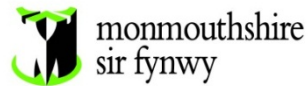


# Public Document Pack



County Hall  
Rhadyr  
Usk  
NP15 1GA

Wednesday, 5 September 2018

## Notice of meeting

### Audit Committee

Thursday, 13th September, 2018 at 2.00 pm,  
County Hall, The Rhadyr, Usk, NP15 1GA

### AGENDA

Item No	Item	Pages
1.	Apologies for Absence	
2.	Declarations of Interest	
3.	Public Open Forum	
4.	To confirm minutes of the previous meeting held on 5th July 2018	1 - 6
5.	To note the action list from 5th July 2018	7 - 8
6.	Performance and Evaluation Framework for MonLife	9 - 42
7.	Audited Statement of Accounts	43 - 152
8.	ISA 260 response to accounts	153 - 170
9.	Internal Audit Progress Report 2018/19 (quarter 1)	171 - 180
10.	Internal Audit Sector Public Sector Internal Audit Standards (PSIAS) External Review 2018	181 - 192
11.	Review of Reserves Period 1	193 - 200
12.	Aligning the Levers of Change	201 - 214
13.	Overview and Scrutiny: Fit for the Future	215 - 236
14.	Annual Improvement Report	237 - 268
15.	Forward Work Programme	269 - 270

**16.**

**To confirm the date and time of the next meeting as 8th November 2018  
at 2.00pm**

**Paul Matthews  
Chief Executive**

MONMOUTHSHIRE COUNTY COUNCIL  
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:

P White  
J. Higginson  
P. Clarke  
A. Easson  
P. Murphy  
B. Strong  
J.Watkins  
M.Feakins  
M.Lane  
S. Woodhouse  
V. Smith

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### Watch this meeting online

This meeting can be viewed online either live or following the meeting by visiting [www.monmouthshire.gov.uk](http://www.monmouthshire.gov.uk) or by visiting our Youtube page by searching MonmouthshireCC.

### Welsh Language

The Council welcomes contributions from members of the public through the medium of Welsh or English. We respectfully ask that you provide us with 5 days notice prior to the meeting should you wish to speak in Welsh so we can accommodate your needs.

# Aims and Values of Monmouthshire County Council

## Our purpose

Building Sustainable and Resilient Communities

### Objectives we are working towards

- Giving people the best possible start in life
- A thriving and connected county
- Maximise the Potential of the natural and built environment
- Lifelong well-being
- A future focused council

## Our Values

**Openness.** We are open and honest. People have the chance to get involved in decisions that affect them, tell us what matters and do things for themselves/their communities. If we cannot do something to help, we'll say so; if it will take a while to get the answer we'll explain why; if we can't answer immediately we'll try to connect you to the people who can help – building trust and engagement is a key foundation.

**Fairness.** We provide fair chances, to help people and communities thrive. If something does not seem fair, we will listen and help explain why. We will always try to treat everyone fairly and consistently. We cannot always make everyone happy, but will commit to listening and explaining why we did what we did.

**Flexibility.** We will continue to change and be flexible to enable delivery of the most effective and efficient services. This means a genuine commitment to working with everyone to embrace new ways of working.

**Teamwork.** We will work with you and our partners to support and inspire everyone to get involved so we can achieve great things together. We don't see ourselves as the 'fixers' or problem-solvers, but we will make the best of the ideas, assets and resources available to make sure we do the things that most positively impact our people and places.





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# Public Document Pack **Agenda Item 4**

## MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Audit Committee held  
at Council Chamber - Council Chamber on Thursday, 5th July, 2018 at 2.00 pm**

**PRESENT:** County Councillor J. Higginson (Vice Chairman)

County Councillors: A. Easson, P. Murphy, B. Strong, J. Watkins,  
M. Feakins, M. Lane, S. Woodhouse and V. Smith

### **OFFICERS IN ATTENDANCE:**

Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Peter Davies	Chief Officer, Resources
Robert Tranter	Head of Legal Services & Monitoring Officer
Wendy Barnard	Democratic Services Officer
Terry Lewis	Wales Audit Office
Marie Bartlett	Finance Manager
Ian Saunders	Head of Tourism, Leisure, Culture and Youth

### **ALSO IN ATTENDANCE:**

Gayle Monk                                      Anthony Collins (Solicitors)

### **APOLOGIES:**

Mr. P White and P. Clarke

#### **1. Declarations of Interest**

Item 7: Draft Statement of Accounts - County Councillor A. Easson declared a personal, non-prejudicial interest as a member of the Monmouthshire Farm School Endowment Trust.

#### **2. Public Open Forum**

No members of the public were present.

#### **3. To confirm minutes of the previous meeting**

The minutes of the meeting were confirmed as a true record. It was noted that a form of words was agreed with Councillor Easson and the Clerk to resolve a query.

Members expressed concern about the size of the agenda bundle questioning what is expected of Committee Members. The Chief Officer, Resources accepted that the accounts and other reports had made the agenda a lengthy document but the role of Committee Members is to take an overview and identify salient points.

It was further queried if Members are suitably equipped to review the accounts and make comments. It was agreed that if a training need is identified, further training can be arranged.

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at Council Chamber - Council Chamber on Thursday, 5th July, 2018 at 2.00 pm

Reassurance was provided that the accounts process is signed off in September and a draft is scrutinised prior to that time. Members with specific queries were offered assistance from the Assistant Head of Finance prior to consideration of the final accounts in September.

It was queried if the Committee scrutinises the accounts after they are audited and confirmed that Members should take into account the auditor's view.

#### **4. To note the Action List from 24th May 2018**

The Action List from the last meeting was noted.

- Unsatisfactory Audit Opinions: Appropriate officers will be invited to attend the Audit Committee meeting on 13<sup>th</sup> September 2018 regarding compliance with the Bribery Act.
- Peer Review report: This will be presented on the 13<sup>th</sup> September 2018.
- Annual Governance Statement: This was circulated to all Committee Members following the last meeting and is on the agenda today for challenge and discussion
- Implementation of Internal Audit Opinions: 3 significant opinions were not implemented related to Outdoor Education, Benefits and Community Meals. A verbal update was provided as below and progress will be followed up and reported upon later in 2018/19:
  1. Outdoor Education: The recommendation was that consideration was to be given to the impact of MCC potentially reducing the level of funding; and also not adhering to the agreed funding methodology. Consultation was to be undertaken with other parties over the funding reduction to establish a level of funding going forward. Upon follow up, these discussions had not taken place.
  2. Benefits: The recommendation was that an advanced warning system should be implemented to establish any risk to employees when visiting properties. This had not been implemented.
  3. Community Meals: The recommendation was that training should be up to date so that staff can safely carry out their roles. The Manager couldn't demonstrate any progress.
- 14 Exclusion of Press and Public - minutes of meeting of 18<sup>th</sup> December 2017 - update on events. This matter has been resolved.

#### **5. Treasury Outturn Report 2017/18**

The Assistant Head of Finance introduced the report. Following this, Members asked questions.

A Member asked for clarification about the statement "£5.9m of 3 year debt from a Local Authority was taken out in 2017/18 to reduce interest rate risk to an acceptable level". It was clarified that this is in relation to maintaining a balanced portfolio of an assortment of short, medium and long term investment to protect against variation in interest rates.

A Member asked if the Assistant Head of Finance had full mandate to act as necessary in terms of treasury management in the short, medium and long term. It was confirmed that Officers work within the treasury strategy and agreed performance indicators. These are monitored by Audit Committee in update reports so that Members are satisfied that Officers are working within the criteria and flexibility provided.

In relation to Brexit, it was questioned if the strategy can be altered if more flexibility is needed. It was explained that the strategy is reviewed annually and changes can be considered at that time. The Cabinet Member added that treasury management advisers, Arlingclose will provide advice as required nearer the time.

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of Audit Committee held at Council Chamber - Council Chamber on Thursday, 5th July, 2018 at 2.00 pm**

The recommendation that Members note the results of treasury management activities and the performance achieved in 2017/18 in the report and appendices was agreed.

#### **6. Draft Statement of Accounts 2017/18**

The Assistant Head of Finance/Deputy Section 151 Officer presented the report and answered questions as follows.

A Member questioned the situation regarding school deficits, particularly Caldicot School, Monmouth Comprehensive School and King Henry VIII Comprehensive School and asked what the future strategy will be. It was responded that, technically, at end of the financial year, the schools still had surplus budgets. The Month 2 monitoring reports will be reported to Cabinet with a preferred strategy before the Summer recess. It was agreed that there is a trend of schools using their reserves rather than replenishing them. The Cabinet Member confirmed that the authority is actively monitoring school budgets and discussions are in progress with each of the schools' staff.

He reported that Chepstow School budget is back in surplus, King Henry VIII Comprehensive School is making progress to address the deficit and meaningful discussion is in progress with Monmouth Comprehensive School. Additionally, it was noted that the timescale for recovery plans has been extended from three to five years.

It was explained that Chepstow School resolved the adverse financial position because the governing body took responsibility for the deficit and recovery plan.

A Member questioned the statistic that 93.7% of main roads are in a good or acceptable condition. It was responded that this information is provided by service departments, and noted that there are criteria to define good and acceptable standards. More information is available in performance reports.

As per the recommendations, the draft Monmouthshire County Council Statement of Accounts for 2017/18, as presented for audit, was reviewed and the draft statements of accounts listed below were reviewed:

- Draft Monmouthshire County Council Welsh Church Act Fund;
- Draft Monmouthshire Farm School Endowment Trust Fund; and
- Draft Llanelly Hill Social Welfare Centre Accounts

#### **7. Annual Governance Statement**

The Chief Internal Auditor presented the report stating that the draft Annual Governance Statement sits alongside the Statement of Accounts. The draft was circulated to Members prior to the meeting and comments have been incorporated. The draft document will be signed off at the same time as the statement of accounts.

A Member asked if the Annual Governance Statement could be condensed to be a more accessible document.

It was agreed that the Audit Committee had opportunity to contribute to the appropriateness and content of the draft Annual Governance Statement and endorsed it.

#### **8. Review of Reserves Outturn**

The Assistant Finance Officer/Deputy Section 151 Officer presented the report.

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at Council Chamber - Council Chamber on Thursday, 5th July, 2018 at 2.00 pm

A Member queried if the cost of insurance premiums had decreased. It was confirmed that a tendering exercise a number of years ago, splitting an overarching policy into individual elements, resulted in savings in the region of £200,000 at the time. Premiums are also reviewed annually in relation to claims.

It was queried if account had been taken of the Alternative Delivery Model (ADM) and responded that it takes into account the £155,000 facilitation costs. The project plan and related decisions going forward will influence the eventual cost.

The report was noted.

#### **9. Internal Audit Outturn Report 2017/18**

The Chief Internal Auditor introduced the report, the purpose of which was for the Audit Committee to receive and consider the Annual Audit Outturn Report for 2017/18. The report is an opportunity to provide feedback on the findings of audit work undertaken in the course of the year and to provide commentary on the performance of the audit team.

