVID-19 Pandemic	April 2021

Audit Wales national reports and other outputs due to be published during 2021-22 (and other work in progress/planned)²

Title	Anticipated publication date
Welsh Government accounts commentary	February 2022
Welsh Government setting of well-being objectives	February 2022
Unscheduled care – data tool and commentary	February/March 2022
Collaborative arrangements for managing local public health resources	February 2022
COVID response and recovery/Welsh Government grants management – third sector support	February 2022
NHS waiting times data-tool and planned care commentary	March 2022

² We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. This includes maintaining some flexibility so that we can respond to developments in Welsh Government policy and areas of possible interest for the new Public Accounts and Public Administration Committee.

Title	Anticipated publication date
Welsh Government workforce	February/March 2022
Orthopaedic services	March 2022
Curriculum reform	Spring 2022
Equality impact assessment	Spring 2022
Climate change – baseline review	Spring/summer 2022
COVID response and recovery/Welsh Government grants management – other	To be confirmed
Affordable housing	To be confirmed
Broadband infrastructure	To be confirmed
Flood risk management	To be confirmed

Forthcoming Good Practice Exchange events and publications

Title	Anticipated publication/event date
Post event resources including session recordings for the Springing Forward event on organisational resilience held on 9 December 2021	Late January 2022
Direct Payments Event (title to be confirmed)	30 March 2022

Rhaglen Waith ac Amserlen Archwilio Cymru – Cyngor Sir Powys

Diweddariad Chwarterol: 31 Rhagfyr 2021

Crynodeb Archwilio Blynyddol

Disgrifiad	Amserlen	Statws
Adroddiad yn crynhoi'r gwaith archwilio a gwblhawyd ers y Crynodeb Archwilio Blynyddol diwethaf, a gyhoeddwyd ym mis Chwefror 2021.	Chwefror 2022	Cael ei ddrafftio

Gwaith Archwilio Ariannol

Disgrifiad	Cwmpas	Amserlen	Statws
Archwilio datganiad cyfrifon 2020-21 y Cyngor	Darparu'r farn archwilio ar ddatganiad cyfrifon 2020-21 yr Awdurdod, gan gynnwys ei Gyfrif Refeniw Tai.	30 Medi	Wedi'i gwblhau
Archwiliad o Gyfrifon Cronfa Bensiwn Powys 2020-21	Darparu'r farn archwilio ar ddatganiad cyfrifon Cronfa Bensiwn Powys 2020-21. Derbyniwyd y datganiad cyfrifon drafft ar 6 Medi.	30 Tachwedd	Wedi'i gwblhau

Disgrifiad	Cwmpas	Amserlen	Statws
Gwaith Ardystio Grant	Ardystio blynyddol hawliadau grant penodol a ffurflenni a baratowyd gan yr Awdurdod ar gyfer 2020-21.	Rhagfyr 2021 – Mawrth 2022	Ym mynd rhagddo

Gwaith Archwilio Perfformiad

Gwaith Archwilio Perfformiad 2020-21	Cwmpas	Amserlen	Statws
Cynaliadwyedd Ariannol	Prosiect sy'n gyffredin i bob cyngor lleol a fydd yn asesu cynaliadwyedd ariannol yng ngoleuni'r heriau presennol a'r heriau a ragwelir yn y dyfodol gan adeiladu ar waith a wnaed yn ystod 2019-20.	Wedi'i gyhoeddi	Cyhoeddwyd yr <u>Adroddiad Cryno Cenedlaethol</u> ym mis Medi 2021
Gwaith Craffu Dilynol	Adolygiad Dilynol o Drefniadau Craffu o 2018. Ceisiodd yr adolygiad hwn ateb y cwestiwn: A yw'r Cyngor wedi gweithredu ar gynigion blaenorol Archwilio Cymru ar gyfer gwella ac wedi nodi cyfleoedd ychwanegol i wella?	Wedi'i gwblhau	Cyhoeddwyd yr <u>Adroddiad</u> ym mis Hydref 2021

Gwaith archwilio perfformiad 2021-22	Cwmpas	Amserlen	Statws
Archwiliadau Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015 (y Ddeddf LICD)	Byddwn yn ceisio integreiddio'r gwaith o gyflawni ein harchwiliadau o dan LICD o'r camau i gyflawni amcanion lles ynghyd â'n gwaith archwilio arall. Byddwn yn trafod hyn gyda'r cyngor wrth i ni gwmpasu a chyflawni'r prosiectau archwilio a restrir yn y cynllun hwn.	Ym mynd rhagddo Ym mynd rhagddo	Ym mynd rhagddo

	Byddwn yn archwilio i ba raddau y mae'r Cyngor wedi gweithredu yn unol â'r egwyddor datblygu cynaliadwy wrth bennu ei Amcanion Llesiant.		Ym mynd rhagddo
Archwiliad adrodd ar welliannau	Archwiliad o gyflawni dyletswydd i gyhoeddi asesiad o berfformiad.	Wedi'i gwblhau	Cyhoeddwyd tystysgrif ym mis Medi 2021.
Sicrwydd as Asesu Risg	<p>Prosiect i nodi lefel y sicrwydd archwilio a/neu lle y gallai fod angen gwaith archwilio ychwanegol yn y dyfodol mewn perthynas â risgiau i'r Cyngor roi trefniadau priodol ar waith i sicrhau gwerth am arian wrth ddefnyddio adnoddau.</p> <p>Yng Nghyngor Sir Ceredigion mae'r prosiect yn debygol o ganolbwyntio ar:</p> <ul style="list-style-type: none"> • Sefyllfa ariannol • Trefniadau hunanasesu • Cynllunio adferiad • Goblygiadau Deddf Llywodraeth Leol ac Etholiadau (Cymru) • Cynlluniau lleihau carbon <p>Yng Nghyngor Powys, bydd y prosiect hefyd yn debygol o ganolbwyntio ar feysydd a nodwyd yn ARA 2020-21, gan gynnwys:</p> <p>Tai, Priffyrdd, Gwastraff ac Ailgylchu</p> <ul style="list-style-type: none"> • Mae gwaith ARA yn cynnwys ymgysylltu parhaus â'r Cyngor 	Ym mynd rhagddo	Ym mynd rhagddo
Llamu Ymlaen – Archwilio'r blociau adeiladu ar gyfer dyfodol cynaliadwy	Wrth i'r byd fynd yn ei flaen, gan ddysgu o'r pandemig byd-eang, mae'r adolygiad hwn yn edrych ar ba mor effeithiol y mae cynghorau'n cryfhau eu gallu i drawsnewid, addasu a chynnal y broses o ddarparu gwasanaethau, gan gynnwys y rhai a ddarperir mewn	Wedi'i gynllunio ar gyfer tymor yr Hydref 2021 ymlaen – i'w gadarnhau ar ôl cwmpasu.	Anfonwyd y Briff Prosiect ym mis Medi 2021

	partneriaeth â rhanddeiliaid a chymunedau allweddol.		
Adolygiad o Wasanaethau Cynllunio	Drwy'r adolygiad byddwn yn ceisio cael cipolwg ar Wasanaeth Cynllunio'r Cyngor. Byddwn yn ystyried economi, effeithlonrwydd ac effeithiolrwydd y Gwasanaeth Cynllunio ac i ba raddau y mae'r Cyngor yn gweithredu yn unol â'r egwyddor datblygu cynaliadwy wrth ddarparu'r Gwasanaeth.	Anelu at ymgymryd â gwaith tua diwedd y flwyddyn archwilio (Ebrill/Mai/Mehefin 2022)	I'w gadarnhau
Trefniadau Diogelu Corfforaethol	Bydd yr adolygiad yn canolbwyntio ar drefniadau'r Cyngor ar gyfer diogelu. Bydd yr arolwg yn bwriadu ateb y cwestiwn: A yw'r Cyngor wedi gweithredu ar yr argymhellion a'r cynigion ar gyfer gwella a geir yn adroddiadau cenedlaethol a lleol yr Archwilydd Cyffredinol a gyhoeddwyd yn 2014 a 2015?	Hunanasesiad a dogfennau cysylltiedig i'w cyflwyno gan y Cyngor ddechrau mis Tachwedd 2021 gyda gwaith maes yn gynnar yn 2022	Ym mynd rhagddo

Astudiaethau cenedlaethol llywodraeth leol a gynllunir/ sydd ar waith

Astudiaeth	Cwmpas	Amserlen	Statws	Gwaith maes wedi'i gynllunio yng Nghyngor Sir Powys
Taliadau Uniongyrchol	Adolygiad o sut mae awdurdodau lleol yn rheoli ac yn hybu'r defnydd o daliadau Uniongyrchol	Cyhoeddi yng Ngaeaf 2021-22	Dod i gasgliadau canol mis Hydref, drafftio a chyhoeddi yn gynnar yn 2022	Na – gwaith sy'n cael ei gyflawni drwy'r Fforwm Taliadau Uniongyrchol a detholiad o gyfweiliadau dilynol.

Astudiaeth	Cwmpas	Amserlen	Statws	Gwaith maes wedi'i gynllunio yng Nghyngor Sir Powys
Gwasanaethau Brys	Adolygiad o ba mor dda y mae'r gwasanaethau brys (golau glas) yn cydweithio	Cyhoeddi yng ngaeaf 2021-22	Cyhoeddwyd ym mis Ionawr 2022	Amherthnasol
Gwaith dilynol ar Bobl sy'n Cysgu Allan	Adolygiad o sut yr ymatebodd awdurdodau lleol i anghenion pobl sy'n cysgu allan yn ystod y pandemig yn dilyn adroddiad Archwilydd Cyffredinol Cymru ym mis Gorffennaf 2020.	Amherthnasol	Amherthnasol	Nid yw'r gwaith hwn yn mynd rhagddo yn 2021-22
Tlodi	Deall sut mae awdurdodau lleol yn sicrhau eu bod yn darparu eu gwasanaethau i leihau tlodi.	Hydref 2021 – Hydref 2022.	Gwaith maes	Ie – cyfweiliad gyda swyddog a enwebwyd yn y Cyngor.
Mentrau Cymdeithasol	Adolygiad o'r modd y mae awdurdodau lleol yn cefnogi ac yn defnyddio mentrau cymdeithasol i ddarparu gwasanaethau	Hydref 2021 – Hydref 2022	Gwaith maes	Ie – cyfweiliad gyda swyddog a enwebwyd yn y Cyngor

Astudiaeth	Cwmpas	Amserlen	Statws	Gwaith maes wedi'i gynllunio yng Nghyngor Sir Powys
Cydnherthedd Cymunedol	Adolygiad o sut y gall awdurdodau lleol feithrin mwy o gydnerthedd mewn cymunedau	Hydref 2021 – Hydref 2022	Gwaith maes	le – cyfweiliad gyda swyddog a enwebwyd yn y Cyngor

Estyn

Gwaith arfaethedig Estyn 2021-22	Cwmpas	Amserlen	Statws
Arolygiadau Gwasanaethau Addysg Llywodraeth Leol	Mae Estyn wedi gweithio'n agos gyda Chyfarwyddwyr Addysg i adolygu eu canllaw arolygu ar gyfer gwasanaethau addysg llywodraeth leol i adlewyrchu profiadau'r pandemig. Bydd y canllaw sydd wedi'i ddiweddarau (a gyhoeddir ar 1 Gorffennaf) yn cael eu treialu yn yr arolygiad cyntaf a gofynnir am adborth ynghylch a oes angen gwneud unrhyw fireinio ychwanegol.	Arolygiadau Gwasanaethau Addysg Llywodraeth Leol i aildechrau tuag at ddiwedd tymor yr Hydref	Amherthnasol
Adolygiad thematig Diwygio'r Cwricwlwm	Consortia rhanbarthol a chymorth awdurdodau lleol i ddiwygio'r cwricwlwm.	Casglu tystiolaeth ym mis Medi/Hydref – cyhoeddi ddechrau mis Chwefror.	Amherthnasol

Arolygiaeth Gofal Cymru (AGC)

Gwaith arfaethedig AGC 2021-22	Cwmpas	Amserlen	Statws
Gwiriad Sicrwydd Cenedlaethol 2020-21	Mae AGC bellach wedi cyhoeddi pob llythyr gwirio sicrwydd. Mae AGC wedi cyhoeddi ei adroddiad gwirio sicrwydd cenedlaethol sy'n tynnu sylw at ganfyddiadau ac argymhellion allweddol.	Wedi'i gyhoeddi	Wedi'i gwblhau
Rhaglen 2022-23	Bydd AGC yn cynnal rhaglen flynyddol o wiriadau sicrwydd, arolygiadau gwerthuso perfformiad ac arolygiadau sy'n seiliedig ar risg.	Ebrill 2022 – Mawrth 2023.	Cynllunio
Adolygiad cenedlaethol	Cymorth i blant anabl a'u teuluoedd.	Wedi'i gyhoeddi	Wedi'i gwblhau
Gwaith dilynol	Bydd AGC yn cynnal gwaith dilynol ar feysydd i'w gwella a nodwyd yn y Gwiriadau Sicrwydd neu drwy weithgarwch arolygu sy'n seiliedig ar risg gydag awdurdodau lleol unigol lle bo angen.	Ym mynd rhagddo	Mae un arolygiad dilynol sy'n seiliedig ar risg wedi digwydd ac mae i'w gyhoeddi. Mae dau wiriad sicrwydd dilynol ychwanegol wedi digwydd ac mae i'w cyhoeddi maes o law.
Arolygiad	Bydd gweithgarwch arolygu sy'n seiliedig ar risg yn parhau lle bo angen.	Yn ôl y gofyn	Ni threfnir unrhyw arolygiadau ar hyn o bryd (hyd at fis Ebrill 2022)
Datblygiad	Bydd AGC yn parhau i ddatblygu ei ddull o arolygu ac adolygu awdurdodau lleol.	Ebrill 2022	Ar waith

Gwaith arfaethedig AGC 2021-22	Cwmpas	Amserlen	Statws
Trefniadau Diogelu rhag Colli Rhyddid Adroddiad Monitro Blynyddol ar gyfer Iechyd a Gofal Cymdeithasol 2020-21	Adroddiad monitro blynyddol ar ffurf drafft ar hyn o bryd – mae hwn yn adroddiad ar y cyd ag Arolygiaeth Iechyd Cymru.	Rhagfyr 2021	Ar waith
Cyfarfod blynyddol gyda Chyfarwyddwyr Statudol y Gwasanaethau Cymdeithasol	Bydd AGC yn cyfarfod â'r holl Gyfarwyddwyr Gwasanaethau Cymdeithasol	Rhagfyr 2021 ac Ionawr 2022	Ar waith

Adroddiadau cenedlaethol Archwilio Cymru ac allbynnau eraill a gyhoeddwyd ers 1 Ebrill 2021

Teitl yr adroddiad	Dyddiad cyhoeddi a dolen i'r adroddiad
Comisiynu Cartrefi Gofal i Bobl Hŷn	Rhagfyr 2021
Rhaglen Cartrefi Clyd Llywodraeth Cymru	Tachwedd 2021
Gofalu am y Gofalwyr? Sut roedd cyrff y GIG yn ategu lles staff yn ystod pandemig COVID-19	Hydref 2021
Cynaliadwyedd Ariannol Llywodraeth Leol	Medi 2021
Ffeithlun cyfrifon cryno'r GIG	Medi 2021
Darlun o Wasanaethau Cyhoeddus¹	Medi 2021

¹ Cyhoeddwyd y prif adroddiad ar 15 Medi. Dros y chwe wythnos a ganlynodd, cyhoeddwyd pum sylwebaeth sector byr: [Darlun o lywodraeth leol](#), [Darlun o ofal iechyd](#), [Darlun o ofal cymdeithasol](#), [Darlun o ysgolion](#), [Darlun o addysg uwch ac addysg bellach](#).

Teitl yr adroddiad	Dyddiad cyhoeddi a dolen i'r adroddiad
Adfywio Canol Trefi	Medi 2021
Cyllid myfyrwyr	Awst 2021
Offeryn data cyllid y GIG 2020-21	Mehefin 2021
Gweithredu rhaglen frechu COVID-19 yng Nghymru	Mehefin 2021
Trefniadau llywodraethu ansawdd ym Mwrdd Iechyd Prifysgol Cwm Taf Morgannwg: gwaith dilynol	Mai 2021
Trefniadau Llywodraethu Pwyllgor Gwasanaethau Iechyd Arbenigol Cymru	Mai 2021
Yn ôl eich Doethineb – Gwasanaethau Dewisol Llywodraeth Leol	Ebrill 2021
Caffael a Chyflenwi Cyfarpar Diogelu Personol ar gyfer Pandemig COVID-19	Ebrill 2021

Adroddiadau cenedlaethol ac allbynnau eraill Archwilio Cymru i'w cyhoeddi yn ystod 2021-22 (a gwaith arall sy'n mynd rhagddo/a gynllunir)²

Teitl	Dyddiad cyhoeddi disgwylidig
Sylwadau cyfrifon Llywodraeth Cymru	Chwefror 2022
Llywodraeth Cymru yn pennu amcanion llesiant	Chwefror 2022
Gofal heb ei drefnu – offeryn data a sylwebaeth	Chwefror/Mawrth 2022
Trefniadau cydweithredol ar gyfer rheoli adnoddau iechyd cyhoeddus lleol	Chwefror 2022
Ymateb ac adferiad COVID/Rheoli grantiau Llywodraeth Cymru – cymorth gan y trydydd sector	Chwefror 2022
Offeryn data amseroedd aros y GIG a sylwebaeth gofal wedi'i chynllunio	Mawrth 2022
Gweithlu Llywodraeth Cymru	Chwefror/Mawrth 2022
Gwasanaethau orthopedig	Mawrth 2022
Diwygio'r cwricwlwm	Gwanwyn 2022
Asesiad o'r effaith ar gydraddoldeb	Gwanwyn 2022
Newid hinsawdd – adolygiad sylfaenol	Gwanwyn/haf 2022

² Byddwn yn parhau i adolygu ein cynlluniau'n gyson, gan ystyried yr amgylchedd allanol sy'n esblygu, ein blaenoriaethau archwilio, cyd-destun ein hadnoddau ein hunain a gallu cyrff archwiliedig i gyfathrebu â ni. Mae hyn yn cynnwys cynnal rhywfaint o hyblygrwydd er mwyn inni ymateb i ddatblygiadau ym mholisi Llywodraeth Cymru a meysydd sydd o ddiddordeb posibl i'r Pwyllgor Cyfrifon Cyhoeddus a Gweinyddiaeth Gyhoeddus newydd.

Teitl	Dyddiad cyhoeddi disgwylidig
Ymateb ac adferiad COVID/rheoli grantiau Llywodraeth Cymru – arall	I'w gadarnhau
Tai fforddiadwy	I'w gadarnhau
Seilwaith band eang	I'w gadarnhau
Rheoli perygl llifogydd	I'w gadarnhau

Digwyddiadau a chyhoeddiadau y Gyfnewidfa Arfer Da yn y dyfodol

Teitl	Dyddiad cyhoeddi/digwyddiad disgwylidig
Adnoddau ar ôl y digwyddiad gan gynnwys recordiadau sesiwn ar gyfer digwyddiad Llamu Ymlaen ar gadernid sefydliadol a gynhaliwyd ar 9 Rhagfyr 2021.	Diwedd Ionawr 2022
Digwyddiad Taliadau Uniongyrchol (teitl i'w gadarnhau)	30 Mawrth 2022

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**CYNGOR SIR POWYS COUNTY COUNCIL.
Governance and Audit Committee**

10 February 2022

REPORT AUTHOR: County Councillor Phyl Davies
Portfolio Holder for Education and Property

REPORT TITLE: 21st Century School Programme Gateway Review findings

REPORT FOR: Information

1. Purpose

- 1.1 This report sets out to inform you of the Delivery Confidence Assessment rating of the Welsh Government Gateway Review 0 of 21st Century Schools Programme in Powys. The full report is available at Appendix one.
- 1.2 The primary purposes of a Gateway Review 0: Strategic assessment are to review the outcomes and objectives for the programme (and the way they fit together) and confirm that they make the necessary contribution to Ministers' or the departments' overall strategy.
- 1.3 The Delivery Confidence Assessment rating was Amber Green; successful delivery appears probable. However, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.

2. Background

- 2.1 The review team were commissioned by the Senior Responsible Officer (SRO) of Transforming Education to provide independent guidance to the SRO on how best to ensure that the 21st Century Schools element of the Transforming Education programme is successful.
- 2.2 It should be noted that the '*Gateway Assurance methodology is widely used across the United Kingdom's public sector's Programmes and Projects. The methodology uses a Delivery Confidence Assessment (RAG rating) that independent Review Teams use to determine the successful delivery of a Programme or Project at key milestones within their lifecycles. Around 10% of all Programmes and Projects (circa years 2020/2021) receive an Amber/Green outcome. In 2020, only 8% of Programmes and Projects across Welsh Government and wider Welsh public sector received an outcome of Amber/Green.*

Welsh Government, 2021

3. Advice

- 3.1 The Review Team found that Powys County Council has made an excellent start to 21st Century Schools Band B, under strong leadership and well-anchored in the fulfilment of Welsh Government Policy and the Powys Improvement and Transformation Portfolio.
- 3.2 The approved Strategic Outline Programme (SOP) is well crafted and there is high confidence in its deliverability. Powys County Council is ambitious and has developed a revised SOP to expand the scope and include additional pipeline projects. The funding of that expanded scope is a current topic of discussion and will be informed by an asset review currently underway and led by the Director of Economy and Environment and Head of Planning, Property & Public Protection.
- 3.3 Governance is evolving and is appropriate for the present time, though there will be opportunities to map respective decision-making accountabilities to Portfolio, Programme and Project levels as the pace and complexity increases during delivery.
- 3.4 The review team made the following recommendations:
- Set out the financial options for match funding the enhanced programme including the Value for Money proposition of investing in the future and the cost of doing nothing, so that all parties have a common understanding of options available.
 - Reiterate the Transformation and Improvement Vision and situate 21st Century Schools as an essential component in that narrative.
 - Develop a form of mapping across the Outputs/Outcomes/Benefits that clearly sets out who is responsible for what and how the dependencies will be managed to ensure benefits realisation.
 - Differentiate the governance levels, and memberships, required for each layer of Transformation Portfolio, 21st Century Schools Programme, and build Project.
 - Develop a Roadmap to assist in planning potential resources and funding needs during the Band B implementation.
- 3.5 The Senior Responsible Officer has accepted the recommendations which have subsequently been endorsed by Cabinet/EMT.

4. Resource Implications

- 4.1.1 The Deputy Head of Finance (Deputy Section 151 Officer) notes the content of the report and can confirm there are no additional budgetary requirements from this report.

4. Legal implications

4.1 Legal: the recommendations can be accepted from a legal point of view

4.2 The Head of Legal and Democratic Services (Monitoring Officer) has commented as follows: “ I note the legal comment and have nothing to add to the report”.

6. Comment from local member(s)

6.1 Not applicable.

7. Integrated Impact Assessment

7.1 Not applicable.

8. Recommendation

That the recommendations within the Gateway review report are noted. Officers will take forward the recommendations within the financial year 2021/22.

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Head of Service:	Transformation and Communications
Corporate Director:	N/A Chief Executive Officer

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OGC Gateway™ Review 0: Strategic assessment

Programme Title:	21st Century Schools – Band B Powys
IAH ID number:	AH21/82

Version number:	V1.0 FINAL
Senior Responsible Owner (SRO):	Caroline Turner
Date of issue to SRO:	06/11/2021
Department/Organisation of the Programme	Powys County Council
Review dates:	20/10/2021 to 22/10/2021
Review Team Leader:	David Wilkin
Review Team Members:	Jo Larnar Tracey Hill
Previous Review:	N/A
Security Classification:	Official

This assurance review was arranged and managed by:

Welsh Government Integrated Assurance Hub (IAH)

Cathays Park 2

Cathays

Cardiff

CF10 3NQ

1.0 Delivery Confidence Assessment (DCA)

<u>Delivery Confidence Assessment:</u>	Amber Green
<p>The Review Team finds that Powys County Council has made an excellent start to 21st Century Schools Band B, under strong leadership and well-anchored in the fulfilment of Welsh Government Policy and the Powys Improvement and Transformation Portfolio.</p> <p>The approved Strategic Outline Programme is well crafted and there is high confidence in its deliverability. Powys County Council is ambitious and has developed a revised SOP to expand the scope and include additional pipeline projects. The funding of that expanded scope is a current topic of discussion and will be informed by an asset review currently underway.</p> <p>Governance is evolving and is appropriate for the present time, though there will be opportunities to map respective decision making accountabilities to Portfolio, Programme and Project levels as the pace and complexity increases during delivery.</p> <p>The Review Team makes recommendations in relation to:</p> <ul style="list-style-type: none">• Financial narrative;• Vision communications;• Benefits mapping;• Evolving governance; and• Planning. <p>At this early phase of the Band B lifecycle, successful delivery appear probable, but it will be important for Powys County Council to maintain a tight grip on risk management to ensure that risks do not materialise into issues threatening delivery.</p>	

1.1 Delivery Confidence Assessment

The Delivery Confidence assessment RAG status should use the definitions below:

<u>RAG</u>	<u>Criteria Description</u>
Green	Successful delivery of the programme to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery.
Amber/Green	Successful delivery appears probable. However, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.
Amber	Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.
Amber/Red	Successful delivery of the programme is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and establish whether resolution is feasible.
Red	Successful delivery of the programme appears to be unachievable. There are major issues which, at this stage, do not appear to be manageable or resolvable. The programme may need re-baselining and/or overall viability re-assessed.

2.0 Summary of Report Recommendations

The Review Team makes the following recommendations which are prioritised using the definitions below:

Ref. No.	Recommendation	Urgency (C/E/R)	Target date for completion	Classification (Please enter the categorisation number from the list provided here)
1.	Set out the financial options for match funding the enhanced programme including the Value for Money proposition of investing in the future and the cost of doing nothing, so that all parties have a common understanding options available.	E- Essential	End March 2022	1.3
2.	Reiterate the Transformation and Improvement Vision and situate 21 st Century Schools as an essential component in that narrative.	R - Recommended	End March 2022	3.5
3.	Develop a form of mapping across the Outputs/Outcomes/Benefits that clearly sets out who is responsible for what and how the dependencies will be managed to ensure benefits realisation.	R - Recommended	End March 2022	5
4.	Differentiate the governance levels, and memberships, required for each layer of Transformation <i>Portfolio</i> , 21 st Century Schools <i>Programme</i> , and build <i>Project</i> .	E- Essential	End March 2022	1.1
5.	Develop a Roadmap to assist in planning potential resources and funding needs during the Band B implementation.	E- Essential	End March 2022	3.1

Critical (Do Now) – To increase the likelihood of a successful outcome it is of the greatest importance that the programme should take action immediately

Essential (Do By) – To increase the likelihood of a successful outcome the programme/ project should take action in the near future.