The key points were:

- The Chief Internal Auditor has to give an overall opinion on the adequacy of the internal control environment operated within the systems and establishments of Monmouthshire County Council.
- The audit opinions were revised at the beginning of 2016/17 to reflect a better understanding of the level of assurance obtained; these are shown at Appendix A.
- 40 audit opinions were issued during 2017/18 ranging from Substantial to Limited (the opinion categorisation changed in 2016/17 to provide a more meaningful level of assurance). The overall opinion was Reasonable, which indicates the systems were adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.
- 8 reviews were given Limited assurance.
- The Internal Audit team achieved 82% of the agreed 2017/18 audit plan against a target of 80%.

Members asked questions and responses were supplied as follows:

- Referring to the 8 limited opinions, it was commented that 3 of the limited opinions had a high risk rating and an update was requested in respect of:
  1. Borough Theatre, Abergavenny;
  2. Events; and
  3. Compliance with Bribery Act

It was responded that the next scheduled six monthly Unsatisfactory Audit Opinions report to Audit Committee will provide the detail requested.

In response to a further question about when the status of the opinion changes, it was explained that the level of risk is determined annually, based on a range of factors, as either high, medium or low. The status will be changed when the follow up report has been actioned and the agreed recommendations have been implemented. An "Implementation of Audit Recommendations" report is also supplied to Audit Committee to track follow up work. Any unfavourable opinions will have a second audit in 2018/19 to ensure matters of concern have been improved. This will be reported back to Audit

## MONMOUTHSHIRE COUNTY COUNCIL

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Committee. Where there has been no improvement, the Committee may invite the responsible officers to attend a meeting to justify why there has been no improvement.

A Member asked if, on this basis, the Borough Theatre Trust should be invited to attend a meeting. It was confirmed that an Audit follow up would take place in the first instance.

The committee endorsed the report.

#### **10. Internal Audit Plan 2018/19**

The Chief Internal Auditor presented the report. There were no questions and the Internal Audit Plan for 2018/19 was approved.

#### **11. Governance Arrangements for Proposed Alternative Delivery Model for Tourism, Culture, Leisure and Youth**

The ADM Project Team – Finance Lead provided a presentation. Gayle Monk, Anthony Collins (Solicitors), was available to answer questions from Committee Members.

A Member asked if there was confidence that HMRC wouldn't criticise this arrangement as a tax avoidance scheme. It was confirmed that there is confidence that it is not the intention behind this structure as there are other good reasons unrelated to tax, noting that there has been recent scrutiny of local authorities and public bodies to ensure that they are not avoiding tax. The intention behind the two vehicles is to work in a way that is appropriate for the services that will be delivered. The charity is tax efficient but appropriate for genuinely charitable services delivered for public benefit. The Teckal part enables a company structure to change culture and change the way services are delivered but in a way that is in line with the procurement rules.

The Member noted that there is jointly chaired senior management instead of separate management for each entity for tax and legal reasons. Clarification was provided that the intention is to ensure there is consistency in service delivery recognising that when the charity is set up, the key delivery vehicle will be the grant funding agreement. It was speculated that in the future that the charity, being independent from the council, may separate out.

The Member expressed concern that it could appear to be a group structure or holding company and it could be asked what its purpose is - potentially leading to an answer of tax. He suggested separate management for each side. He asked if the cost of governance been explored. It was explained that there is an additional post built into the Company Secretary role for both companies and additional support in terms of democratic support in the authority and externally. Trustee expenses have also been taken into account and it is believed that there is enough capacity within existing structures to deliver. Some central support is sought as well.

The Member added that the cost of running dormant companies is expensive and it may be prudent to set up the minor companies later to save the cost until needed. It was agreed that advice would be sought accordingly.

A Member asked a question about the articles of association; the assets for the charitable arm e.g. Caldicot Castle, Tintern Station etc. and if there would be a trading arm for buying into the assets. It was clarified that the Nelson collection is considered to be part of Monmouth Museum. It was questioned which physical assets will be owned by the charity and clarified that the assets will remain in the ownership of the county. The companies will run the services on behalf of the authority. The new companies will not be in a position to buy assets. There will be negotiation with the Council around leasing agreements making clear that the ADM will not be able to sub-let without the permission of Council.

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It was questioned why they had been classed as an asset if they are in the ownership of the Council. The Cabinet Member agreed that the articles of association could convey the impression that the assets would be transferred to the company and suggested that this point needs to be addressed. It was explained that the proposal is that the council would lease the asset to the charity. The lease would be an asset of the charity.

A Member questioned the leasing aspect and asked for assurance that residents will retain access to the Country Park. It was confirmed that there will no change for residents. The Member asked about the Teckal company and scrutiny arrangements. It was responded that there was an expectation that the Teckal company will visit relevant select committees e.g. for statutory services, the same as any executive function. It was added that there will be a management agreement in place to add to the annual monitoring process.

The Chief Internal Auditor noted that this arrangement is within a public sector environment and questioned the statement that, in terms of governance and strategic association, a shareholder agreement will be used "to avoid transparency", and questioned why this is necessary. It was responded that the intention is not to avoid it being a public document but to make it a more flexible arrangement as it is a more straightforward process to change a shareholder's agreement than to change the company's articles of association. The shareholder's agreement can be made a public document.

In response to a question, it was explained that implementation will be in December as long as all the documentation is in place.

A Member asked if all the entities will be VAT registered and it was confirmed that they would have separate VAT registrations.

The recommendation was for Members to reassure themselves that the draft Governance arrangements for the ADM are as expected and are satisfied with the process to date was accepted subject to the amendments arising from comments today. The Recommendation was approved.

#### **12. Forward Work Programme**

The Forward Work Programme was noted.

#### **13. To note the date and time of the next meeting as 13th September 2018 at 2.00pm**

**The meeting ended at 3.35 pm**

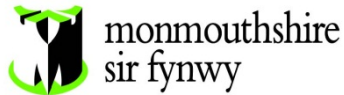


# Agenda Item 5

## Audit Committee Actions 5<sup>th</sup> July 2018

<b>Agenda Item:</b>	<b>Subject</b>	<b>Officer</b>	<b>Outcome</b>
<b>4</b>	<b>Minutes</b>	Mark Howcroft	Provide assistance to Members on final accounts as necessary
<b>5</b>	<b>Action List</b>	Peter Davies/Andrew Wathan	1) Officers to attend re Compliance with Bribery Act 2) Present Peer Review Report
<b>12</b>	<b>Governance Arrangements for ADM</b>	Marie Bartlett/ Gayle Monk (Anthony Collins Solicitors)	Articles of association – clarify misleading statement re: assets

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<b>SUBJECT:</b>	<b>Performance and Evaluation Framework for MonLife</b>
<b>MEETING:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>13<sup>th</sup> September 2018</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All</b>

## **1. PURPOSE:**

- 1.1 To receive the draft Performance and Evaluation Framework that will underpin a business management framework for the new delivery model MonLife.

## **2. RECOMMENDATIONS:**

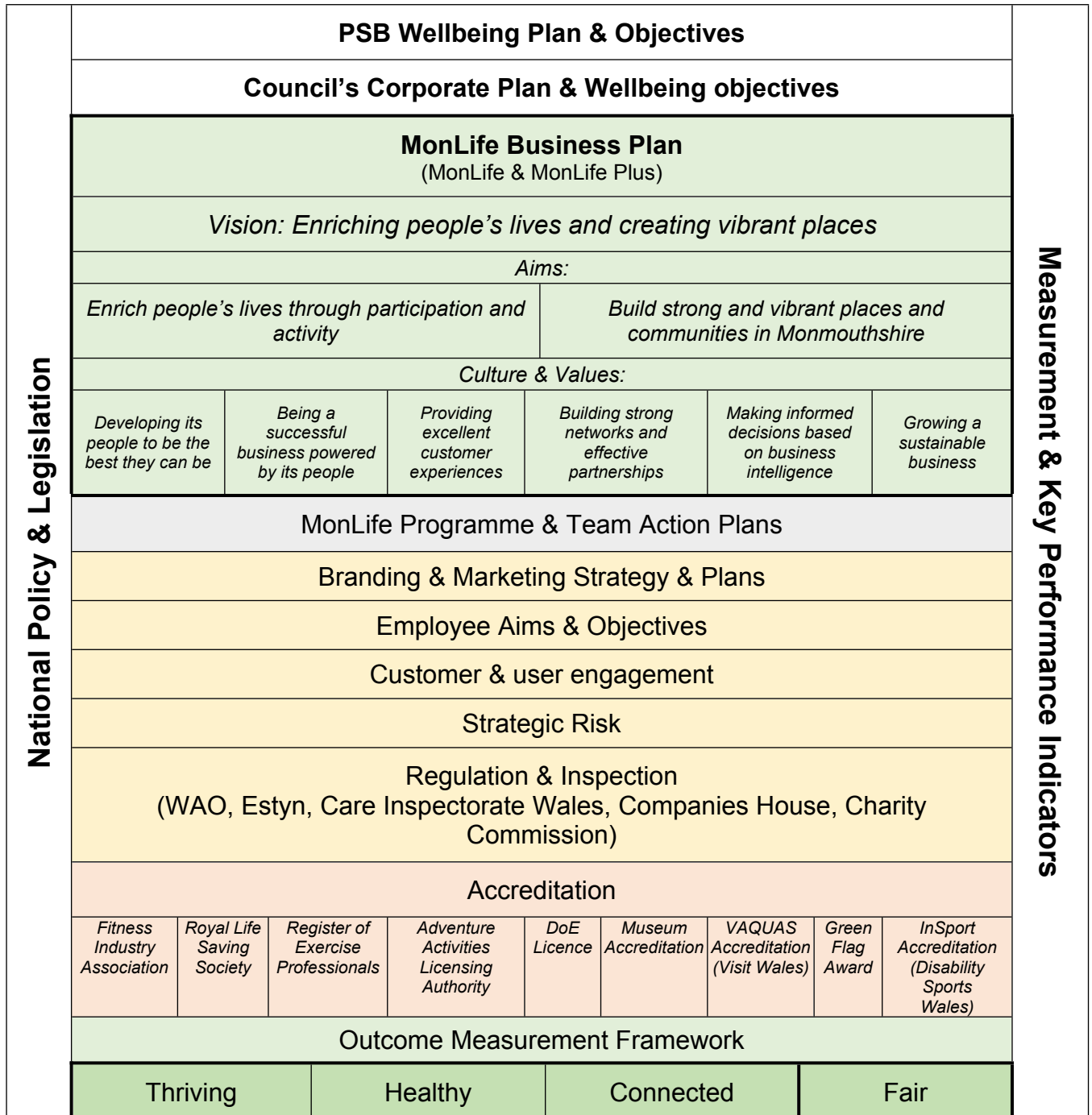
- 2.1 For Audit Committee to review and comment on initial Performance and Evaluation Framework for measuring outcomes for the new delivery model MonLife .