Recommended – The programme should benefit from the uptake of this recommendation.

3.0 Comments from the SRO

The SRO would like to thank the Review Team for their comments and recommendations.

The SRO accepts the report, its findings and the recommendations contained within. The report will be tabled at the Transforming Education Programme Board 04th November 2021 where officers will be identified to lead the delivery of the recommendations in line with the recommended timescales.

The Council would like to pursue further PAR reviews: specifically Bro Hyddgen during 2022, possibly a Gate 3 Investment Decision on Transforming Education workstream one proposals and a further wider gateway review across Vision 2025 (or its successor).

4.0 Background

The aims of the programme:

Powys County Council's (PCC) Corporate Improvement Plan underpins the authority's vision and objectives and sets out the way in which the council intends to develop and improve its services.

Like all councils, PCC continue to face serious financial challenges and recognise that many of our residents are also facing hardships. The financial climate has meant thinking differently, it also provides an opportunity for innovation and radically changing the way the council delivers its services.

PCC is becoming a smaller more flexible organisation, one that uses technology to help deliver services more efficiently. Engaging with stakeholders and service users to better understand their needs in the future is critical. In recent years the council has used the process of commissioning to help identify the service need and then ensuring that these needs are met in the most effective and efficient way. Commissioning involves redesigning services around the current and future needs of communities and individuals, deciding how the service is best delivered and undertaking a procurement exercise to determine who should provide the required service.

It puts the focus on providing the right service for the citizen, from the right provider at the right price for the taxpayer. Sometimes this will mean we provide a service differently in the future. It could also mean that a service is provided by another organisation such as the third sector, or even by the communities themselves.

The council's guiding principles are based on the well-being of future generations. The Well-being of Future Generations (Wales) Act 2015 is about improving the social, economic, environmental and cultural well-being of the nation. It will ensure the council thinks more about the long-term, works better with people and communities and each other, looks to prevent problems and takes a more joined-up approach. This will help create a Powys and a Wales that everyone wants to live in, now and in the future.

Transforming skills and learning is a key aim of the council to make sure all children and young people are supported to achieve their full potential. The intention is for Powys to be an attractive place to work for young people with ambition to succeed. In the past the county has been rightly proud of the academic achievement of its young learners. However, there are many Powys pupils whose attainment could be better, especially those from low income households.

To succeed in its ambition the council has identified that it needs first class teaching, high quality leadership, and appropriate class sizes with a fair distribution of resources.

Although many schools in Powys are highly regarded it's clear that the quality of a significant percentage of the county's school buildings is no longer suitable for education in the 21st century. The young people of Powys demand the investment to compete with other parts of the country. There is a need to provide modern learning environments to take advantage of the latest technology.

It is in everyone's interest that the council's focus is on driving up the attainment and ambition of the majority of its pupils with a special emphasis on those from more disadvantaged backgrounds. The council is also committed to providing stimulating learning environments for all pupils, and especially those with additional learning needs.

Scope:

The preferred option consists of 5 projects which meet the investment objectives outlined above and also the council's aims in relation to the development of Welsh-medium provision, as outlined in the WESP.

The projects included in this option are as follows:

- Ysgol Bro Hyddgen
- Newtown development (Primary, Secondary and Special)
- Remodelling of schools
- Welsh-medium Primary provision Mid Powys
- Brecon town area review

Service solution:

This investment would include refurbishment / remodelling of some schools, as well as rebuild and new build options where appropriate

Service delivery:

The council in partnership with Welsh Government and other public organisations e.g. health

The procurement/delivery status:

Band B construction is yet to commence, but feasibility work is underway.

Current position regarding previous assurance reviews:

This is the first Assurance Review for Band B.

5.0 Purposes and conduct of the OGC Gateway Review

The primary purposes of a Gateway Review 0: Strategic assessment are to review the outcomes and objectives for the programme (and the way they fit together) and confirm that they make the necessary contribution to Ministers' or the departments' overall strategy.

Annex A gives the full purposes statement for a Gateway Review 0.

Annex B lists the people who were interviewed during the review.

6.0 Acknowledgement

The Review Team would like to thank all participants for their contributions to the review. The support provided by Betsan Ifan was much appreciated.

7.0 Scope of the Review

This is an early Gate 0.

8.0 Review Team findings and recommendations

8.1: Policy and business context

Transformation & Improvement / Context

PCC covers a significant proportion of the Welsh land mass (Approx. 25% of Wales), however only around 4% of the population reside in this largely rural county. These factors present particular challenges in the provision of education across the age and ability ranges, particularly for pupils with Additional Learning Needs (ALN).

Powys County Council (PCC) has successfully progressed its 21st Century Schools Band A Programme, though not without difficulties in the commercial supply chain. Additionally, PCC has been recovering its position from an unfavourable ESYTN review report in September 2019. During the week of this Gateway Review, PCC was also in the midst of an ESYTN review assessing improvements made.

PCC has established a 'Transformation Board', to oversee all aspects of Improvement and Transformation, including those to be enabled via the 21st Century Schools Programme.

There are a very large number of very small schools with low pupil numbers; which limits the education provision, particularly in specialist subjects. The numbers of pupils also restricts access to extra-curricular enrichment activities such as team sports, choir etc. The Review Team understands that Schools Transformation will address these issues through the provision of fewer, larger, schools across Powys.

At this juncture, PCC 21st Century Schools has constructed its Band B Strategic Outline Programme (SOP) which demonstrates strong alignment with Welsh Government policy and is well placed to deliver the enablers for Transformation.

The strategic vision is well understood by Council Members and Officers. The Review Team was told that the Transformation agenda is broadly supported politically, though with forthcoming elections the political landscape could change.

21st Century Schools Backstory

Band A has progressed largely successfully, though many interviewees are of the view that it lacked ambition and that some more difficult decisions in respect of schools reorganisation were not made. There are some remaining Band A projects still underway which were delayed due to the collapse of the construction company Dawnus. Most notably, Ysgol Bro Hyddgen is delayed significantly and is unlikely to be completed for several years; in turns leading to maintenance issues in the existing poor-condition building.

The Review Team was told that Band A focussed mainly on the South of the county and that Band B will focus mainly on the North. As Band B progresses there will be a need to maintain balance between investment in the new and upkeep of the existing estate.

The Review Team observes a robust vision and a strong, ambitious and engaged leadership team fully committed to delivering world-class educational provision for the residents of Powys.

8.2: Business Case and stakeholders

Band B Scope & Business Case Status

The Band B Programme is underpinned by an approved SOP of £113.9 million. However, PCC have more ambitious plans and have developed a revised SOP which increases this figure to £263 million. This remains unapproved by Welsh Government until such time that substantial progress is made in the current programme (approx. 80% completed). Many interviewees suggested that early confirmation from Welsh Government in respect of funding for the enhanced pipeline would be extremely helpful in planning for the transformation.

The Review Team understands that the scope of the approved Band B SOP includes:

- Ysgol Bro Hyddgen, Machynlleth (2 schools)
- Newtown Development (5 schools)
- Refurbishment of schools (various)
- Mid Powys Primary Welsh medium (3 schools)
- Brecon Town centre (4 schools)

At this point in time, all projects are intended to be undertaken as Capital builds, the reason being that there is a high degree of community and leisure facilities planned as well as specialist schools catering for ALN pupils. These additions are not suitable for the Mutual Investment Model (MIM) as a funding mechanism, this MIM may well be considered for future schemes.

Funding

The approved Band B programme, sized at £113 million, will be funded 65% (75% for ALN) by the Welsh Government, with the remainder to be provided by PCC. Should Powys move to the more ambitious SOP there will be significantly more match funding to find in the order of £52 million. This is currently not budgeted for in the Local Authority and a number of interviewees expressed concern about the impact this could have on borrowing. This was balanced by an alternative view supported by the asset-rich position in Powys and the potential to raise funds through the sale of assets.

The Review Team understands that an Asset Review is underway to identify assets and assess whether they are revenue-generating or loss-making.

Affordability was a key topic of discussion, leading to quite polarised views about how or whether the expanded programme should be funded. The Value for Money, or enhanced benefit, position appears quite straightforward, but affordability is not so easy to resolve. Doing nothing is not a no-cost option.

Recommendation 1: Set out the financial options for match funding the enhanced programme including the Value for Money proposition of investing in the future and the cost of doing nothing, so that all parties have a common understanding options available. (Essential – do by end FY 2021/22

Stakeholders & Communications

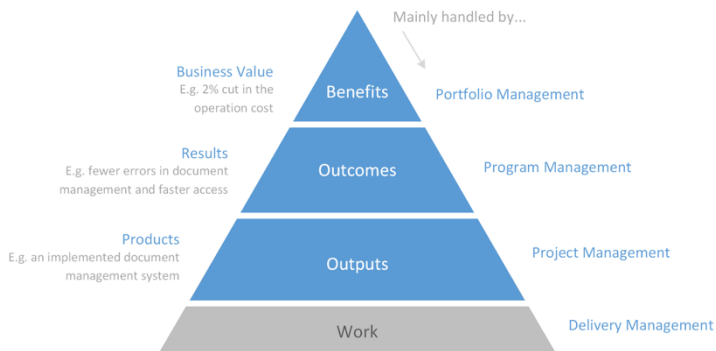
The stakeholders of the programme are well understood and much work has been done during Band A to understand local communities along with the opportunities and challenges likely to be presented during Band B. The Review Team heard encouraging narrative surrounding the vision for education in Powys and the potential for significant uplift in attainment. In a time of improvement and transformation, it is important to reiterate the message of what you are trying to achieve, rather being dragged into particular detail of specific projects that distract from the bigger picture. Powys has a great story to tell. In this period ahead of local elections, it would be prudent to cement the message and remain focussed on the overarching purpose of 21st Century Schools as one enabler of the change.

Recommendation 2: Reiterate the Transformation and Improvement Vision and situate 21st Century Schools as an essential component in that narrative. (Recommended – do by end FY 2021/22)

8.3: Management of intended outcomes

Outcomes & Benefits

The Review Team believes that it is important to establish a common lexicon in respect of P3M (Portfolio, Programme, Project Management), particularly in understanding what each layer is charged with delivering. The picture below (obtained open source from the internet) serves as a clear illustration of how P3M is structured.



In the context of 21st Century Schools:

- A Construction **Project** delivers an **Output** (e.g. a new school, building);
- The 21st Century Schools **Programme** used that Output to achieve an **Outcome** (e.g. enhanced learning environment and access to a greater range of subject areas and enrichment opportunities); and
- The Transformation and Improvement **Portfolio** leverages those Outcomes to deliver **Benefits** (e.g. improved educational attainment)

21st Century Schools Benefits Management

Whilst the vision in Powys is very strong, and the focus on projects as clear, the linkage through the programme layer and how the linkages knit together is less clear. This could be explained by the relatively early stage of the Band B programme lifecycle.

The Review Team observes that now would be an opportune time to develop the benefits management approach for the overall Transformation Portfolio and ensure that it is mapped to the governance arrangements.

Currently, the embedding of benefits management appears focussed on outputs and reporting. It would be helpful to establish dependencies among those outputs that drive outcomes from which benefits can be realised. This can be depicted in an Investment Logic Map or benefits contribution matrix (examples available open source from the internet). Furthermore, such a map would bring greater clarity around roles and responsibilities for sustainable benefits realisation.

Recommendation 3: Develop a form of mapping across the Outputs/Outcomes/Benefits that clearly sets out who is responsible for what and how the dependencies will be managed to ensure benefits realisation. (Recommended – do by end FY 2021/22)

Governance

Given the P3M discussion above, PCC is already well on the way to establishing appropriate governance.

The Review Team saw various documentation depicting:

- The Transformation Board;
- The Capital Oversight Board; and
- The Ysgol Bro Hyddgen Project Board

This maps very neatly onto the previous discussion about P3M levels. The Transformation Board has clear purpose. The Ysgol Bro Hyddgen Project Board currently reports into the Transformation Board as it is a major in-flight Project and there is some lack of clarity surrounding the role of the Capital Oversight Board. Some interviewees see it as decision-making, and others see it as advisory. The Review Team formed the view that as more projects initiate there will be a need for a 21st Century Schools Programme (Capital Build Projects) Board; which could be an evolution of the Capital Oversight Board and/or the Ysgol Bro Hyddgen Project Board. There is no 'one size fits all' for governance, but it is important to maintain focus on the purpose of any board meetings especially when there is likely to be overlap in membership.

- A Project(s) board needs to focus on the outputs of the project(s)
- A Programme Board needs to focus on the outcomes of 21st Century Schools
- A Portfolio Board needs to focus on the Benefits of the Improvement and Transformation.

The membership and frequency of the meetings is likely to vary and should be linked by clear escalation mechanisms and triggers. PCC does not need to turn this into an industry but there is opportunity to build on the good governance so far to further tighten the focus as the 21st Century Schools programme progresses. It is clear that the Leadership is strong and committed at all levels, with individuals demonstrating a passion to succeed.

The Review Team heard good articulation about the various workstreams and themes in Improvement and Transformation, including ALN, post-16, Welsh medium, primary and all-age, Digital and Commercial. The future governance structure should be cognisant of the need make sure that different contributors at each level, such as Digital, Commercial, Education Directorate and senior managers, end Users (e.g. Headteachers) are appropriately represented.

Recommendation 4: Differentiate the governance levels, and memberships, required for each layer of Transformation Portfolio, 21st Century Schools Programme, and build Project. (Essential – Do by end FY 2021/22)

8.4: Risk management

The Review Team heard about the establishment of a shared Risk Register which helps all parties to hold a common view about risk exposure. Risk management appears to be adequate at this stage, though it ought to increase in prominence along with benefits and used to drive the governance.

As with many programmes of this nature, there is opportunity to expand the P3M expertise to implement RAIDO (Risks, Assumptions, Issues, Dependencies, Opportunities) as a more integrated approach. (guidance available open source from the internet).

8.5: Review of current phase

Heart of Wales Property Services (HoWPS)

The HoWPS organisation is a commercial construct in partnership with Kier. The Review Team that the arrangement has a break-point after five years and that PCC had taken the decision to invoke this. In July 2022, former PCC roles will TUPE from HoWPS back into PCC.

The Review Team observed that stakeholders have a positive expectation of bringing those roles back in-house and that it should provide a more reliable basis upon which to plan delivery.

Programme Resources

The programme appears to be adequately resourced with a core programme management team sized for the job. The HoWPS change also present the possibility for more flexible resource use (being in-house); particularly in respect of project managers. That flexibility could prove valuable, especially as specialist recruitment is said to be an ongoing problem in Powys.

Commercial Construct

As projects progress and reach the procurement stage, the commercial strategy is likely to make use of existing frameworks such as SEWTAPS & SEWSCAP. Interviewees are of variable opinions about the

attractiveness of the build projects to the market; with some continued worry about post-Covid cost pressures and contractor availability. Views vary considerably from confidence that suppliers will be keen, to a more prominent belief that rural Wales is a difficult environment in which to attract market interest. There is a keenness amongst interviewees to work more closely and proactively with the local supply chain so that the pipeline of work can be better understood and planned for.

8.6: Readiness for the next phase

The Review Team explored potential for the Mid Wales Growth Deal and the Powys 21st Century Schools Programme to be mutually supportive. Encouragingly, this is already a topic of consideration amongst some Members, but there may be opportunity to further explore or accelerate how the Growth Deal could underpin the supply chain and the skills availability required to deliver elements of 21st Century Schools.

In a transformation portfolio such as in PCC there will inevitably be changes to the schools estate which will require extensive public consultation. The Local Authority is unable to pre-determine the outcomes of those consultations. However, that aside, it would, be very useful to map out the potential trajectory of the 21st Century Schools programme and what projects might be undertaken when. In the absence of such a roadmap, it will be very difficult to plan resource availability and funding profiles (and the consequential impact of funds elsewhere across PCC). The Review Team is of the view that a programme roadmap, setting out the various potential projects into timescales and groupings might be useful. The roadmap should be used as an internal planning tool, not a pre-determination of any consultation outcomes.

Recommendation 5 : Develop a Roadmap to assist in planning potential resources and funding needs during the Band B implementation. (Essential – do by end FY 2021/22)

9.0 Next Assurance Review

The Council would like to pursue further PAR reviews: specifically Bro Hyddgen during 2022, possibly a Gate 3 Investment Decision on Transforming Education workstream one proposals and a further wider gateway review across Vision 2025 (or its successor).

It SRO has indicated that it would be helpful to have a further review of a specific project e.g. Bro Hyddgen Community Campus in autumn 2022.

ANNEX A

Purposes of the OGC Gateway Review 0: Strategic assessment:

- Review the outcomes and objectives for the programme (and the way they fit together) and confirm that they make the necessary contribution to overall strategy of the organisation and its senior management.
- Ensure that the programme is supported by key stakeholders.
- Confirm that the programme's potential to succeed has been considered in the wider context of Government policy and procurement objectives, the organisation's delivery plans and change programmes, and any interdependencies with other programmes or projects in the organisation's portfolio and, where relevant, those of other organisations.
- Review the arrangements for leading, managing and monitoring the programme as a whole and the links to individual parts of it (e.g. to any existing projects in the programme's portfolio).
- Review the arrangements for identifying and managing the main programme risks (and the individual project risks), including external risks such as changing business priorities.
- Check that provision for financial and other resources has been made for the programme (initially identified at programme initiation and committed later) and that plans for the work to be done through to the next stage are realistic, properly resourced with sufficient people of appropriate experience, and authorised.
- After the initial Review, check progress against plans and the expected achievement of outcomes.
- Check that there is engagement with the market as appropriate on the feasibility of achieving the required outcome.
- Where relevant, check that the programme takes account of joining up with other programmes, internal and external.
- Evaluation of actions to implement recommendations made in any earlier assessment of deliverability.

ANNEX B

List of Interviewees

The following stakeholders were interviewed during the review:

Name	Organisation and role
Caroline Turner	SRO
Lynette Lovell	Director of Education
Jane Thomas	Head of Finance S151
Emma Palmer	Head of Transformation & Communications
Nigel Brinn	Executive Director
Marianne Evans	Service Manager – Schools Transformation
Vincent Hanly	Interim Commercial Services Lead
Betsan Ifan	21 st Century Schools Programme Manager
Diane Rees	21 st Century Schools Programme – Project Manager (Client)
James Chappelle	Capital Accountant
Jim Swabey	Professional Lead, Consultancy Services – Heart of Wales Property Services (HoWPS)
Phyl Davies	Councillor: Portfolio Holder for Education and Property
Aled Davies	Councillor: Portfolio Holder for Finance
Rosemarie Harris	Councillor: Council Leader
John Brautigam	Councillor: Vice Chair of Audit Committee
Dafydd Jones	Headteacher, Ysgol Bro Hyddgen
Geraint Rees	Strategic Lead for Education
Elwyn Vaughan	Councillor: Community Stakeholder
Diane Reynolds	Head of Economy and Digital Services

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Powys County Council

Internal Audit Activity

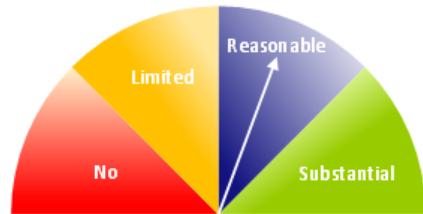
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Governance and Audit Committee – 10th February 2022

Internal Audit Update – 2021/22: ‘At a Glance’ January 2022

Rolling Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

The Headlines (September -January)



Two significant pieces of audit work have been considered by the Governance and Audit Committee since the last progress report. The review of the Merger Proposal at Ysgol Calon Cymru indicated that whilst there are clear signs of improvement in the decision-making process with the adoption of the 5-model business case, the Council need to continue to embed the culture and practices into all key transformational projects and programmes. The audit on Covid Business Grants found that the financial administration protected against fraud and error.



37 Completed reviews delivered so far as part of the 2021/22 Internal Audit Plan. The internal audit work programme is on track for delivery. Includes 24 assurance reviews (including grant certifications), and 13 advisory pieces. The only Priority 1 recommendation for the period was surrounding a historic decision-making process that lacked transparency, support and governance. The delivery of this action is in progress with further audit work scheduled to give assurance.



Internal Audit activity is supporting the Council in its duty to prevent and detect fraud. A report on fraud in the Supply chain and a fraud risk assessment across the Council are highlights areas of focus.



Improvements from the implementation of agreed actions (2021/22)
Action tracking is on-going, and the Council have access to the results of those activities on the data dashboard. In general, the Council are implementing internal audit recommendations in accordance with plans.



Adding Value by spreading awareness and learning
SWAP have delivered training sessions to schools to enable them to understand the requirements of the audit process together with guidance on common issues and fraud. This will be rolled out to the Head teachers forum.

Internal Audit Assurance Opinions 2021/22

	YTD
Substantial	2
Reasonable/ Certified	20
Limited	2
No Assurance	0
Advisory / Support	13
Total	37

Internal Audit Agreed Actions 2021/22

	YTD
Priority 1	2
Priority 2	42
Priority 3	50
Total	94

As part of our rolling plan reports, we will provide an ongoing opinion to support the end of year annual opinion, detail progress against the approved plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

The contacts at SWAP in connection with this report are:

Ian Halstead
Assistant Director
ian.halstead@swapaudit.co.uk

Rolling Opinion and Summary of Significant Risks

Introduction

This is the third quarterly update for the 2021/22 financial year and reports against the quarterly plans agreed by this Committee in April and July 2021. Our planning process involves quarterly reviews with senior managers to ensure internal audit activity remains appropriate in scope and timing with the opportunity for risk-based flex.

Rolling Opinion

The Rolling Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. These sources include:

- Completed reviews (for 2021/22) which evaluate risk exposures relating to the organisation's governance, operations, risk and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations;
- Observations from consultancy/advisory support;
- Follow up of previous audit activity, including agreed actions;
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure; and
- Other assurances (1st and 2nd line) and from other providers, including third parties, regulators etc.

Based upon our completed work to date, which covers various assurance and advisory pieces and a range of grant certifications, our rolling opinion is 'Reasonable'. Appendix A summarises internal activity completed, in progress and due to commence for the period covered by this report. This, along with the cumulative summary position is provided above in the 'At a Glance' section.

Significant Issues (Sept -Jan)

The Internal Audit report on the Merger proposal at Ysgol Calon Cymru was the only report with a "No" or "Limited" opinion in the period. The report was considered at a previous meeting on the 21st of January 2022 with the Service attending to provide answers to any questions. It was acknowledged that many of the issues were historic with new processes and governance structures in place. Whilst early signs are that the 5-model business case is being used to approve and track projects; the Council should continue to embed the principles and practices into all new transformation projects and continue the governances and oversight throughout the project lifecycle.

There are two reports that have remained in draft for a significant period of time without agreed actions from management (Digital Information Management and Highways – Commissioning). Any risks identified in these reports may remain uncontrolled. Dialogue will continue but failing a suitable response, the team will publish the report without agreed actions and bring this to the attention of the Committee.

Our audit plan coverage assessment is designed to indicate whether we have provided sufficient, independent assurance to monitor the organisation's risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.

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SWAP Internal Audit Plan Coverage

The table below provides a visual representation of how our completed audits and work in progress for 2021/22 financial year to date provides assurance over key strategic risks areas (Risk Universe) in the Internal Audit Plan. As the year builds and more work is completed, coverage across the key risk areas increases. 'Adequate' coverage reflects delivery of planned assurance levels.

Risk Rank	Powys Risk Reference	Powys Risk Area	SWAP Risk Review	Coverage Level
1	ASC0064	Social Care Management systems	Housing- homeless and vulnerable, safeguarding, Adults -caseloads, workforce, partnerships, multiagency, Inspections Children – safeguarding, caseloads, LAC, foster care	
2	PPPP007	HOWPS Performance and Delivery	Contract, procurement, and partnerships- social value, insourcing, modern slavery, supplier resilience, nth Party risk, outsourcing risk	
3	WO0021	Workforce Planning. Recruitment and Retention	Workforce – covid, recruitment and selection, exit payments, talent management, training, sickness	
4	PCC0005	Impact of the Covid pandemic on the residents of Powys	Covid- Delivering Services	
5	FIN0001	Inability to Setting a balance Budget heightened by pandemic	Financial resilience- spending review, funding gaps, commercialisation, financial crime, Brexit	
6	ICT0029	Cyber Security Threat	Information Management – Access, cyber security, business continuity, information governance, digitalisation, Comms, Mobile Devices	
7	PCC0002	Impact of Brexit	Change- Brexit, transformation, project failure, emergency planning	
8	PROC0008	Increasing costs of supply and materials in current market		
9	ICT0010	GDPR and DPA Non-Compliance		

Internal Audit Update

Overall the internal audit programme of work has adequate coverage of key risks.

It should be noted that forms of assurance are sometimes given by other providers.

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10	CS0081	Children Services Budget Management	Financial resilience- spending review, funding gaps, commercialisation, financial crime, Brexit	
11	ED0022	Schools Financial Management / Distribution formula	Educational Delivery – absence, asset management, budgets, workforce, transport,	
12	PCC0003	Negative Inspection Reports		
13	COVID0058 (Withdrawn)	Non delivery of PIAP due to Covid, Schools Transformation	Educational Delivery – absence, asset management, budgets, workforce, transport,	
14	HO0024	Statutory Compliance in Housing stock	Strategic asset management- land and property management Health, Safety and Wellbeing – homeworking, public spaces, building cladding, housing maintenance	
15			Governance- decision making and scrutiny, culture, ethics and regulatory compliance	
16			Planning-affordable Housing Local Economy -unemployment, decline of High Street, transport Environment – sustainability, climate change, carbon reduction, recycling	

Coverage Key	
Good	Good coverage complete
Adequate	Adequate coverage complete
Some	Coverage Completed
In progress	Some Areas of Coverage planned or in Progress
None	No coverage to date

Follow up work confirms the responsive nature of management in implementing agreed actions to mitigate exposure to areas of risk.

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Action tracking and Follow Up

← to Detailed Summary

Powys County Council Insight Dashboard

Drill down to Agreed Actions



Agreed Actions made by Internal Audit

Total 286 <small>Agreed Actions</small>	Overdue 5 <small>Agreed Actions</small>	In Progress 72 <small>Agreed Actions</small>	Completed 208 <small>Agreed Actions</small>	Not Agreed 1 <small>Agreed Actions</small>
--	--	---	--	---

Total No of Agreed Actions by Status

Status

- Complete
- Not agreed
- Ongoing
- Outstandi...