## **3. KEY ISSUES:**

- 3.1 To establish an integrated business planning, monitoring and evaluation framework across all of MonLife group's activities to measure performance, evidence impact and drive continuous improvement, i.e. one shared framework embracing MonLife (the charity), MonLife Plus (the Local Authority Trading Company) and the associated trading subsidiaries.
- 3.2 The performance framework will develop over time as MonLife establishes and progresses new programmes for delivery. Initially the framework will reflect MonLife's initial business plans and programmes, and consolidate the key performance indicators / business matrices already in place across Tourism, Leisure, Culture and Youth Services (TLCY).
- 3.3 Diagram 1 below illustrates the proposed framework, which will be developed with the shadow board and directors prior to enactment. Central to the process will be the MonLife group Business Plan that will reflect the contribution that MonLife is making to delivery of the PSB Well-being Plan and Council's Corporate Plan and the wider legislative and policy context

within which the group operates (this plan will be an aggregation of the MonLife & MonLife Plus business plans). Supporting the Business Plan will be annual SMART action plans for MonLife’s teams and key delivery programmes (updated quarterly), and clear branding and marketing strategy and plans.

**Diagram 1:** Proposed Framework



#### 4. OPTIONS APPRAISAL:

Option	Benefits	Risks	Comments
Do nothing – i.e. maintain existing TLC&Y performance indicators / business plan	None identified	High risk - will not provide adequate business management information for either MonLife or the Council	Would fail to provide sufficient basis to support the success and sustainability of MonLife
Develop new bespoke MonLife Performance and Evaluation Framework	Framework will provide the information required by the Boards of Directors / Trustees of MonLife, MonLife Plus and the trading subsidiaries to assess performance and embrace the Council's performance reporting requirements as principle funder / sponsor	Strategic risk management forms a key part of the proposed framework	The development of a robust performance and evaluation framework is essential to the success and sustainability of MonLife

- 4.1 The whole process has been facilitated by an in-house team and informed closely and tested by independent advisors and legal experts. The process has also included full open scrutiny with Members through Seminars, Select committees, Cabinet and Council. In February 2018, Cabinet approved the Strategic Business Case which set out the full initial appraisal of options for change and approved the ADM to move forward.

#### 5. REASONS:

- 5.1 The development of a robust performance framework is essential to the success and sustainability of MonLife, which is being developed in partnership with the Client Liaison Officer.
- 5.2 To enable the Boards of Directors / Trustees of MonLife, MonLife Plus and the trading subsidiaries to assess their own performance.
- 5.3 To meet the Council's performance reporting requirements as principle funder / sponsor to allow assessment of the MonLife group's contribution to the Council's and PSB's key priorities.

## **6. RESOURCE IMPLICATIONS**

6.1 No resource implications to accompany this report.

## **7. SAFEGUARDING IMPLICATIONS**

7.1 There are no corporate parenting or safeguarding concerns regarding this report.

## **8. BACKGROUND PAPERS**

**Appendix 1** Draft Performance and Evaluation Framework

**Appendix 2** Future Generations Evaluation

## **9. FUTURE GENERATIONS IMPLICATIONS**

Future Generations Evaluations have accompanied every report submitted and outline the main impacts of the proposal.

As described in previous FG evaluations, the purpose of the proposed Alternative Delivery Model is to ensure much valued local services are maintained and by their nature continue to provide employment, growth and an increasingly skilled workforce. The proposals will enable services to be kept open but with more community focus and coordination, helping knit communities together. Activities in establishing the Alternative Delivery Model will require positive engagement and coordination with community focused services as well as income generation and investment in key aspects of the business to ensure the culture and business thrives. Incorporated services will contribute greatly to our local culture, heritage and art with the promotion of activity, health and wellbeing forming part of its key drivers.

The proposed performance and evaluation framework is designed to support and evaluate contribution across the well-being goals and the proposed outcome measurement framework has been cross-referenced to these goals (see Diagram 1 in the main report) – this approach will be refined and developed as work on the outcome measurement framework progresses.

## **10. AUTHORS:**

Matthew Lewis, Interim Performance, Evaluation and Programme Development Lead

Richard Simpkins, Interim Systems, Procedures and Data Readiness Lead

Cath Fallon, Head of Enterprise and Community Development and Client Liaison for MCC

**11. CONTACT DETAILS:**

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# MonLife

# Performance & Evaluation Framework

## MonLife Performance & Evaluation Framework

### 1. Context

1.1 Council has approved the setting up of an Alternative Delivery Model (MonLife) for Tourism, Leisure, Culture and Youth (TLCY) services. Guiding the purpose of this work since its inception has been the aim of securing the most viable, sustainable and supportable future for TLCY services in order to optimise the contribution they are able to make to the wellbeing of Monmouthshire residents, throughout their lives.

1.2 The MonLife group companies' mission is to promote healthier lives and inspirational experiences, and promote the vibrancy of Monmouthshire as a great place to be, based on a vision of *"Enriching people's lives and creating vibrant places"*.

MonLife aims to:

- Enrich people's lives through participation and activity
- Build strong and vibrant places and communities in Monmouthshire

It will achieve these aims through building a successful organisational culture by;

- Developing its people to be the best they can be
- Being a successful business powered by its people
- Providing excellent customer experiences
- Building strong networks and effective partnerships
- Making informed decisions based on business intelligence
- Growing a sustainable business

1.3 The development of a robust performance and evaluation framework is essential to the success and sustainability of MonLife.

### 2. Core Purpose

2.1 To establish an integrated business planning, monitoring and evaluation framework across all of MonLife group's activities to measure performance, evidence impact and drive continuous improvement, i.e. one shared framework embracing MonLife (the charity), MonLife Plus (the Local Authority Trading Company) and the associated trading subsidiaries.

2.2 The performance and evaluation framework has to:

- To enable the Boards of Directors / Trustees of MonLife, MonLife Plus and the trading subsidiaries to assess their own performance
- Embrace the Council's performance reporting requirements as principle funder / sponsor so as to enable assessment of the MonLife group's
  - Contribution to delivery of the Council's Corporate Plan priorities / actions
  - Contribution to delivery of the PSB's well-being objectives / programmes including reporting requirements for external partnership (Creating an Active & Healthy Monmouthshire, Environment Partnership etc.)
  - Performance on relevant Welsh Government Key Performance Indicators
  - Contribution to outcome frameworks including Estyn etc.
  - Risk management approach

- Provide a consistent and robust framework to assess the performance and impact of all of the MonLife group's activities and to enable MonLife to report publically on progress (via annual and quarterly report etc.)
- Provide a basis for strategic risk management
- Drive performance improvement to improve integrated delivery and strategic planning
- Help refine and develop programmes and activities in the light of the outcomes they deliver
- Be capable of disaggregation to provide appropriate information in respect of MonLife, MonLife Plus and the trading subsidiaries to meet Charity and Company annual reporting requirements
- Ensure legislative compliance including the Well-being of Future Generations (Wales) Act 2015, the Environment (Wales) Act 2016 etc.
- Embrace external monitoring and evaluation and reporting requirements from grant giving bodies, MOUs or other funding agreements
- Embrace the requirements of external accreditation bodies
- Provide consistent and rigorous evidence of impact to support future programmes and funding bids
- Be pragmatic, cost effective and within MonLife's ability to deliver and sustain
- Not be re-inventing the wheel, building on good practice

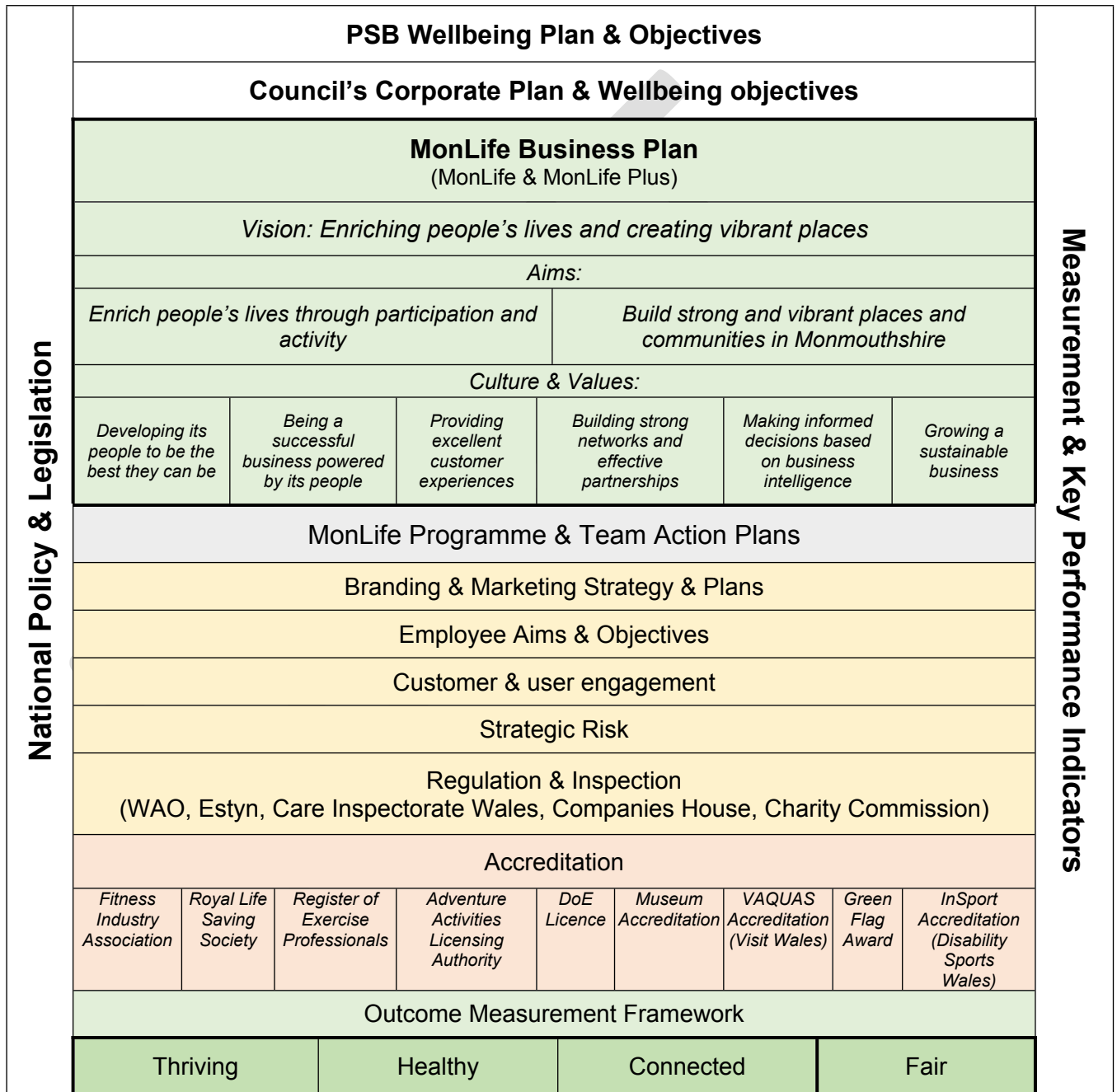
### **3. Developing the approach**

- 3.1 The performance and evaluation framework will develop over time as MonLife establishes and progresses new programmes for delivery. Initially the framework will reflect MonLife's initial business plans and programmes, and consolidate the key performance indicators / business matrices already in place across Tourism, Leisure, Culture and Youth Services (TLCY).
- 3.2 In addition, MonLife will add a longer-term outcome focus as an Outcome Measurement Framework is developed. The intent is to build an outcome measurement framework that will embrace all of MonLife's activities and fully reflect what MonLife does and wants to achieve. This will allow MonLife to refine and develop its performance measures annually. Developing an outcome measurement framework will take time, as it needs to fully reflect MonLife's ambitions; align with the measures established under national and local frameworks for well-being plans; and be sufficiently robust without being beyond MonLife's ability to implement and report on. So far, a project team have identified best practice from the wider sector and completed an initial scoping of the proposed approach.