Agreed Actions by Priority

Priority

- 1
- 2
- 3

Priority 1&2 requiring immediate attention

Priority 1&2 4 <small>Overdue Actions</small>	Long Standing P1&2 4 <small>Overdue Actions</small>
--	--

Outstanding Agreed Actions by Directorate

Directorate/ Service	Overdue 60+ Days	Total
Democracy	3	3
Finance	1	1
Total	4	4

Outstanding Agreed Actions by Priority

Priority 1&2 Agreed Actions on the Horizon (due in 30 days or less)

Priority 1 0 <small>In Progress</small>	Priority 2 1 <small>In Progress</small>
--	--

Agreed Actions by Due Date

Priority 3 Agreed Actions that would add value (if implemented)

Priority 3 1 <small>Overdue</small>	Priority 3 34 <small>In Progress</small>
--	---

Internal Audit Update

These outstanding issues have been stagnated and are long overdue.




The failure to implement agreed actions increases the risk of unwanted events occurring.

All Internal Audit issues have been accepted by management.

The are no significant actions on the horizon that may become outstanding

Key Outstanding Issues

The list below is those priority 1 and Priority 2 recommendation that have not been implemented within the agreed timescale.

 to Summary
  to Directorate
  to Overview

5
in Total

Drill Down

Directorate/ Service	Audit Name	Ref	Agreed Action	Priority	Responsible Officer	Implementation Date	Revised End Date	Implementation Days	Status
Democracy	Conflict of Interest	42929	We recommend all staff should receive appropriate training as new employees and periodic refreshers in relation to the code of conduct. We also recommend that the Authority needs to issue guidelines for all Officers of the Authority as to how to declare and record any Conflicts of Interests. This guidance should be linked to the Code of Conduct and should form part of a structured training and refresher programme.	2	Head of Legal and Democratic Services.	01 January 2021	30 June 2021	212	Outstanding
Finance	Debt Management	42315	We recommend that all debt is pursued in line with the Authorities approved guidance.	2	Dave Thomas	01 April 2020		667	Outstanding
Democracy	Conflict of Interest	43032	We recommend that all officers with influence should complete a declaration of interest form even if it is a nil return. Ideally, this should be done at the start of their employment.	2	Head of Legal & Democratic Services.	01 November 2020	31 March 2021	303	Outstanding
Democracy	Conflict of Interest	42928	We recommend that the Authority needs to ensure that all staff are made aware of their declaration responsibilities and methods to record any conflict of interests.	2	Head of Legal and Democratic Services.	01 December 2020	31 March 2021	303	Outstanding
Democracy	Conflict of Interest	44839	We recommend that the Council need to refresh / re-evaluate the policies and frameworks they have in place to control conflict of interests to ensure it is aligned to the behaviour framework and that systems operate effectively.	3	Head of Legal & Democratic Services.	31 March 2020		668	Outstanding

Not Agreed Actions

The Council has one action that was not agreed by the Service at the time of the audit, but has subsequently been implemented. This action will be marked as complete in the next action tracking report.

Outstanding Actions on the horizon

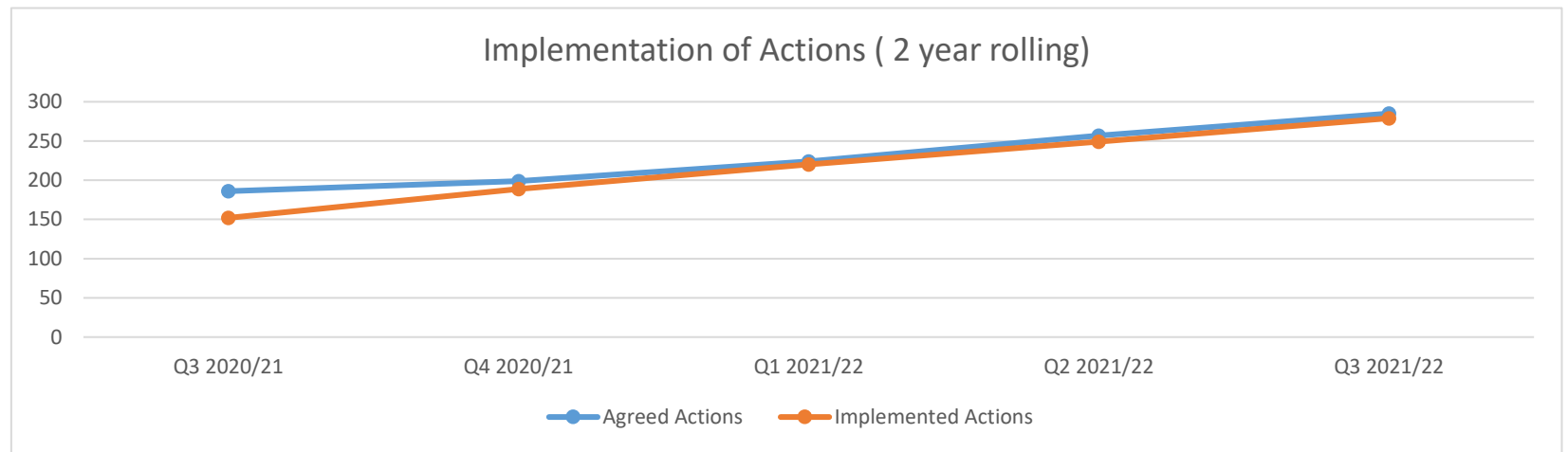
The Council only has one action that will become outstanding within the next 30 days. This relates to fire alarm testing at a Primary school and will be resolved shortly

Management is successfully implementing internal audit agreed actions.

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Agreed Action Implementation

The chart below shows the number of agreed actions from audit work compared to those actions that are not implemented after exceeding the agreed deadline.



Added Value

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.

Added Value 2021/22

SWAP strives to add value wherever possible, and this can be demonstrated in a number of ways ranging from how we deliver your assurance requirements to how we optimise our reach across our partner base and the wider profession to deliver information, reflection and learning.

Benchmarking

- Counter fraud – a Cross Comparison Partner Review presented information from separate fraud risk assessments of eleven SWAP Partners to enable comparison of relative maturity and an overview of findings across participants. This information is being considered as part of action implementation following a counter fraud risk assessment of the Council in 2021/22.
- Sector and partner risks - information to inform strategic risk register development and review is gathered and shared to support the Council's risk management process.
- Information on topical issues and good practice is gathered and appropriately shared across SWAP and sector partners.
- Specific benchmarking exercises on: Appointee prepaid cards, Insurance, Coroners, School forum, Disclosure and barring checks, NNDR appeals provision, Customer Services.

Visibility

- Audit Committee training and awareness – skills survey issued to support their annual effectiveness assessment
- Training on fraud, risk and controls in Schools
- Licencing Member training

Reactive

- Investigation resource from SWAPs Counter fraud team including fraud alerts
- COVID-19 Grant Certification Work to respond to government review and sign off requirements

Project

- Real-time project advice provided as required

Summary of Internal Audit Work 2021/22 Q3 and Agile Plan for Q4

Appendix A

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Completed							
Children	Mental Capacity Act	Completed	Reasonable	3	-	1	2
Children	Budget Management	Completed	Reasonable	9	-	6	3
Finance	Creditors (Control Risk Self-Assessment)	Completed	Substantial	0	-	-	-
Finance	Council Tax (Control Risk Self-Assessment)	Completed	Reasonable	1	-	-	1
Finance	Debtors (Control Risk Self-Assessment)	Completed	Reasonable	2	-	-	2
Finance	Growth Mid Wale 20/21s – Grant	Completed	Certified	-	-	-	-
Finance	Education Improvement Grant	Completed	Certified	-	-	-	-
Finance	Purchase Cards (Control Risk Self-Assessment)	Completed	Reasonable	2	-	2	-
Finance	Pupil Deprivation Grant	Completed	Certified	-	-	-	-
Finance	School Covid Claims on Barclaycard (April / May/ June)	Completed	Advisory	-	-	-	-
Finance	School Covid Claims on Barclaycard (July/ August/ September)	Completed	Advisory	-	-	-	-
Finance	National Fraud Initiative Update Report Q1	Completed	Advisory	-	-	-	-
Finance	National Fraud Initiate Administration (Qrt 1, 2 & 3)	Completed	Advisory	-	-	-	-

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Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Finance	Supply Chain Fraud Risks	Complete	Reasonable	6	-	1	5
Finance	Covid Fraud Risks Business Grants	Complete	Reasonable	5	-	2	3
Finance	Fraud Risk Assessment	Complete	Advisory	-	-	-	-
Finance	School Covid Claims on Barclaycard (Oct-Dec)	Complete	Advisory	-	-	-	-
Highways, Transport and Recycling	Interim Report on HTR Commissioning	Completed	Advisory	-	-	-	-
Highways, Transport & Recycling	Highways - Flexi- time Payments	Completed	Reasonable	3	-	-	3
Housing & Community Development	Y Gaer (Lessons learned)	Completed	Limited	11	1	9	1
Housing & Community Development	Enable Grant	Completed	Advisory	-	-	-	-
Schools	Brecon High School (Follow-up)	Completed	Reasonable	1	-	1	-
Schools	Gladestry Primary School	Completed	Substantial	2	-	1	1
Schools	Llangattock Primary School	Completed	Reasonable	8	-	3	6
Schools	Forden Primary School	Completed	Reasonable	4	-	-	4
Schools	Gymreg Dyffryn Y Glowyr Primary School	Completed	Reasonable	2	-	1	1
Schools	Ysgol Calon Cymru	Completed	Limited	1	1	-	-
Schools	Llangynidr Primary School	Completed	Reasonable	8	-	2	6
Schools	Ysgol Bro Cynllaith CP	Complete	Reasonable	12	-	6	6

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	↔ Action	3 = Medium
					1		2
					Schools	St Michaels CIW, Kerry	Complete
Schools	Franksbridge CP	Complete	Reasonable	7	-	6	1
Schools	Audit Training Session for Schools Q3	Complete	Advisory	-	-	-	-
Digital	Digital ICT Risk Review	Complete	Advisory	-	-	-	-
Transformation and Communication	Impact Assessment	Completed	Reasonable	2	-	1	1
Transformation and Communication	Action Training and Follow-up Q1 (Apr/May/Jun)	Completed	Advisory	-	-	-	-
Transformation and Communication	Action Tracking and Follow-up Q2 (Jul/Aug/Sep)	Completed	Advisory	-	-	-	-
Transformation and Communication	Action Tracking and Follow-up Q3 (Oct/Nov/Dec)	Completed	Advisory	-	-	-	-
Reporting							
Digital	Management of Digital Information Assets	Draft - with Client	Delayed	4	-	1	3
Highways, Transport & Recycling	HTR Resurfacing – Commissioning	Draft – with Client	Delayed	5	1	2	2
Finance	National Fraud Initiative Update Report Q3	Draft- with Client		1	1	-	-
Schools	Bryn Hafren CP	Draft- with Client					
Schools	Llandinam Primary School	Draft – with Client					
Schools	Ysgol Pennant CP	Draft- with Client					
Highways, Transport & Recycling	HTR Resurfacing – Procurement	Draft					

Service Area	Audit Area	Status	Opinion	No of Actions	1 =	↔	3 =
					Major		Action
					1	2	3
In Progress Q4							
Adults & Children	Continuing Health Care	In Progress					
Finance	National Fraud Initiate Administration Q4	In Progress					
Finance	Ordering Goods and Services	In progress					
Finance	Contracts Exemptions	In Progress					
Highways, Transport & Recycling	Highways - Overtime Payments	In Progress					
Highways, Transport & Recycling	Highways - Transport & Vehicles	In Progress					
Highways, Transport & Recycling	Highways -Stocks and Materials	In Progress					
Highways, Transport & Recycling	Highways -Fuel Security and Usage	In Progress					
Highways, Transport & Recycling	Highways – Delivery, Reporting and Monitoring	In Progress					
Housing & Community	Supporting People Grant Certification	In Progress					
Transformation and Communication	Action Tracking and Follow-up Q4 (Jan/Feb/Mar)	In Progress					
Schools	Audit Training Session for Schools Q4	In Preparation					

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Q4 Programme of work- Not Started							
Finance	Capital Program	Scheduled					
Adults	Contracts - Financial Resilience	Scheduled					
Schools	Primary School x 5 Q4	Scheduled					
Schools	Ysgol Maesydderwen High School	Scheduled					
Reserve List							
Housing & Community	Statutory Compliance Housing	Scheduled	Post HOWPS transition				
Corporate	Complaints	Provisional					
Corporate	Climate Change/ Carbon Reduction	Provisional					
Finance	Virements & Budgets	Provisional					
Digital	Cybersecurity Review	Provisional					

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CYNGOR SIR POWYS COUNTY COUNCIL.**AUDIT COMMITTEE**10th February 2022**CABINET EXECUTIVE**15th February 2022

REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance and Transport

REPORT TITLE: Treasury Management Quarter 3 Report

REPORT FOR: Information

1. Purpose

- 1.1 CIPFA's 2009 Treasury Management Bulletin suggested:
'In order to enshrine best practice, it is suggested that authorities report formally on treasury management activities at least twice a year and preferably quarterly.'

The CIPFA Code of Practice on Treasury Management emphasises a number of key areas including the following:

xi. Treasury management performance and policy setting should be subject to scrutiny prior to implementation.

- 1.2 In line with the above, this report is providing information on the activities for the quarter ending 31st December 2021.

2. Background

- 2.1 The Treasury Management Strategy approved by Full Council on 25th February 2021 can be found here.

<https://powys.moderngov.co.uk/documents/s57662/Appendix%20F%20Capital%20Strategy%20and%20Treasury%20Management%20Strategy.pdf>

- 2.2 The Authority's investment priorities within the Strategy are.

- (a) the security of capital and
(b) the liquidity of its investments.

- 2.3 The Authority aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite has been low in order to give priority to security of investments.

2.4 With interest rates for investments remaining extremely low the use of cash reserves as opposed to borrowing is prudent and cost-effective.