### **4. Proposed Performance and Evaluation Framework**

- 4.1 Diagram 1 below illustrates the proposed framework, which will be developed with the shadow board and directors prior to enactment. Central to the process will be the MonLife group Business Plan that will reflect the contribution that MonLife is making to delivery of the PSB Well-being Plan and Council's Corporate Plan and the wider

legislative and policy context within which the group operates (this plan will be an aggregation of the MonLife & MonLife Plus business plans). Supporting the Business Plan will be annual SMART action plans for MonLife’s teams and key delivery programmes (updated quarterly), and clear branding and marketing strategy and plans.



**Diagram 1: MonLife Proposed Performance and Evaluation Framework**

4.2 Additionally for key projects, a project management framework has already been developed to help inform MonLife’s business plan and will be maintained:

- Income Pipeline / Investment Projects – Project Pack comprising feasibility study (including risk assessment); income/expenditure forecasts; action/Gantt chart & monthly review
- Projects requiring fundraising: Case for support; feasibility study (including risk assessment); action plan etc.
- A similar approach for key grant programmes to meet funders requirements

4.3 The link from Business Plan and Programmes to annual Team Action Plans should in turn be reflected in individual objectives where staff are supported to provide excellent customer experiences and contribute to growing MonLife's sustainable business. Reflecting the approach adopted by high performing organisations it is proposed that there is a move away from an annual appraisal form completion approach to promoting regular 'check-ins' and frequent real-time feedback relating to the agreed set of expectations. An employee performance and development plan (PDP) approach will be developed with input from managers and staff, which will place the individual within the performance management framework. Support and development will be key features of the PDP and MonLife will strive to support employees to be the best they can be in line with its values. It will set a culture of performance improvement and support. However, where staff regardless of support cannot identify with the values or meet standards under the principles of employee engagement, which includes fairness, managers will address underperformance separately.

4.4 A new measure of employee engagement is proposed. Surveys will be utilised to measure the employee experience. The results will inform the senior management team and identify any interventions needed to support managers who are responsible for engaging their teams.

4.5 The performance framework also embraces customer and user engagement, including:

- Customer focussed surveys (of user & non-user)
- Direct user engagement and feedback
- Continuing to promote quality volunteering opportunities, including mechanisms to gauge volunteer feedback
- Maintaining arrangements to respond to FOI requests, undertake investigations, carry out dispute resolution and respond to complaints / complements

Feedback will be considered by teams and senior management team and any resulting actions identified in team or programme action plans as appropriate.

4.6 MonLife is committed to the effective management of risk given its exposure to a wide range of risks and threats in delivering key services to communities. MonLife recognises the need to identify, evaluate and manage those risks that threaten the delivery of services to the community and the health and safety of its service users, employees, partners and the public at large. Strategic risk management will include:

- Ensuring safeguarding, equalities, data protection / GPDR and other requirements are met
- Maintaining a risk register

- Addressing high and medium risks in the MonLife group business plans
- Enabling scrutiny and external assessment of key risks
- Identifying risks as part of team and programme action plans
- Utilising a RAG review / exception reporting process across all team and programme action plans (see Appendix 1)
- Project specific risk assessments
- Maintaining safeguarding procedures and SAFE audits in line with MCC's existing policies
- Oversight by the MonLife Board Audit & Risk Sub-Committee.

4.7 Many of MonLife's services operate within a regulated, inspected and accredited environment. This varies from mandatory licensing of the outdoor education and Duke of Edinburgh Award services; statutory inspections of youth services; assessment of industry safety and qualification standards (e.g. lifeguards), through voluntary accreditation of quality standards for fitness provision, museums, attractions and green spaces. MonLife will continue to seek relevant external accreditation and quality assessment and explore new opportunities to do so as it develops.

## 5. Outcome Measurement Framework

5.1 To maintain consistency MonLife plans to consolidate the key performance indicators / business matrices already in place across Tourism, Leisure, Culture and Youth Services (TLCY). We recognise that whilst MonLife will record significant output measures, measures of outcomes are less well developed – this reflects both the complexity and potential resource pressures in measuring wellbeing outcomes. To address this MonLife intends to develop an outcome measurement framework.

The drivers are:

- National and Wales policy context
- External funding landscape – statutory and voluntary
- Credibility and relevance to others
- Outcomes based accountability
- Sustaining services, cross-service working and strategic planning

Principles are:

- Strong link to our vision, strategic goals and future ambitions
- Transparent and realistic – evidence-based impact reporting
- Clear and robust narrative with quantitative support
- Pragmatic and cost effective
- Practical and relevant
- Flexible and futureproof
- Not re-inventing the wheel
- Rigour – evidence of impact that suits our purposes

5.2 This approach is intended to provide a long-term (10yrs +) basis for future impact assessment based on “pillars” reflecting the potential scope of MonLife's impact and to group measurement & reporting of actions. The intent is to understand the value of MonLife's services to; individuals (lifestyle factors); communities; and the wider social, environmental & economic context (Region; Wales; National).

5.3 Initial scoping of the proposed approach against the Well-being of Future Generations (Wales) Act 2015; Office for National Statistics – Measures of National Wellbeing; Monmouthshire PSB Well-being Plan and the MCC Corporate Plan has identified four potential outcome “pillars” (see Table 1):

- Thriving
- Healthy
- Connected
- Fair

5.4 As the framework develops, the intention is to identify what success would look like for each of these pillars; our ambitions/objectives; and the measure to assess success in achieving these. In the shorter term, we plan to standardise our approach to recording individual case studies of outcomes / benefits; e.g. for young people, volunteers, sports and exercise referral participants etc. so we can build a library of evidence to support future programmes and we will continue to refine individual service measures based on feedback and experience.

## **6. Proposed Key Business Matrices, Key Performance Indicators & Additional Programme Performance Measurement**

6.1 Table 2 identifies the key business matrices / performance indicators, together with an indication of the reporting periods and evaluation processes. As indicated above these will be reviewed and refined as MonLife business planning process develops. In addition, Appendix 2 is an example of the approach to recording individual case studies of outcomes / benefits, supplemented by video clips to capture stories, which will be used to animate quarterly and annually reporting and reports to partners and funders.

6.2 Additional performance measures some at a significantly greater level of detail are also required to meet partnership programmes or grant agreements; a few examples are set out in Table 3.

**Table 1: Outcome Measurement Framework: Draft Outcome “Pillars”**

<b>Draft MonLife Pillars</b>	<b>Office for National Statistics - Measures of National Wellbeing (2015)*</b>	<b>Wellbeing of Future Generations (Wales) Act 2015</b>	<b>Monmouthshire Public Services Board – Well-Being Plan</b>	<b>Monmouthshire County Council – Corporate Plan (2018-2022)</b>
<b>Thriving</b>	<ul style="list-style-type: none"> <li>• Economy</li> <li>• Governance</li> <li>• Natural Environment</li> <li>• Individual wellbeing</li> <li>• What we do</li> <li>• Where we live</li> </ul>	A prosperous Wales	Develop opportunities for communities and businesses to be part of an economically thriving and well-connected county	<ul style="list-style-type: none"> <li>• Thriving and well-connected county;</li> <li>• Future-focused Council</li> </ul>
		A resilient Wales	Protect and enhance the resilience of our natural environment whilst mitigating and adapting to the impact of climate change  Respond to the challenges associated with demographic change	<ul style="list-style-type: none"> <li>• Maximise the potential of the natural and built environment;</li> <li>• Future-focused Council</li> </ul>
		A Wales of vibrant culture & thriving Welsh Language		<ul style="list-style-type: none"> <li>• Thriving and well-connected county;</li> <li>• Lifelong well-being</li> </ul>
<b>Healthy</b>	<ul style="list-style-type: none"> <li>• Individual wellbeing</li> <li>• Health</li> <li>• Our relationships</li> <li>• Natural Environment</li> <li>• What we do</li> <li>• Where we live</li> </ul>	A healthier Wales	Provide children and young people with the best possible start in life  Respond to the challenges associated with demographic change	<ul style="list-style-type: none"> <li>• The best possible start in life;</li> <li>• Lifelong well-being;</li> <li>• The best possible start in life;</li> <li>• Thriving and well-connected county;</li> <li>• Lifelong well-being</li> </ul>
<b>Connected</b>	<ul style="list-style-type: none"> <li>• Our relationships</li> <li>• Individual wellbeing</li> <li>• Natural Environment</li> <li>• Economy</li> </ul>	A Wales of cohesive communities	Provide children and young people with the best possible start in life  Respond to the challenges associated with demographic change	<ul style="list-style-type: none"> <li>• Thriving and well-connected county</li> <li>• Lifelong well-being</li> </ul>



			Develop opportunities for communities and businesses to be part of an economically thriving and well-connected county	
<b>Fair</b>	<ul style="list-style-type: none"> <li>• Personal finance</li> <li>• Education and skills</li> <li>• What we do</li> <li>• Where we live</li> </ul>	A more equal Wales	<p>Provide children and young people with the best possible start in life</p> <p>Respond to the challenges associated with demographic change</p>	<ul style="list-style-type: none"> <li>• Lifelong well-being (Social Justice)</li> </ul>
		A Wales of vibrant culture & thriving Welsh Language		<ul style="list-style-type: none"> <li>• Lifelong well-being</li> </ul>
		A globally responsible Wales	Protect and enhance the resilience of our natural environment whilst mitigating and adapting to the impact of climate change	<ul style="list-style-type: none"> <li>• Future-focused Council</li> </ul>

**Table 2: Proposed Key Business Matrices & Key Performance Indicators**

**Key Business Matrices**

Indicator		Reporting Periods & Processes	Monitoring & Evaluation
<b>Finance</b>			
<b>Finance</b>	Business Plan - Delivery of action plans	Quarterly	Via Business Plan reporting, reports to Board(s)
<b>Finance</b>	Net Surplus / Deficit - forecast surplus or deficit each quarter	Quarterly	Via Business Plan reporting, reports to Board(s)
<b>Finance</b>	Planned Business Growth - total income generated compared to total income target	Quarterly	Via Business Plan reporting, reports to Board(s)
<b>Finance</b>	Planned Cost - total expenditure generated compared to total expenditure target	Quarterly	Via Business Plan reporting, reports to Board(s)
<b>Finance</b>	External grant achieved	Annually	Via Business Plan reporting, reports to Board(s)
<b>Finance</b>	Assets – value of dilapidations	Annually	Via Business Plan reporting, reports to Board(s)
<b>Finance</b>	Various specific targets e.g. average total value retail sales; increasing secondary spend on weddings etc.	Quarterly	Via Business Plan reporting, reports to Board(s)

**Key Performance Indicators**

Section	Indicator	Reporting Periods & Processes	Monitoring & Evaluation
<b>Staff &amp; Volunteers</b>			
<b>Staff</b>	Average days lost to sickness absence per FTE employee	Quarterly	Via Business Plan reporting, reports to Board(s)

Section	Indicator	Reporting Periods & Processes	Monitoring & Evaluation
Staff	Staff Retention (Percentage of employees who leave)	Quarterly	Via Business Plan reporting, reports to Board(s)
Staff	Measure of employee engagement (New measure to be developed)	Quarterly	Via Business Plan reporting, reports to Board(s)
Staff	Percentage of staff who are trained to the appropriate safeguarding level	Quarterly	Via Business Plan reporting, reports to Board(s)
Staff	Number of reported accidents (staff)	Quarterly	Via Business Plan reporting, reports to Board(s)
Volunteers	Number of volunteering sessions or hours delivered	Quarterly	Via Business Plan reporting, reports to Board(s)
Volunteers	Indirect volunteering groups supported	Quarterly	Via Business Plan reporting, reports to Board(s)
<b>Customer Feedback</b>			
Customers	User feedback	Ongoing – see service specifics below; used for quarterly updates	Used to share with staff / respond to specific issues and ensure regular improvement
Customers	Interactions with audiences: Facebook likes / ratings; Twitter followers; TripAdvisor ratings; Google ratings etc.		
Customers	Customer loyalty (retention/churn figures)		
Customers	Number of compliments received		
Customers	Number of complaints received		
Customers	Number of reported accidents (members of public)		
<b>Marketing</b>			
Marketing	Marketing evaluation measures to be developed as new Branding & Marketing Strategy and Plans developed		Marketing performance / return on investment / influencing content development
<b>Service Measures</b>			
Leisure	Number of Memberships sold at the 4 leisure centres	Monthly reports completed as part of an overall membership	Used to share with staff on site to assist with performance monitoring

Section	Indicator	Reporting Periods & Processes	Monitoring & Evaluation
<b>Leisure</b>	Swimming lesson uptake and DD breakdown	monitoring performance dashboard.	and healthy local competition.
<b>Leisure</b>	Customer loyalty (retention/churn figures)		
<b>Leisure</b>	Number of young people who can swim at age 11 (National Standards Swim Test)	Annually (End of Academic Year)	Report attainment to Welsh Government Annual. As part of a National Campaign to achieve 'Every Child a Swimmer'.
<b>Leisure</b>	Number of young people trained in the Play Maker Award	Quarterly	Report to Sport Wales, as part of our Sport Development, Active Gwent Regional Plan.
<b>Leisure</b>	Number of young people hooked on sport	Every 3 years	Report to Sport Wales, every 3 years, with an aspiration of 75% Hooked on Sport by 2026.
<b>Leisure</b>	Number of referrals received who go on to access the exercise referral scheme (NERS)	Quarterly	Report to Public Health Wales, as part of the National Exercise Referral Scheme.
<b>Leisure</b>	Percentage of people participating in NERS who are still active after 16 weeks	Quarterly	As above.
<b>Leisure</b>	Number of visits per 1000 of the population to leisure centres where the visitor will be participating in physical activity	Reported on 6 months and annually	National PI reporting
<b>Leisure</b>	Number of community sports clubs achieving InSport accreditation	Annually	Report to Disability Sport Wales as part of our commitment to InSport accreditation.
<b>Outdoor Education</b>	User days	The online customer feedback survey is part of a scheme run by the Association for Heads of Outdoor Centres. Same questions used across the UK. This provides opportunities for nation-wide comparison.	Use customer feedback to look for ideas for potential changes needed, and reassurance that things are going well and to standard.
<b>Outdoor Education</b>	Online customer feedback survey (school focussed: children & teachers)		
<b>Countryside</b>	Numbers using key promoted routes	People counters, reporting varies according to routes	To report to funders, to provide evidence of progress, help set

Section	Indicator	Reporting Periods & Processes	Monitoring & Evaluation
<b>Countryside</b>	Percentage of Rights of Way (ROW) / high priority ROW enforcements issues resolved	Quarterly assessment of reported issues / resolved issues / work completed via Countryside Access Management System (CAMS)	priorities and to help inform new bids
<b>Countryside</b>	Percentage of ROW / high priority ROW maintenance issues resolved		
<b>Countryside</b>	Percentage of formal Biodiversity comments to Development Management within 21 days	Quarterly	To review advice service and prioritise responses
<b>Tourism</b>	Visitors to Chepstow TIC	Quarterly	Visitor numbers are included in STEAM data; value for money measure
<b>Tourism</b>	Unique visitors to Visit Monmouthshire website	Quarterly	Marketing performance / return on investment / influencing content development
<b>Tourism</b>	Destination marketing performance; website referrals; social media accounts	Collected monthly & reported annually with STEAM figures	
<b>Tourism</b>	Visitor & tourism business surveys	National surveys biannually & ad hoc surveys associated with events, bedstock & occupancy survey annual reporting	Bedstock & occupancy underpin STEAM data; Destination intelligence to inform Destination Management Plan and funding bids
<b>Old Station</b>	Number of days the train ran	Quarterly	Selected visitor numbers & event numbers are included in STEAM data; Review of feedback to inform decision-making / used to improve/amend services when possible; reporting to funders as appropriate
<b>Attractions</b>	Visitor Numbers and feedback	Direct visitor feedback including comments / visitor books, post event questionnaires etc.	
<b>Attractions (including Museums &amp; Learning)</b>	Event participants and post event feedback, including weddings / meetings etc.		
<b>Museums</b>	Visitors to museums		
<b>Museums</b>	Average percentage satisfaction score for volunteers (as set by volunteers)	Quarterly	Information used to inform change and direction in the service.
<b>Museums</b>	Number of supporters	Quarterly	
<b>Learning</b>	Number of participants at formal & informal learning events	Quarterly	
<b>Learning</b>	Number of participants using reminiscence boxes	Quarterly	
<b>Youth</b>	Direct feedback	Service based on feedback and conversations with young people	Information used to inform change and direction in the service.

Section	Indicator	Reporting Periods & Processes	Monitoring & Evaluation
Youth	Number of young people to attending Youth Conference	and stakeholders, whether that be about activities or trips in youth clubs, or where youth work happens around the County. Collected through Case Studies, Emails, Outcomes Stars, Evaluation Forms, and Anecdotes.  Quarterly update of KPIs  Reported to the annual Youth Service audit, the annual Youth Service report, and Integrated Youth Offer report	Ensures constant and regular improvement for team to ensure better offer to young people and stakeholders.
Youth	Number of people attending Local democracy day		
Youth	Mark Your Mark – number of young people consulted about their top priorities for Monmouthshire for 2018/19		
Youth	Number of young people across Monmouthshire accessing GIRL Project		
Youth	Year 6 transition programme – number of Year 6s from primary schools		
Youth	Triathlon – number of secondary school teams from Years 7 – 10 taking part. Number of primary school teams taking part.		
Youth	Summer Camp: number Year 9 pupils from comprehensive schools attending		
Youth	Number of community outreach days		
<b>Externally Assessed Quality Standards / Accreditations / Inspections</b>			
<b>Countryside &amp; Attractions</b>	Green Flag Award status awarded / maintained (Keep Wales Tidy)	Annual assessment of selected sites (currently 3)	Provides independent quality assessment and recommendations
<b>Museums</b>	Museum Accreditation in place (Welsh Government / Arts Council England)	3 yearly assessment	Provides independent quality assessment and recommendations
<b>Attractions</b>	Visitor Attraction Quality Assurance Service ratings (Visit Wales)	Annual assessment	Provides independent quality assessment and recommendations
<b>Leisure</b>	InSport Accreditation (Disability Sports Wales)	Annual Assessment	Provides independent quality assessment and recommendations
<b>Leisure</b>	Register of Exercise Professionals (UK coaching)	Ongoing	Independent public workforce register / system of regulation for the Health and Fitness Industry

Section	Indicator	Reporting Periods & Processes	Monitoring & Evaluation
<b>Leisure</b>	Fitness Industry Association Accreditation (representative for both private and public organisations in the fitness industry)	Annually	Accreditation is through adopting a Code of Practise.
<b>Leisure</b>	Royal Life Saving Society Accreditation (via IQL UK is the trading subsidiary of RLSS UK, the drowning prevention charity)	Annually	Accreditation of NPLQ qualifications and Accredited Centres.
<b>Outdoor Education</b>	License for outdoor and dangerous activities (Adventure Activities Licensing Authority)	Two yearly licence	Mandatory licences including service recommendations / actions
<b>Outdoor Education</b>	LA license & expedition leaders (DoE Award)	Five yearly licence	
<b>Youth</b>	Quality / Benchmark Inspections (Estyn & Welsh Government)	5yr Estyn inspection cycle	Provides independent quality assessment and recommendations
<b>Youth</b>	Quality Kite Mark (Welsh Government)	To be considered as part of benchmark by MonLife	Provides independent quality assessment and recommendations
<b>Other Measures</b>			
<b>Tourism</b>	Tourism Value (STEAM)	Data collated annually	Scarborough Tourism Economic Activity Monitor managed by Global Tourism Solutions used to measure tourism volume and value for the destination – also used in Welsh Government settlement figure.
<b>Tourism</b>	Tourism Volume (STEAM)		
<b>Tourism</b>	FTEs (STEAM)		
<b>Museums</b>	Impact on local economy as measured by the AIM economic toolkit	Annually	Impact reporting
<b>Outcomes</b>			
<b>Case Studies</b>	Individual case studies of outcomes / benefits; young people, volunteers, sports and exercise referral participants etc.	Case studies reported by users via template and video clips – seek to undertake one a month for use on social media and to report to funders (evidence building).	Shared with funders, social media, use for impact reporting etc.