3. Advice

3.1 Investments

3.2 Short-term money market investment rates have increased slightly following the increase to the Bank Rate (to 0.25%) in December. This has increased the interest rate on the deposit account with the councils' main bankers from 0.01% to 0.16%. However, given the surplus of cash held by other local authorities' investment returns on inter-authority lending are expected to remain low.

3.3 When looking at temporary investing, the Treasury team consider the bank fee to set up the arrangement, because of this cost some investments are not cost effective for very short periods of time where interest rates are circa 0.01% - 0.03%. However, the Authority does not have sufficient certainty around its cashflow to lend for longer periods where the return is higher.

3.4 The Welsh Government repayable funding the council received in March 2021 towards the Global Centre of Rail Excellence (GCRE) is currently being held in the Council's deposit account until it is required for the project. It is earning a minimal return (0.02%) which under the terms of the funding is ringfenced to be used for this scheme.

3.5 The Authority had no other investments on 31st December 2021.

3.6 Credit Rating Changes

3.7 There have been no credit rating changes relevant to this Authority's position during the last quarter.

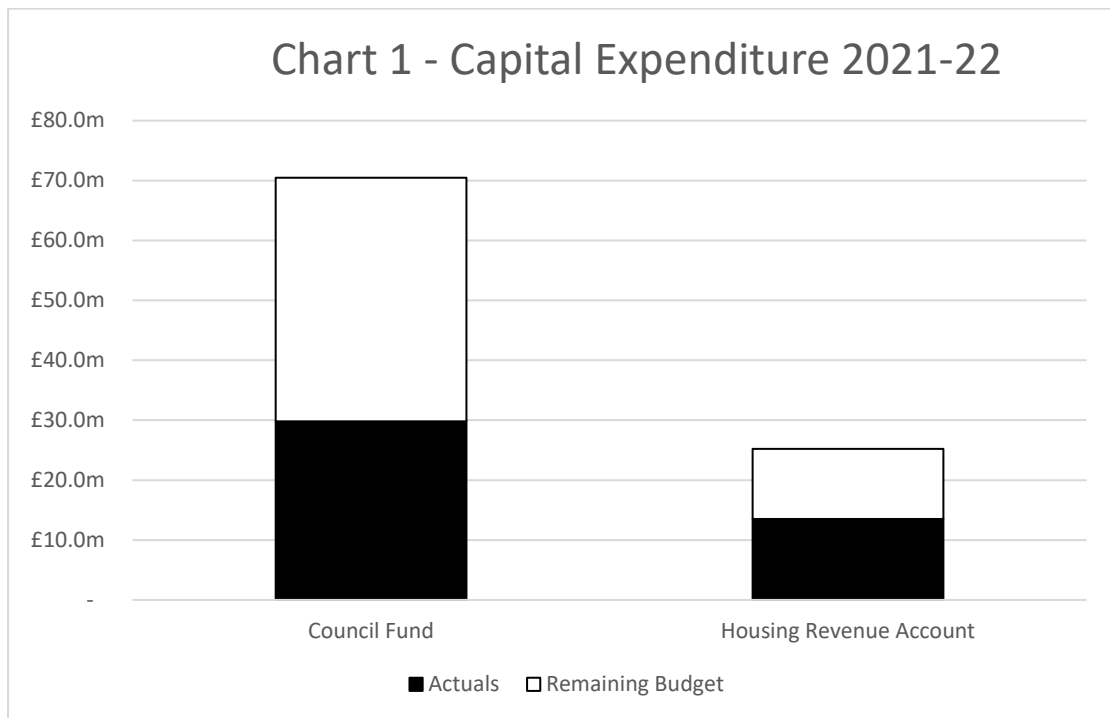
3.8 The Authority's Capital Position

3.9 The council approved the 2021 to 2031 Treasury Management and Capital Strategy on the 25th of February 2021. This included a Capital Programme for 2021/22 totalling £101.53 million.

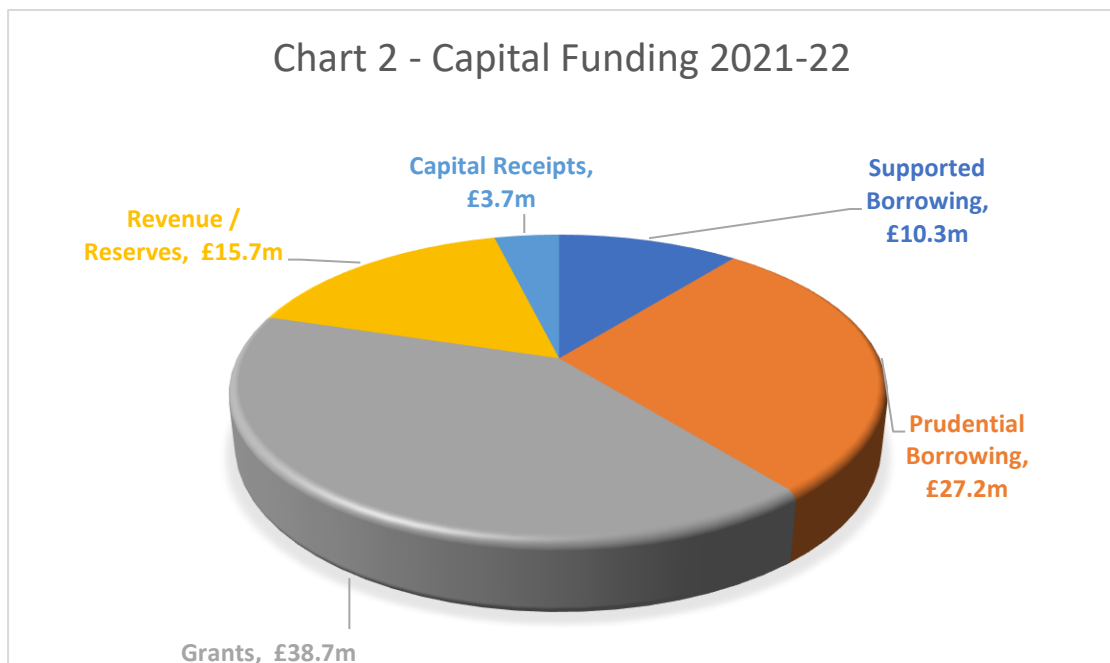
3.10 The revised programme at the 31st of December 2021 has reduced to £95.59 million. As part of the Capital Review, services are being challenged on their profile of spend in year, it is likely this forecast will reduce.

3.11 Actual spend to date amounts to £43.18 million, representing 45% of the total budget.

3.12 Chart 1 below summarises the spend against budget.



3.13 Chart 2 below sets out how the 2021/22 capital programme is funded, 39% will be funded through borrowing, the interest cost for this is charged to the revenue account.



3.14 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. It represents the current year's unfinanced capital

expenditure and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

3.15 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the finance team organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through external borrowing or utilising temporary cash resources within the Council.

3.16 Net external borrowing (borrowings less investments) should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current year and next two financial years. This allows some flexibility for limited early borrowing for future years.

3.17 Capital Financing Requirement (CFR)

£'m	2020/21	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Original Estimates 25/02/2021	422.77	468.58	509.45	534.90
Quarter 1 estimate	397.10	436.96	460.03	480.61
Quarter 2 estimate	397.10	431.17	453.27	472.40
Quarter 3 estimate*	397.10	419.11	444.23	466.37

3.18 The budget reprofiling into future financial years has reduced the CFR estimates as shown in the above table. The above estimates are based on the assumption that only 70% of borrowing included in the capital programme will be required. This will differ from the figures disclosed in the 2022/23 Capital and Treasury Management Strategy.

3.19 Borrowing / Re-scheduling

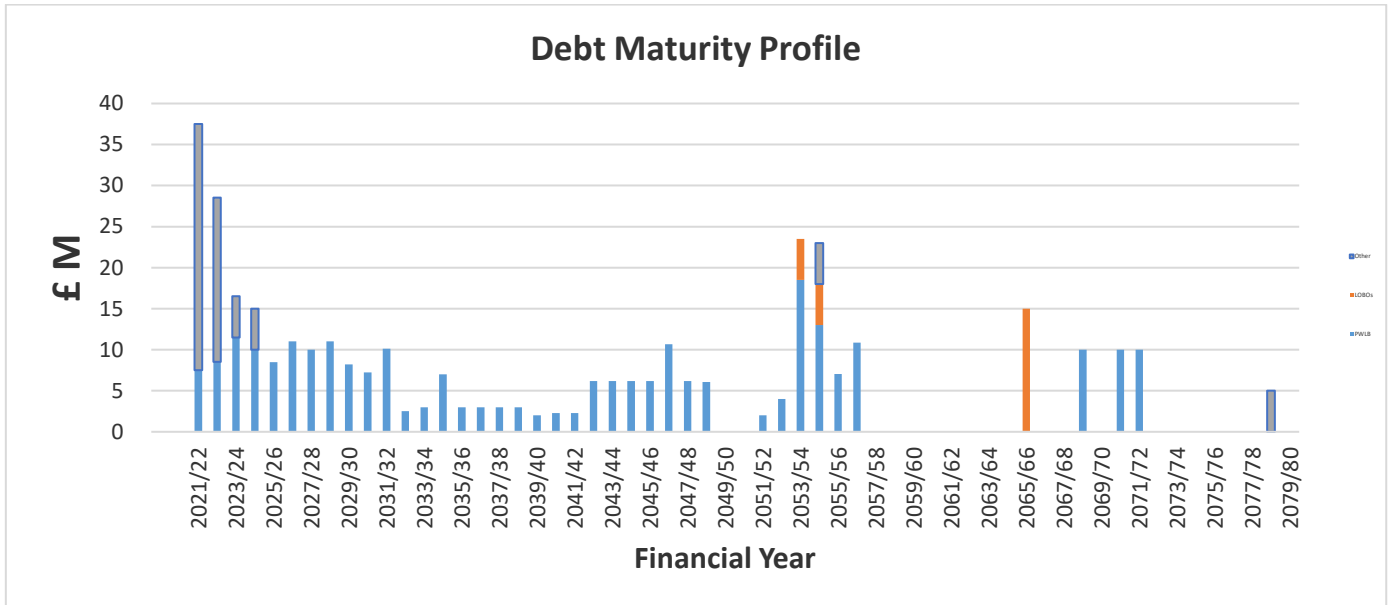
3.20 Effective management of the Authority's debt is essential to ensure that the impact of interest payable is minimised against our revenue accounts whilst maintaining prudent borrowing policies.

3.21 A prohibition is still in place to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. There are currently no schemes for yield in the Capital Programme. With the significant amounts of borrowing in the future Capital Programme, the inability to access PWLB borrowing will need to be a major consideration for any future purchases of assets for yield. The additional income these assets generate must be sufficient to cover the increased borrowing costs, as borrowing sources other than the PWLB are likely to be more expensive.

3.22 The Authority had outstanding long-term external debt of £347.7 million at 31st March 2021 (excluding the GCRE repayable funding). In relation to the CFR figure for 31st March 2021, this equated to the Authority being under borrowed by £49.4 million. Using cash reserves as opposed to

borrowing has been a prudent and cost-effective approach over the last few years. However, members will be aware that internal borrowing is only a temporary situation and officers have advised that, based on capital estimates, it will be necessary for the Authority to borrow at stages over the next few years.

3.23 Debt Maturity Profile as at 31st December 2021.



Key Blue = PWLB; Grey = Market Loans including other local authorities; Orange = LOBOs

3.24 The treasury team together with advice from our treasury advisers have been monitoring the PWLB rates and the uncertainty around the Omicron variant caused the PWLB rates to drop. In November £20 million of long term PWLB borrowing was secured over 49 and 50 year duration at rates of 1.71% and 1.70% respectively. The rates at the time were 20 basis points (0.20%) below the forecasts and with the funding required to ensure the council had sufficient cash available to meet its commitments in November and December 2021 the borrowing was secured.

3.25 Continued uncertainty over the Omicron variant saw the rates drop to 1.35% in December 2021 and with a further £11.5m to be repaid in quarter 4, the decision was made to borrow a further £10m at this rate over 48 years. This was slightly further in advance than the council would usually borrow, by the 31st of December 2021 the rate had increased to 1.70%. There will be a cost to carry of £0.021 million in 2021/22 but it saves £0.035 million per year compared to borrowing at the higher rate of 1.70%, giving a total saving of £1.680 million over the duration of the borrowing.

3.26 Staged repayment of the Nant Helen section 106 deposit is continuing as the backfilling works on the site progress. This is also reducing the cash position of the authority; this repayment will reduce the amount the council is under borrowed.

3.27 It is unlikely that any further borrowing will be required before the end of the financial year.

3.28 With the changes to the MRP policy and the delayed requirement to borrow, it is likely that the revenue budget set aside to cover these costs will be underutilised in this financial year, however as demonstrated in the tables later in the report, these costs are likely to increase year on year.

3.29 PWLB Loans Rescheduling

3.30 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

3.31 Financing Costs to Net Revenue Stream

3.32 This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the Councils net revenue budget (net revenue stream). The estimates of financing costs include current commitments and the proposals in the capital programme.