**Table 3: Additional Programme Performance Measurement (Examples)**

<b>Living Levels Landscape Partnership Programme – Heritage Lottery Fund</b>	
<b>Baseline monitoring</b>	<p>HLF Output monitoring – 52 individual output and outcome measures covering assessment of:</p> <ul style="list-style-type: none"> <li>• Protection enhancement and management of the landscape and heritage</li> <li>• Gwent Levels as a visitor destination</li> <li>• Identity and sense of place</li> <li>• Skills and learning</li> <li>• Sustainability and legacy</li> </ul>
<b>Standardised additional project monitoring</b>	<p>Target audience reach            Stakeholders learning something            Participants/beneficiaries enjoying themselves            Making a difference to stakeholders            The most significant difference a project has made            The participants/beneficiaries' quality of experience            Recognition of the Gwent Levels as a place to visit</p>
<b>National Exercise Referral Scheme</b>	
<b>NERS is an evidenced based health intervention incorporating physical activity and behavioural change to support referred clients to make healthy lifestyle changes to improve their health and wellbeing.</b>	<p>Targeting clients who are at risk of developing CHD and those with mild moderate anxiety.</p> <p>Developing Chronic Condition Pathways.</p> <p>Targeting clients who are at risk of developing or have a Chronic Condition, including cancer, cardiac rehab, pulmonary rehab, obesity and weight management, high BMI in pregnancy and dementia.</p>
<b>Learn to Swim Programme</b>	
<b>Developing every young person in Monmouthshire to be able to Swim. Through the Learn to Swim Wales Framework.</b>	<p><b>Splash</b>, an awards system, is the introduction to the Learn To Swim experience. It is intended to support a baby or toddlers journey into the aquatic environment.</p> <p><b>Learn to Swim Wales</b>, is a nationally recommended programme for the delivery of Learn to Swim lessons. The framework covers vital skills required for participation in aquatic activities and disciplines.</p> <p>Nofio Ysgol Framework, Primary School Swimming Plan. Nofio Ysgol formalises national standards and methodology for the teaching of swimming to children throughout Wales.</p> <p>Swimming and water safety are a recognised part of the National Curriculum, currently sitting specifically within the adventurous part of the PE Curriculum.</p>



## Active Gwent – Regional Plan

Monmouthshire County Council aims to respond to the drivers for change in Sport and Physical Activity that includes supporting the Vision for Sport Wales.

### Hooked on Sport

- Bespoke packages for age 0 – 4 years
- Bespoke packages for ages 5+
- Bespoke packages for ages 8+
- Bespoke packages for 13+

### Tackling Inequalities

- Bespoke packages for girls
- Bespoke packages for minority groups
- Bespoke packages for positive futures

### Sporting Pathways

- Bespoke package for Primary Schools
- Bespoke package for Secondary Schools
- Bespoke package for Community Sport Club Engagement
- To develop an annual community project to engage all of our target audience - **‘The Monmouthshire Games’**

## Happy Museums Events

<b>Cohesive</b>	Volunteer hours provided
<b>Resilient</b>	No. events raising environmental awareness
<b>Healthier</b>	% enjoyed the event
<b>Responsible</b>	No. local suppliers used
<b>More Equal</b>	% learnt something new / % inspired to attend other cultural activities in Monmouthshire
<b>Vibrant</b>	Worked with no. partners at event / % event capacity reached
<b>Prosperous</b>	% visited the area for event / Event contributed £s to the local economy

## Appendix 1: Draft Team and Programme Action Plans

<i>Extract from MonLife Business Plan – For each Identified Strategic Programme /Action Area</i>						
<b>Action</b>	<b>Expected Impact of the Action</b>	<b>Team &amp; Officer Responsible &amp; Timescale</b>	<b>Business Plan Objective contributed to</b>	<b>Funding</b>	<b>Outcomes &amp; measures</b>	<b>Quarterly Progress Update</b>
<i>Identify the specific action</i>	<i>Summarise the expected impact</i>	<i>Identify team and lead individuals and delivery timescale</i>	<i>1 -Financial stability and sustainability 2 - Meeting customer needs, developing and delivering valued services 3 - Organisational development, transforming the organisation</i>	<i>Identify funding source including specific grant, income etc.</i>	<i>Identify intended outcomes against outcome measurement framework &amp; proposed measures</i>	<i>Insert quarter progress updates, including, including summary of risk summary of risks</i>

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<b>Scheme / Project</b>	<b>Lead</b>	<b>Timescale</b>	<b>Status</b> <i>Update in italics</i>	<b>RAG</b>	<b>Changes to plans / actions</b> <i>Update in italics</i>	<b>Approved Costs v Latest Estimate (LE)</b>
<i>Identify the relevant detailed actions / projects linked to delivering the identified strategic programme or action in the MonLife Business Plan</i>						
<i>Insert programme action or project etc.</i>	<i>Identify lead individual(s) / team</i>	<i>Delivery timescale (specifically identifying grant deadlines etc. if relevant)</i>	<i>Short Description of current status and any quarterly updates on that status</i>	<i>Insert RAG rating</i>	<i>Identify any changes to underlying strategy, plans or actions necessary to meet existing timescales / delivery outcomes or identify changes to timescales / delivery outcomes</i>	<i>Insert costs and budget information where relevant</i>
			<i>No / Low risk: On programme no concerns / completed</i>			
			<i>Medium risk: manageable issues / changes to ensure adequate progress etc.</i>			
			<i>High risk: Lack of progress / significant issues to address etc.</i>			

**Appendix 2: Individual Case Studies of Outcomes / Benefits.**

**CASE STUDY TEMPLATE – Impacts and Outcomes**

<b>Project Lead</b>	
<b>Project Dates</b>	
<b>Partners (if any)</b>	
<b>Location</b>	
<b>Main aim of the project</b>	
<b>Project Resources</b>	<i>Including staff involved</i>
<b>Outputs</b>	
<b>Officer comments:</b> <ul style="list-style-type: none"> <li>- The impacts of the project</li> <li>- Best practice</li> <li>- Lessons learnt</li> </ul>	
<b>Barriers, risks and issues</b>	
<b>Outcomes achieved (in line with OMF) – Short-Term &amp; Long-Term</b>	
<b>Photographs</b>	
<b>Feedback from beneficiaries</b>	<i>Including Inspirational stories: What did you set out to achieve? How did we help? What is next?</i>
<b>Project Summary</b>	

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## Future Generations Evaluation (Includes Equalities and Sustainability)

<p><b>Name of the Officer</b> Matthew Lewis</p> <p><b>Phone no:</b> 07990 783165 <b>E-mail:</b> <a href="mailto:matthewlewis@monmouthshire.gov.uk">matthewlewis@monmouthshire.gov.uk</a></p>	<p><b>Proposed MonLife Performance and Evaluation Framework</b></p>
<p><b>Name of Service:</b> Enterprise including Tourism, Leisure, Culture and Youth</p>	<p><b>Date Future Generations Evaluation</b> 30 August 2018</p>

***NB. Key strategies and documents that may help you identify your contribution to the wellbeing goals and sustainable development principles include: Single Integrated Plan, Continuance Agreement, Improvement Plan, Local Development Plan, People Strategy, Asset Management Plan, Green Infrastructure SPG, Welsh Language Standards, etc.***



Does your proposal deliver any of the well-being goals below?




Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
<p><b>A prosperous Wales</b> Efficient use of resources, skilled, educated people, generates wealth, provides jobs</p>	<p>The proposed performance and evaluation framework is designed to support MonLife’s mission to promote healthier lives and inspirational experiences, and promote the vibrancy of Monmouthshire as a great place to be, based on a vision of “Enriching people’s lives and creating vibrant places”, hence contributing to delivery and evaluation of that delivery across the well-being goals including prosperous Wales (see Table 1 of report: Outcome measurement framework: draft outcome pillars)</p>	<p>Key performance indicators include training outputs, visitor numbers, destination marketing performance, tourism value and impact on local economy. As set out in the main report, the intention is that these measures will be further developed as the outcome measurement framework is refined under the “thriving” outcome pillar.</p>
<p><b>A resilient Wales</b> Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)</p>	<p>As above the proposed performance and evaluation framework is designed to support and evaluate contribution across the well-being goals including continuing and expanding actions to maintain and enhance biodiversity and ecosystems that support resilience (see Table 1 of</p>	<p>Key performance indicators include volunteering, biodiversity advice, green flag award status and programme specific monitoring and evaluation, for example of the Living Levels Landscape Partnership Programme. These measures will be further developed</p>

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
	report: Outcome measurement framework: draft outcome pillars)	as the outcome measurement framework is refined under the “thriving” outcome pillar.
<b>A healthier Wales</b> People’s physical and mental wellbeing is maximized and health impacts are understood	As above the proposed performance and evaluation framework is designed to support and evaluate contribution across the well-being goals including to promote healthier lives (see Table 1 of report: Outcome measurement framework: draft outcome pillars)	Key performance indicators include measures of leisure take up and loyalty, access to exercise referral scheme, young people’s engagement with sport and training, use of promoted rights of way, take up of reminiscence activities and programme specific monitoring and evaluation, for example of the learn to swim programme. These measures will be further developed as the outcome measurement framework is refined under the “healthy” outcome pillar.
<b>A Wales of cohesive communities</b> Communities are attractive, viable, safe and well connected	As above the proposed performance and evaluation framework is designed to support and evaluate contribution across the well-being goals including to promote improved community engagement and connection with local priorities. (see Table 1 of report: Outcome measurement framework: draft outcome pillars)	Key performance indicators include measures of customer feedback and engagement, volunteering, participants in events, engagement of young people etc. These measures will be further developed as the outcome measurement framework is refined under the “connected” outcome pillar.
<b>A globally responsible Wales</b> Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	As above the proposed performance and evaluation framework is designed to support and evaluate contribution across the well-being goals including taking account of global responsibility. (see Table 1 of report: Outcome measurement framework: draft outcome pillars).	Global impact is part of existing accreditation schemes, e.g. green flag award and this area will be further developed as the outcome measurement framework is refined under the “fair” outcome pillar.
<b>A Wales of vibrant culture and thriving Welsh language</b> Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	As above the proposed performance and evaluation framework is designed to support and evaluate contribution across the well-being goals including taking account of a Wales of vibrant culture and thriving Welsh language (see Table 1 of report: Outcome measurement framework: draft outcome pillars).	Key performance indicators include measures of volunteers, supporters, events participants and customer feedback. These measures will be further developed, as the outcome measurement framework is refined under the “fair and thriving” outcome pillars.
<b>A more equal Wales</b>	As above the proposed performance and evaluation framework is designed to support and evaluate contribution	Key performance indicators include measures of engagement of young people, access to services, training

Well Being Goal	Does the proposal contribute to this goal? Describe the positive and negative impacts.	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
People can fulfil their potential no matter what their background or circumstances	across the well-being goals including taking account of a more equal Wales. (see Table 1 of report: Outcome measurement framework: draft outcome pillars).	and learning and is specifically addressed in existing accreditation schemes, e.g. InSport accreditation. These measures will be further developed as the outcome measurement framework is refined under the “fair” pillar.