£'m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
From the approved Treasury Management and Capital Strategy 2021/22			
Financing Costs	13.59	16.55	17.61
Net Revenue Stream	279.81	281.26	282.17
%	4.8%	5.9%	6.2%
Quarter 1 estimates (before any over provision)			
Financing Costs	11.14	13.09	14.35
Net Revenue Stream	279.81	281.26	282.17
%	4.0%	4.7%	5.1%
Quarter 2 estimates (before any over provision)			
Financing Costs	10.70	11.73	12.89
Net Revenue Stream	279.81	281.26	282.17
%	3.8%	4.2%	4.6%
Quarter 3 estimates (before any over provision)			
Financing Costs	10.85	11.29	12.17
Net Revenue Stream	279.81	302.33	314.29
%	3.9%	3.7%	3.9%

3.32 The table above shows the change in the current estimates for the capital financing costs between those disclosed in the Treasury Management and

Capital Strategy included as part of the 2021/22 Budget report and the updated estimates at the end of December 2021.

3.33 The decrease has been caused by two factors.

1. The updated Minimum Revenue Policy (MRP) approved by Council in March 2021 has realigned these costs more equally across the life of the assets involved.
2. The reduced borrowing requirement to support the capital programme in 2020/21 and future years. This has been the result of reprofiling of budgets into future years and funding from Welsh Government being made available earlier than anticipated. This has allowed the council to defer the date that it expected to take out additional borrowing, reducing the current interest costs, however this borrowing will still be required in the future.

The table below provides a breakdown of these changes

£'m	2021/22	2022/23	2023/24
Original Estimates 25/02/2021	13.59	16.55	17.61
Change in MRP Policy	(1.75)	(3.64)	(3.68)
Change due to reprofiling/grants	(0.70)	0.18	0.42
Quarter 1 estimate	11.14	13.09	14.35
Change due to reprofiling/grants	(0.44)	(1.36)	(1.46)
Quarter 2 estimate	10.70	11.73	12.89
Change due to reprofiling/grants	(0.04)	(0.08)	(0.05)
Change due to lower borrowing rates	(0.10)	(0.52)	(0.94)
Change due to HRA/GF apportionment	0.29	0.16	0.27
Quarter 3 estimate	10.85	11.29	12.17

3.34 A principal was set in both the 2021/22 Budget and the MRP Policy Report that any benefits from the MRP change are ringfenced to support the Capital Programme to ensure the Council is beginning to address its increasing capital financing costs. It was agreed that the council may use the underspend to make a voluntary revenue provision or overpayment on top of the budgeted MRP and can be reclaimed in later years if deemed necessary or prudent. As such, an overprovision of MRP can be made in line with any surplus in the revenue budget allocated to MRP to help reduce the increasing Capital Financing Requirement. Further work is being undertaken as part of the Capital Review to understand the implications of the Capital Programme and the capital ambitions of the council.

3.35 Prudential Indicators

3.36 All Treasury Management Prudential Indicators were complied with in the quarter ending 30th December 2021.

3.37 Economic Background and Forecasts

3.38 The most recent forecast of interest rates by the Authority's advisor are shown below, an increase in the rates is expected over the next few years which will increase the costs of borrowing.

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

3.39 The economic background provided by our treasury advisers; Link Group is attached at Appendix A.

3.40 VAT

3.41 The Technical Section of Finance act as the authority's VAT section. VAT can pose a risk to the authority hence this report includes VAT information.

3.42 The monthly VAT returns were submitted within the required deadlines during this quarter.

3.43 Key Performance Indicators - The VAT KPI's for 2021/22 are attached at Appendix B.

4. Resource Implications

4.1 N/A

5. Legal implications

5.1 N/A

6. Data Protection

6.1 N/A

7. Comment from local member(s)

7.1 N/A

8. Impact Assessment

8.1 N/A

9. Recommendation

9.1 This report has been provided for information and there are no decisions required. It is recommended that this report be accepted.

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Email:	james.chappelle@powys.gov.uk
Head of Service:	Jane Thomas

Appendix A

Economics update, provided by Link.

MPC meeting 16th December 2021

- The Monetary Policy Committee (MPC) voted 8-1 to **raise Bank Rate by 0.15% from 0.10% to 0.25%** and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over **the end of the furlough scheme on 30th September** without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.
- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.
- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme ended on 30th September, (about one million people were still on furlough), was smaller and shorter than the Bank of England had feared: unemployment did not increase hugely in October. Indeed, vacancies rose to a record 1.219m in the three months to November showing there were acute shortages of labour.
- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron in late November potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.
- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).
- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But

these issues have reduced during the second half of 2021 and are likely to clear during 2022 when prices would be expected to subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- The Government has stepped in with some **fiscal support for the economy**, targeted mainly at the hospitality sector. Due to the huge cost of such support to date, it is likely to remain being limited and targeted on narrow sectors. The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!
- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%**. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high. The MPC commented that “there has been significant upside news” and that “there were some signs of greater persistence in domestic costs and price pressures”.
- On the other hand, it did also comment that “**the Omicron variant is likely to weigh on near-term activity**”. But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now “these conditions had been met”. It also appeared more worried about the possible boost to inflation from Omicron itself. It said that “the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation”. It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning “global price pressures might persist for longer”. (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)
- On top of that, there were no references in December to inflation being expected to be below the **2% target in two years' time**, which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.
- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a “**modest tightening**” in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. “Modest” seems slower than that. As such, the Bank could be thinking

about raising interest rates two or three times in 2022 to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory**, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.
- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
 1. Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
 2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
 3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- **COVID-19 vaccines.** These have been the game changer which had enormously boosted confidence that **life in the UK could largely return to normal during the second half of 2021** after a third wave of the virus threatened to overwhelm hospitals in the spring. The bursting onto the scene of **the Omicron mutation** at the end of November had threatened to cancel the Christmas holidays, but the Government decided not to impose more severe restrictions in the hope that this mild, but highly contagious variant, would not overwhelm hospitals. The big question is whether further mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

US. See comments below on US treasury yields.

EU. The ECB joined with the Fed by also announcing on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases during the first half of 2022. Although headline inflation reached 4.9% in November, over half of that was due to energy but oil and gas prices are expected to fall sharply after the winter. As overall inflation will fall back sharply during 2022, it is likely that the ECB will leave its central rate below zero, (currently -0.50%), over the next two years.

The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below its target rate of 2% despite all the ECB's major programmes of monetary easing by cutting rates into negative territory and providing QE support.

China. The pace of economic growth has now fallen back after the initial surge of recovery from the pandemic and China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. However, with Omicron having now spread to China and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future; this strategy poses a potential renewed threat to world supply chains. The People's Bank of China made a start in December 2021 on cutting its key interest rate to encourage flagging economic growth.

Japan. 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy is rebounding rapidly now that the bulk of the population is fully vaccinated, and new virus cases have plunged. However, Omicron could reverse the success of 2021 in combating Covid. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon.

World growth. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

2. Interest rate forecasts

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 20th December is compared below to the last forecast (29th September) in the previous quarter. A comparison of these forecasts shows that PWLB rates have fallen, more so in the longer maturities, and show a speed up in the rate of increase in Bank Rate as inflation is now posing a greater risk. Some of the fall in PWLB rates during December was probably due to window dressing by pension and investment funds preparing their finances for the year and quarter end position for 2021 on 31st December: it was therefore expected that part of those falls would be unwound in the new year.

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Link Group Interest Rate View 29.9.21										
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged until it raised it from 0.10% to 0.25% at the MPC meeting of 16th December 2021.

A summary overview of the future path of Bank Rate

- In December 2021, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.

- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak between 5 and 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- However, rising gas and electricity prices last October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflationary pressures.
- On the other hand, consumers are sitting on around £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next downturn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid mutations remain a major potential downside threat in all three years as we ARE likely to get further mutations. How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December 2021. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with whatever the new news is.

Forecasts for PWLB rates and gilt and treasury yields

The current PWLB rates are set as margins over gilt yields as follows: -.

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

Gilt yields. Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. Our forecasts show a steady, but slow, rise in both Bank Rate and PWLB rates during the forecast period to March 2025 but there will doubtless be a lot of unpredictable volatility during this forecast period.

Upside risk to gilt yield forecasts. While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. **As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields.** This is a significant upward risk exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

US treasury yields. During 2020, US President Biden and the Democratic party pushed through a huge programme of fiscal stimulus and are still trying to get another major package approved – the American Families Plan; this is still caught up in political haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened overall during the second half.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its recent December meeting with an aggressive response to damp inflation down during 2022 and 2023.

At its 3rd November Fed meeting, the Fed decided to make a start on tapering its \$120bn per month of QE purchases so that they ended next June. However, at its **15th December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields will rise over the taper period, all other things being equal. It also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

Downside risk to gilt yield forecasts. There are also possible downside risks from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.
- Geo-political risks - on-going global power influence struggles between Russia/China/US/Iran.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum” employment in its entirety’ in the US before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.**
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Appendix B

VAT - Key Performance Indicators

Creditor Invoices

VAT return for	No of high value Creditor invoices checked	No of Creditor invoices highlighted as requiring "proper" document for VAT recovery	% of creditor invoices checked requiring "proper" document for VAT recovery
Apr-21	205	0	0.00%
May-21	209	1	0.48%
Jun-21	286	1	0.35%
Jul-21	259	1	0.39%
Aug-21	189	0	0.00%
Sep-21	259	1	0.39%
Oct-21	253	0	0.00%
Nov-21	267	2	0.75%
Dec-21	229	1	0.44%
Jan-22			
Feb-22			
Mar-22			

Income Management Entries

VAT return for	No of entries checked by formula per the ledger account code used	No of entries needing follow up check (but not necessarily incorrect).	% of entries needing follow up check
Apr-21	697	0	0.00%
May-21	847	2	0.24%
Jun-21	972	4	0.41%
Jul-21	860	8	0.93%
Aug-21	869	0	0.00%
Sep-21	636	20 ¹	3.14%
Oct-21	892	2	0.22%
Nov-21	777	1	0.13%
Dec-21	866	0	0.00%
Jan-22			
Feb-22			
Mar-22			

- 1 These relate to two cash amounts, but one of them was NMWTRA which is split over many budgets so is counted per budget line for consistency with past statistics.

Debtor Invoices

VAT return for	No of Debtor invoices checked	No of checked debtor invoices with incorrect VAT code used	% of debtor invoices with incorrect VAT code
Apr-21	88	0	0.00%
May-21	82	0	0.00%
Jun-21	86	0	0.00%
Jul-21	95	0	0.00%
Aug-21	72	0	0.00%
Sep-21	193	1	0.52%
Oct-21	105	0	0.00%
Nov-21	107	0	0.00%
Dec-21	145	0	0.00%
Jan-22			
Feb-22			
Mar-22			

Note: Debtors VAT checking is carried out by Finance via a work process prior to the invoice being raised hence the improvement in errors compared to previous years

Purchase Cards

VAT return for	No of transactions for which paperwork requested for checking	Resolvable errors discovered	Value of VAT potentially claimable but recharged to budget due to non- response	No of transactions where VAT claimed incorrectly	% of transactions available to be checked where VAT was claimed incorrectly	Value of VAT incorrectly claimed hence recharged to budget
Apr-21	193	15	£2,000.55	14	7.25%	£555.26
May-21	144	5	£1,165.80	16	11.11%	£849.52
Jun-21	153	5	£1,083.04	28	18.30%	£726.18
Jul-21	123	6	£1,289.84	23	18.70%	£858.25
Aug-21	61	5	£730.68	1	1.64%	£5.00
Sep-21	151	14	£1,028.56	9	5.96%	£711.13
Oct-21	93	2	£384.00	10	10.75%	£294.07
Nov-21	127	2	£621.25	12	9.45%	£830.02
Dec-21	155	3	£692.09	30	19.35%	£1,307.69
Jan-22						
Feb-22						
Mar-22						

Chargebacks to service areas

The upload of appropriate documents to the Barclaycard purchase card system to enable vat recovery was made mandatory in September 2017 as a result of the lack of response from service areas/establishments to provide documents when requested. Where no document has been uploaded, any VAT amount input against the transaction is charged to the service area as there is no evidence to support the vat recovery.

Any other VAT errors that come to light as a result of the various checks are also charged to the relevant service areas.

Budget holders are able to see this clearly as chargebacks are coded to account code EX400600 and the activity code used alongside this gives the reason why this chargeback has occurred.

The total amount charged back to service areas in 2021/22 to end of December is £253,279. The breakdown of this is as follows:

Potentially correctable errors

Reason	Amount £
Not a tax invoice ¹	(35,860)
Powys County Council is not the named customer	0
No invoice uploaded to purchase card system	52,016
Invoice(s) do not match payment	4,273
No evidence to back recovery	252
No Signed Authenticated Receipt ²	225,641
Total	246,322

¹ Includes VAT successfully recovered relating to errors in previous years

² The majority of this figure relates to capital schemes and officers are obtaining the relevant documentation, the figure has reduced to £85,569 at the 1st of February and the balance should be cleared before the end of the financial year.

Other errors

Reason	Amount £
Non-domestic VAT	82
No tax on invoice	2,602
Supply not to Powys County Council	1,794
Over-accounting for VAT	2,453
Internal payments	26
Total	6,957

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CYNGOR SIR POWYS COUNTY COUNCIL**GOVERNANCE & AUDIT COMMITTEE****10th February 2022****REPORT AUTHOR: Jane Thomas, Head of Financial Services****SUBJECT: Closure of Accounts**

REPORT FOR: Information

- 1.1 Committee will be aware that the Statement of Accounts and the Pension Fund accounts for 2020-21 were issued an unqualified audit opinion by the Auditor General and approved by the Governance & Audit Committee on the 29th September 2021 and 18th November 2021 respectively.
- 1.2 The project management approach used over the last few years will continue for the 2021-22 closure of accounts.
- 1.3 The statutory deadline for the completion of the unaudited accounts is 31st May and the date for publishing 31st July. Discussions continue with Audit Wales, Welsh Government and Finance leads across Wales around these timelines given the continued pressures placed on resources due to the COVID 19 pandemic across both Health and Local Government. If the statutory deadlines cannot be met there is already some provision in place.

The Council must

- a) publish immediately a statement setting out the reasons for the officer's non-compliance; and
- b) agree to a course of action to ensure compliance as soon as possible.

As per the Accounts and Audit (Wales) Regulations 2014.

- 1.4 CIPFA held its closure of accounts workshop on 1st February 2022. The content included developments from the Redmond Review, code changes for 2021/22 and beyond, accounting for COVID 19 and the new leasing standard IFRS 16 which will come into place from April 2022. The standard will require leasees to remove the distinction between operating and finance leases and record leases on the balance sheet where they are over a certain value and have more than 12 months remaining on the contract. Officers are working to identify all such leases and set structures in place to account for them and meet the disclosure requirements.
- 1.5 The Pension Fund closing accounts event is to be held on 1st March.

- 1.6 Meetings with Audit Wales are in progress. Early testing of transactions to period 10 are about to commence. Issues raised as part of the ISA260 and the Audit of Accounts Report Addendum will be added to the timetable where appropriate.

Recommendation:	Reason for Recommendation:
The Committee notes the contents of this report.	To ensure that the Council successfully completes the preparation and approval of the Annual Statement of Accounts for 2021/22 in order to receive an unqualified audit opinion.

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CYNGOR SIR POWYS COUNTY COUNCIL.**Governance and Audit Committee****10 February 2022****REPORT AUTHOR: Mr J Brautigam, Lead Member of the Capital Workstreams Working Group****REPORT TITLE: Capital Workstreams Working Group**

REPORT FOR: Discussion

During the autumn of 2021 a working group of Governance and Audit Committee was formed to address the concerns previously expressed at both Governance and Audit and Finance Panel surrounding the affordability of the projected strain on the revenue budget from loan repayment costs arising from the Council's ambitious capital programme.

The objective of the work was to form an opinion on the affordable level of revenue allocated to debt servicing that can be sustained into the future and advise cabinet and Council accordingly. Full Terms of Reference are attached as Appendix 1.

Three meetings have been held, the first a scoping meeting with group members only, the latter two involving the Capital Accountant and Director of Finance. The group is grateful for the preparatory work and contribution of both officers.

Current Situation**Background**

The Council's ambitious capital programme was initially funded from cash reserves assisted by the proceeds resulting from the Minimum Revenue Provision (MRP) changes approved by Council since 2016. However, the budget for 2021/22 predicted that debt would double by 2026/27.

Finance Panel and the Audit Committee each raised concerns surrounding affordability within council resources, particularly when pipeline and other unspecified projects were added to the appraisal. In particular, the group had concerns surrounding the Wave 2 and Wave 3 21C Schools proposals, announced in the press, which would alone potentially add some £300m to the capital programme (PCC share c.£105m).

Capital Finance Requirement (CFR)

The group has been able to compare the latest projections of the CFR requirement and compare it to the schedule approved by Council within the 2021/22 budget.

HRA = Housing Revenue Account

£'m	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
CFR – non HRA	352.95	383.3	398.71	399.32	399.38	399.48
CFR – HRA	115.62	126.14	136.19	142.96	144.29	145.14
Total CFR	468.58	509.45	534.9	542.28	543.66	544.62

CFR as 2022/23 Budget

£'m	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
CFR – non HRA	323.53	349.71	364.61	373.44	385.2	387.28
CFR – HRA	106.83	118.63	137.8	156.93	166.88	174.66
Total CFR	430.36	468.34	502.41	530.37	552.08	561.94

Several points are worthy of note:

- Outturn for 2021/22 is lower than expected. This is due to project delays and rescheduling principally due to Covid.
- No further major capital projects have been authorised in the current year, this allows the budget for 2022/23 to be well within that approved for this year.
- In spite of the above, as the project programme unfolds, total CFR for the Council Fund by 2026/27 is projected to be very similar to that in the current budget.
- Expected non-HRA (Housing Revenue Account) debt is still projected to be around £6,500 per household by 2026/27.
- The CFR for the Housing Revenue Account shows a considerable uplift due, we understand, to a more extensive housing programme. Since this is self-funding, it is immaterial to the conclusions of this report.
- Although the list of projects in the capital programme has been expanded and specified in general terms for some sectors, e.g. highways, the list of specific projects within the 21C programme has not changed since the last budget. This is of concern and is discussed below.

Capital Receipts

A key factor in the CFR calculation is the level of Capital Receipts (revenue from asset sales) that are included. The Table below comparing last year's budget to the proposals going forward shows a substantial increase from last year in the overall contribution from capital receipts. However, in relation to the overall capital programme it represents a rather small contribution. The group were advised that the forthcoming Asset Report will identify considerable opportunities to develop a considerably more ambitious programme.

£'m	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
21/22 Budget	3.795	3.848	0.248	0.248	0.248	0.248
22/23 Budget	4.27	2.25	3.25	2.25	1.25	1.25

Financing Costs

The tables below compare the resulting financing cost projections through to 2027/27 compared to that approved for the current budget.

Financing costs as 2021/22

Budget

£'m	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Council Fund	13.59	16.55	17.61	17.71	17.54	16.67
HRA	5.75	6.35	6.98	7.59	8.02	7.79
Total	19.34	22.9	24.59	25.3	25.56	24.46

Financing costs as 2022/23

Budget

£'m	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Council Fund	10.85	11.29	12.17	12.85	13.53	13.94
HRA	4.53	4.89	5.49	6.21	6.76	7.13
Total	15.38	16.18	17.66	19.06	20.29	21.07

It is clear that for the reasons given above, cost of finance through to 2026/27 is substantially less than that projected at the time of the last budget. Whilst this is certainly true for the current year and probably next, it must be noted that, particularly for 21C schools, 'pipeline' projects are not included.

Evaluation

Affordability

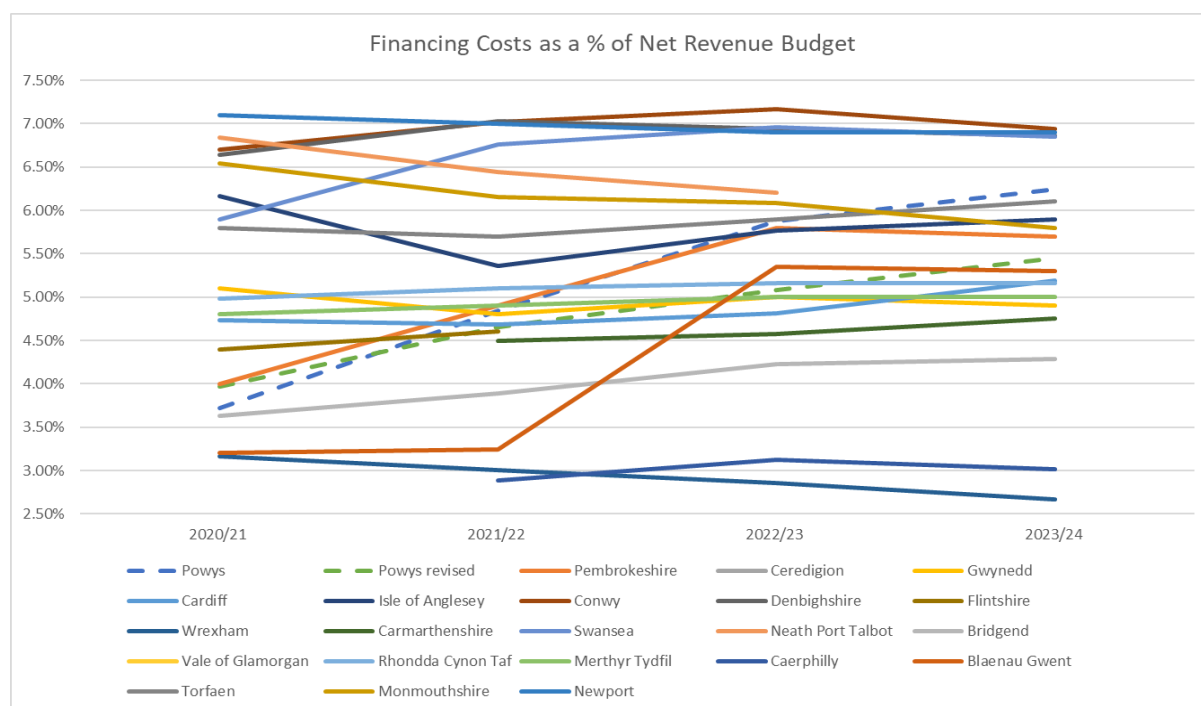
The principal measure the Council uses to indicate affordability is the ratio of the Net Funding Stream taken up by Financing costs. The figures included in the forthcoming budget for the Council fund only are:

Financing Costs Council Fund

£'m	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Financing costs	10.85	11.29	12.17	12.85	13.53	13.94
Net Revenue Stream	279.81	302.33	314	324	334	344
Council Fund %	3.9	3.7	3.9	4.0	4.1	4.1

Note the figure for 2026/27 in the 2021/22 approved budget was 5.81% albeit of a much smaller net revenue stream.

In the light of this the group sought some comparative data from other Welsh Authorities. The chart below, supplied by the capital accountant, shows the Ratio of Financing Costs as a percentage of the Net Revenue Budget Stream for the authorities shown below.



The majority of other authorities only provide figures for the next 3 financial years.

The two dotted lines show the results for Powys. The lower (green) line is after the MRP changes made last year. Whilst this is a simple, transparent indicator there are a few issues to be aware of that may distort the figures shown and the following caveats should be noted

- Assumptions on future settlements from Welsh Government and Council Tax may not be consistent across all authorities. In recent years Welsh Government have only provided settlement figures for the current year and no indication of any future year settlements.
- Authorities that have purchased assets for yield in the past, would have higher financing costs as a result as the income for these is not included in the figures shown.
- Each authority makes its own assumptions on future borrowing rates, and each will have a different cost of their existing debt portfolio and varying maturity dates which will impact on future costs.
- Determining an appropriate MRP policy is up to each authority, as you can see from the chart the impact from changing Powys' MRP policy.
- Whether they are under borrowed like us with minimal investments or have a more proactive investment approach is taken.
- The figures would have been produced during December 2020 and January 2021, this information is almost 12 months old so may not reflect the current position. The latest figures will be available as part of the 2022/23 budget setting process usually approved by each authority during February and March 2022.

Nevertheless, the slope of both lines upwards in spite of the reduced expenditure through Covid is in stark contrast to most other Authorities and indicates that vigilance needs to be maintained after 2023/24.

The Wales Government

Enquiries have been made regarding the strategies adopted by other Authorities, a figure of 8% was mentioned for one LA but it was unclear whether it was directly comparable.

Alternative Financing Methods

We understand that the Wales Government has set aside substantial funds for what it calls a 'Mutual Investment Model' (MIM) essentially similar to Public Finance Initiatives (PFIs) but without, it is said, some of their drawbacks. MIMs are only for major projects and specifically not available for developments with swimming pools nor for special schools. As such they will not figure in the PCC plans for pipeline projects.

Peer Review

The recently published OGC Gateway (peer) review, picking up the point that 'pipeline' projects had not been included, as one of its recommendations states that the council should:

"Develop a roadmap to assist in planning potential resources and funding needs during the Band D implementation"

The report adds that the 'roadmap' should set out the various potential projects into timescales and groupings. The document to be used purely as a confidential internal planning tool. This we understand has been accepted by Cabinet and agreed that the work will be completed by the end March 2022.

The review also emphasised the importance of asset sales to support the 'more ambitious' next phase of the schools programme.

Conclusions

1. The capital programme for 2022/23 and 2023/24 is based on realistic expenditure against the currently authorised project programme. As such it is well within the limits approved by council when setting the current year's budget and can be considered affordable.
2. Greater emphasis should be given to the potential contribution of revenue from Capital Receipts to the programme going forward. Once the Asset Review is available a selling strategy should be developed with ambitious targets subject to regular reviews.
3. Looking forward, based on a continuously updated roadmap as described above we recommend that Finance Panel and the G&A committee in their respective roles repeat this exercise on, at least, an annual basis.
4. An arbitrary *warning* limit of 6% of Forward Net Revenue Budgets be set on projections from the above. This limit is not to limit Council options but to provide an early flag that special attention needs to be paid to the programme's affordability.
5. Specialist training should be given to future working groups on capital financing methods, especially off-balance sheet methods, and evaluation.
6. The second stage of the exercise should be undertaken as soon as practicably possible

J Brautigam
Lead Member
Capital Workstreams Working Group

Governance and Audit Committee Work Programme	
2022	
10/02/22	Audit Wales - Workplan
	Audit Wales - Financial Sustainability
	Strategic Risk Management - Q3
	Fraud
	SWAP report Q3
	Treasury Management Q3
	Closure of Accounts
	Draft AGS
	21st Century Schools Peer Review
	Capital workstrams working group report
26/05/22	AGM
13/06/22	Member Development - G&A Committee
24/06/22	Strategic Risk Management Q4
	SWAP quarterly report
	Fraud
	Treasury Management - 2021/22
22/07/22	Seminar - Statement of Accounts
29/07/22	Statement of Accounts
30/09/21	Strategic Risk Management Q1
	SWAP quarterly report
	Fraud
	Treasury Management Q1
	Closure of Accounts
30/11/22	Strategic Risk Management Q2
	SWAP quarterly report
	Fraud
	Treasury Management Q2
	Closure of Accounts

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