**2. How has your proposal embedded and prioritised the sustainable governance principles in its development?**

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 <p>Long Term</p> <p>Balancing short term need with long term and planning for the future</p>	<p>The draft framework establishes an integrated business planning, monitoring and evaluation framework across all of MonLife group’s activities to measure performance, evidence impact and drive continuous improvement. The performance and evaluation framework will develop over time as MonLife establishes and progresses new programmes for delivery. In the short term, the framework will reflect MonLife’s initial business plans and programmes, and consolidate the key performance indicators / business matrices already in place across Tourism, Leisure, Culture and Youth Services (TLCY) to ensure measures are maintained. In the longer term, a stronger outcome focus will be put in place as an Outcome Measurement Framework is developed.</p>	<p>So far, best practice has been identified from the wider sector in establishing a bespoke outcome measurement framework, and a cross service project team has been established who have completed an initial scoping of the proposed approach. The principles for this approach have been established (and are set out in the main report) and it is intended to provide a long-term (10yrs +) basis for future impact assessment based on “pillars” reflecting the potential scope of MonLife’s impact and to group measurement &amp; reporting of actions.</p>
 <p>Collaboration</p> <p>Working together with other partners to deliver objectives</p>	<p>The draft framework identifies the partners in measuring and evaluating MonLife’s delivery including external accreditation bodies and embracing specific partnership programme monitoring and evaluation.</p>	<p>Partners will be consulted and involved in the development of the outcome measurement framework</p>

Sustainable Development Principle	Does your proposal demonstrate you have met this principle? If yes, describe how. If not explain why.	Are there any additional actions to be taken to mitigate any negative impacts or better contribute to positive impacts?
 <p>Involving those with an interest and seeking their views</p> <p><b>Involvement</b></p>	<p>Customer and user feedback and interaction is at the heart of the draft framework.</p>	<p>The framework will be developed with further input from staff across MonLife, including the project group and from the Council via the Client Liaison Officer and the Performance Manager</p>
 <p>Putting resources into preventing problems occurring or getting worse</p> <p><b>Prevention</b></p>	<p>The draft framework embraces strategic risk management as to provide the necessary information to the Board/ directors and the Council to identify risk areas and ensure action can be taken to avoid problems getting worse</p>	<p>The Shadow Board will need to review the approach (along with the rest of the draft framework) and satisfy themselves it provides adequate risk management</p>
 <p>Considering impact on all wellbeing goals together and on other bodies</p> <p><b>Integration</b></p>	<p>As indicated above the framework seeks to integrate the well-being goals at each level - table 1 of the main report summaries this approach</p>	<p>As set out above this approach will be refined and developed as work on the outcome measurement framework progresses</p>

**3. Are your proposals going to affect any people or groups of people with protected characteristics?** Please explain the impact, the evidence you have used and any action you are taking below. For more detailed information on the protected characteristics, the Equality Act 2010 and the Welsh Language Standards that apply to Monmouthshire Council please follow this link: <http://hub/corporatedocs/Equalities/Forms/AllItems.aspx> or contact Alan Burkitt on 01633 644010 or [alanburkitt@monmouthshire.gov.uk](mailto:alanburkitt@monmouthshire.gov.uk)

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
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Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	No direct impact – the development of a comprehensive performance and evaluation framework will allow MonLife to assess over time its impacts on protected characteristics.	n/a	Customer and user feedback is central to the proposed performance management and evaluation framework
Disability	As in Age row	n/a	As in Age row
Gender reassignment	As in Age row	n/a	As in Age row
Marriage or civil partnership	As in Age row	n/a	As in Age row
Pregnancy or maternity	As in Age row	n/a	As in Age row
Race	As in Age row	n/a	As in Age row
Religion or Belief	As in Age row	n/a	As in Age row
Sex	As in Age row	n/a	As in Age row
Sexual Orientation	As in Age row	n/a	As in Age row
Welsh Language	As in Age row	n/a	As in Age row

4. Council has agreed the need to consider the impact its decisions has on important responsibilities of Corporate Parenting and safeguarding. Are your proposals going to affect either of these responsibilities? For more information please see the guidance <http://hub/corporatedocs/Democratic%20Services/Safeguarding%20Guidance.docx> and for more on Monmouthshire’s Corporate Parenting Strategy see <http://hub/corporatedocs/SitePages/Corporate%20Parenting%20Strategy.aspx>

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	Describe any negative impacts your proposal has on safeguarding and corporate parenting	What will you do/have you done to mitigate any negative impacts or better contribute to positive impacts?

Safeguarding	The performance and evaluation framework specifically embraces safeguarding and levels of training in place for all staff.	n/a	The performance and evaluation framework will contribute to safeguarding management and compliance
Corporate Parenting	No direct impact	n/a	

**5. What evidence and data has informed the development of your proposal?**

- The decision making process and reports to date, including the outline Business Plan, Governance reports, advice from Anthony Collins
- Current Service Improvement Plans and team action plans
- Guidance from existing grant providers
- Canal and River Trust's Outcome Measurement Framework
- Outcomes from the MonLife Outcome Measurement Framework working group
- MCC's existing business planning guidance and advice from the Performance Manager and the Client Liaison Officer

**SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?**

The proposed performance and evaluation framework is designed to support and evaluate contribution across the well-being goals and the proposed outcome measurement framework has been cross-referenced to these goals (see Table 1 of the main report) – this approach will be refined and developed as work on the outcome measurement framework progresses.

**7. ACTIONS: As a result of completing this form are there any further actions you will be undertaking? Please detail them below, if applicable.**

What are you going to do	When are you going to do it?	Who is responsible	Progress
Review and develop the performance and evaluation framework	Review by the shadow board once the board is appointed	MonLife Project Team, Shadow Board / Directors	
Development of outcome measurement framework	Ongoing	Outcome measurement Framework Project Group, MonLife Project Team	

8. **MONITORING:** The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.

The impacts of this proposal will be evaluated on:	Ongoing (in line with the above schedule)
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9. **VERSION CONTROL:** The Future Generations Evaluation should be used at the earliest stages of decision making, and then honed and refined throughout the decision making process. It is important to keep a record of this process so that we can demonstrate how we have considered and built in sustainable development wherever possible.

Version No.	Decision making stage	Date considered	Brief description of any amendments made following consideration
1	<i>Principle of the Alternative Delivery Model to be approved</i>	<i>September 2016</i>	<i>This will demonstrate how we have considered and built in sustainable development throughout the evolution of a proposal.</i>
2	<i>Outline Business Case Draft</i>	<i>March 2017</i>	
3	<i>Completion of Final Business Case and first draft of Business Plan</i>	<i>November 2017</i>	
4	<i>Completion of update report and associated draft legal and governing documents</i>	<i>June 2018</i>	
5	<i>Proposed MonLife Performance and Evaluation Framework</i>	<i>September 2018</i>	

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## AGENDA ITEM TBC

<b>SUBJECT:</b>	<b>STATEMENT OF ACCOUNTS 2017/18</b>
<b>MEETING:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>13<sup>th</sup> September 2018</b>
<b>DIVISIONS/WARD AFFECTED:</b>	<b>All Authority</b>

### 1. PURPOSE:

- 1.1 The purpose of this report is to provide a copy of the annual accounts for the Authority for 2017/18, subsequent to the audit process undertaken by Wales Audit Office (WAO), for consideration appreciating Audit Committee acts as the scrutiny function for the formal Accounts process prior to endorsement or otherwise of the Statements to September full Council meeting.
- 1.2 The Statements in relation to the Trust Funds, will follow at a future meeting, once those audits have been completed.

### 2. RECOMMENDATIONS:

- 2.1 That the final draft Monmouthshire County Council Statement of Accounts for 2017/18 (Appendix 1), be reviewed in conjunction with the auditors feedback (ISA260 report), and endorsed to full council.

### 3. KEY ISSUES

- 3.1 Under current legislation, the accounts preparation process, prior to audit, has to be concluded each year by 30<sup>th</sup> June. Council approval of the accounts follows the audit process which must be completed by 30<sup>th</sup> September. These accounts were prepared circa 3 weeks ahead of the 30<sup>th</sup> June deadline.
- 3.2 In an attempt to also undertake the audit of accounts quicker, WAO has sought to provide the ISA260 feedback document (Appendix 2) by the start of September. Given the deadlines for Committee circulation, this has been provided to Members verbatim, so this report provides details of the management pragmatic response or useful clarification, for member consideration of the Accounts.
- 3.3 The Statement of Accounts, shown in Appendix 1, is a highly technical document and its form and content are heavily regulated. In complying with these Standards, the accounts can be highly technical and do not always make easy reading. The main regulations come through the:
  - Code of Practice on Local Authority Accounting in the United Kingdom 2017/18
  - Supported by International Financial Reporting Standards (IFRS).
  - Service Reporting Code of Practice 2017/18

- 3.4 The formal Statement of Accounts includes the following prescribed reporting focus,
- Annual Governance Statement
  - Income & Expenditure Statement
  - Balance Sheet
  - Cashflow Statement
  - Movement in Reserves Statement
- 3.5 The Income and Expenditure Statement largely reflects the periodic monitoring report at outturn, however there are some additional aspects that appear in the formal Accounting Statements e.g. depreciation, amortisation and impairment of fixed assets which are reconciled in more detail in note 11.1 of the statement of accounts.

#### 4. REASONS

- 4.1 To review the Council's accounts as presented to external audit, concluding the external audit process, and endorsing the Statement of Accounts as a "true and fair" view to Council.
- 4.2 It is pleasing to note the auditors intend to provide an unqualified opinion on the Accounts, and management would wish to acknowledge the strength of relationship between Council and WAO, and the professional and helpful way that audit colleagues have conducted their activities.
- 4.3 Of significant note, the ISA 260 raises the following issues, the council's response to such is included alongside to reassure Members of the ongoing quality of the accounts.

- **Accrued income and deferred income overstated by £1,372,006** – This has been reviewed by the finance team and although it is considered an isolated error due to the complexity of this one specific grant claim process, steps will be put in place to ensure such an occurrence is avoided moving forward.
- **Termination Benefits understated by £15,000** – This has occurred due to an accrual not being made for a contract termination which was agreed close to the financial year end. As such there was a financial obligation for the Authority as at the 31<sup>st</sup> March 2018 that should have been recognised in the accounts. The directorate finance team responsible will be made aware of their responsibilities in ensuring that all such obligations are accounted for to ensure this error is not repeated.
- **Property, Plant and Equipment overstated by £1,020,000** – The Authority intends to make enhancements to the Revaluation request document to ensure that Estates consider any further potential impairment when major capital projects are being carried out.
- **Grant income and expenditure understated by £343,825** – Although this is a one-off error the finance teams across the Authority will be reminded of the correct financial process when dealing with the receipt of grant income and its subsequent re-allocation.
- **The Council is failing to 'de-recognise' existing infrastructure assets when these assets are replaced or where improvements are made** – The inference is that members may conclude management being deficient against the code of practice. The code of practice requires a depreciated historic cost model to be used for infrastructure assets. The authority is required to ensure assets are carried at their cost less any accumulated depreciation & impairment losses and the Authority is satisfied that we are complying with that requirement. There is currently no requirement to further split down the historic infrastructure base into individual assets or de-recognise individual pieces of roads, bridges, culverts or street lighting for example. Moving forward, we will continue to introduce improvements in better identifying new infrastructure assets when capital expenditure is incurred.

**5. RESOURCE IMPLICATIONS**

5.1 As outlined in the respective Accounts to be found in the Appendices.

**6. CONSULTEES**

Strategic Leadership Team  
Cabinet Members  
Head of Finance  
Head of Legal Service

**7. BACKGROUND PAPERS**

Appendix 1: Statement of Accounts 2017/18

**8. AUTHORS:**

Jonathan Davies	Finance Manager
Mark Howcroft	Assistant Head of Finance

**9. CONTACT DETAILS**

email: [jonathansdavies@monmouthshire.gov.uk](mailto:jonathansdavies@monmouthshire.gov.uk)

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# MONMOUTHSHIRE COUNTY COUNCIL

## ANNUAL ACCOUNTS

2017/18



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## 1 NARRATIVE REPORT

### 1.1 Introduction

Monmouthshire County Council's Statement of Accounts provides a record of the Council's financial position for the year. This section of the document supplements the financial information contained in the accounts, with the aim of providing an overview of the more significant financial and accounting issues which affected the Council during the year.

#### Key facts about Monmouthshire



Monmouthshire is the most South Eastern County in Wales covering the area from the towns of Abergavenny & Monmouth in the North to Chepstow & Caldicot in the South. It is a predominantly rural County covering an area of 328sq miles and serving a resident population of around 91,000.

The majority of the Council's administrative and political functions are located in the town of Usk.

#### Political and management structure

The Council uses a Leader and Cabinet (Executive) governance model, with the Cabinet comprised of elected members, who each have lead responsibility for an area of the Council's business, including the Leader. Council determines the Authority's policy framework and budget and other constitutional functions. Below Cabinet and Council level there are a number of committees and panels that fulfil various scrutiny, statutory oversight and regulatory functions.

There are 43 locally elected councillors representing 42 wards who sit on the various committees of the Council, the current political make-up (at 31st March 2018) of the Council is 25 Conservative, 10 Labour, 5 Independent and 3 Liberal Democrat Councillors.

The Cabinet and elected members are supported by the Council's Senior Leadership Team which is led by the Chief Executive. For management purposes the Council's operations are organised into Service Areas each of which is headed by a chief officer reporting to the Chief Executive. The Service Areas as at 31st March 2018 (with a brief overview of their functions) are:

#### Social Care & Health

Adult services, Community care, Children's services, Partnerships, Resources & performance management, Commissioning and Public protection.

#### Children & Young People

Schools and Early Years provision, Standards and Resources.

#### Chief Executive's Unit

Operations including waste, recycling, street cleansing, highways maintenance & street lighting and Legal & land charges.

#### Resources

Finance, Information communication & technology, People, Commercial, corporate & landlord services.

#### Enterprise

Business growth & enterprise, Tourism life & culture, Planning & housing and Governance, democracy & support.

#### Corporate

Corporate management, non-distributed costs, precepts & levies and Insurance

## 1.2 The Council's corporate aims and objectives

The Council's strategic direction is shaped by its over-arching corporate vision and its aims and priorities. All Council policies and decision-making are made with these goals in mind.

Monmouthshire County Council's Corporate Business Plan sets out the things we will be working on in the medium term. It provides direction and a sense of what will be important for the next four years, taking us up to the end of the political term in 2022.

The core vision is to help build sustainable and resilient communities that support the well-being of current and future generations. The five organisational goals underpinning this vision and current progress towards these is shown below:

### Helping build sustainable & resilient communities in Monmouthshire

Our five organisational goals - progress so far



#### BEST POSSIBLE START IN LIFE



**67% OF PUPILS** achieving 5 GCSEs grade A\* to C - the highest in Wales

Provided stability in education for the majority of looked after children, only 8% experienced a change of school.



New secondary school builds in Caldicot and Monmouth

#### THRIVING & CONNECTED COUNTY



**£1.2 BILLION** Cardiff Capital Region City Deal signed



Continuing to support the rollout of high speed broadband



**93.7%** OF MAIN ROADS surveyed in good or acceptable condition



**127** affordable housing completions since the Local Development Plan was adopted in 2014



**90%**

of planning applications determined in time - which is good performance in Wales

#### NATURAL & BUILT ENVIRONMENT



**99% OF STREETS** at a high or acceptable standard of cleanliness

**69% OF WASTE** is recycled - an increase from 56% four years ago and one of the highest rates in Wales

#### SOLAR FARM

developed in Crick will save over **2,000** tonnes of CO<sub>2</sub> per year by generating clean, renewable energy



#### LIFELONG WELL-BEING

**73%**

**OF ADULTS** can live independently following reablement which is above the Wales average



**34%** of people participate in sporting activities three or more times a week



**49%** of pupils hooked on sports for life

**FORWARD-LOOKING, FUTURE-FOCUSSED COUNCIL**



Total budget of  
**£146 MILLION**

**MANAGED BUDGET  
REDUCTIONS  
of £18.1 million  
in the last 4 years**



Established the Future Monmouthshire programme to ensure the council remains relevant and viable for the next generation

Launched the My Monmouthshire app, making it easier for thousands of people to contact us

### 1.3 Financial Performance for the Year

#### Revenue Budget for 2017/18

The net revenue budget for 2017/18 of £152m was financed from council tax, government grants, business rates & fees and supplemented by charges for services. The Council has a good track record of managing within approved budgets and has carefully managed its services during the year to achieve a balanced outturn position.

The 2017/18 revenue outturn produced an underspend position of £653,000 against the approved budget and this was transferred to Earmarked reserves to support future service provision, resulting in a balanced outturn position. Further details on the outturn position are provided in the June Cabinet report.

	Revised Budget	Actual	Variance
	£000	£000	£000
<b>Net Expenditure:</b>			
Net cost of services (internal management reporting)	145,550	146,232	682
Attributable costs – Fixed Asset Disposal	70	70	0
Interest and Investment Income	(21)	(158)	(137)
Interest Payable and Similar Charges	3,686	2,958	(728)
Charges Required Under Regulation	4,107	3,990	(117)
Capital Expenditure financed from revenue	92	92	-
Earmarked Contributions to Reserves	164	1,167	1,003
Earmarked Contributions from Reserves	(1,204)	(1,425)	(221)
<b>Financed by:</b>			
General government grants	(61,380)	(61,380)	-
Non-domestic rates	(30,419)	(30,419)	-
Council tax	(66,780)	(67,051)	(271)
Council Tax Benefit Support (included in NCS)	6,135	5,924	(211)
Contribution to/(from) Council Fund	0	-	0
<b>Council Fund (surplus)/deficit - Non-Schools</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Council Fund (surplus)/deficit - Schools</b>	<b>877</b>	<b>94</b>	<b>(783)</b>
<b>Council Fund (surplus)/deficit - Total</b>	<b>877</b>	<b>94</b>	<b>(783)</b>

The net cost of services in the table above of £146.2m is reported on a management accounting basis, i.e. the same basis as the budget reports used for internal reporting during the year. The figure for the net cost of services in the Comprehensive Income and Expenditure (CIES) of £161.8m is different because it is prepared on a financial accounting basis, which is specified by accounting guidelines.

Note 11.1 to the accounts shows how the figures reconcile.

#### Level of general and specific reserves/balances

The following summarises the Council's general and earmarked reserves, together with specific service reserves and trading account balances. Further information on these can be found in Section 10 of the accounts.

Reserves & balances	2015/16 £000	2016/17 £000	2017/18 £000
Council Fund Balance	7,111	7,111	7,111

School Balances	1,156	269	175
Earmarked Reserves	8,498	6,870	6,390
Service Reserves	244	278	147
Trading Accounts	527	655	837
<b>Total Usable Reserves &amp; balances available for Revenue Purposes</b>	<b>17,535</b>	<b>15,184</b>	<b>14,660</b>

### Capital expenditure & financing

In addition to revenue spending the Council also spent £48.1m on its assets which is detailed below along with the corresponding finance streams:

2016/17 £000		2017/18 £000
	<b>Expenditure</b>	
26,494	Schools modernisation programme	35,306
4,470	Infrastructure	4,471
2,467	Asset management schemes	2,839
4,299	Solar Farm - Oak Grove	436
882	Inclusion schemes	1,027
491	ICT schemes	65
720	Regeneration schemes	2,632
1,861	Vehicles	1,356
<b>41,684</b>	<b>Total Expenditure</b>	<b>48,131</b>
	<b>Financing</b>	
(2,949)	Capital receipts	(17,324)
(23,791)	Borrowing and Finance Lease Commitments	(15,444)
(14,051)	Grants and Contributions	(15,099)
(894)	Revenue and Reserve Contributions	(264)
<b>(41,684)</b>	<b>Total Financing</b>	<b>(48,131)</b>

### Significant capital receipts

The most significant capital receipts received in 2017/18 were £702k for Govilon School and £645k for Westwood Farm. All other receipts totalled £376k. The Council currently ring fences all capital receipts to support Band A of its 21st Century Schools development programme.

### Revaluation and disposals of non-current assets

The Council has a policy of revaluing all Land & Building assets every five years on a rolling programme. During 2017/18 Caldicot School, Oak Grove Solar Farm, Usk County Hall, Abergavenny Market and recreational areas & playing fields were revalued. The programme for subsequent years is as follows:

- 2018/19 – Primary schools, Land parcels, Museums & Theatres
- 2019/20 – Comprehensive schools, Car parks, Community centres, Associations & clubs
- 2020/21 – Leisure centres, Public conveniences, Hubs, Refuse tips, Residential homes & Sheltered housing

In addition to this rolling asset revaluation programme, an annual review is also undertaken of our assets for any significant changes in their use. The whole Investment Property portfolio is revalued by sample to ensure the value is properly reflecting in accounts.

During 2017/18 the value of our assets has increased from £334.9m to £362.5m, arising from recognising the in-year asset enhancing spend of £42 million; the rolling programme of revaluations in 2017/18 decreasing their held value by £2.5 million; depreciation of £11m and the sale of assets valued at £0.9m. Further details of these movements are outlined in note 12.1.



### Borrowing arrangements and sources of funds

The Council's overall borrowing, on a principal valuation basis, totalled £129.9m as at 31st March 2018 (£89.9m as at 31st March 2017), comprising of the following:

31st March 2017 £000		31st March 2018 £000
52,223	Public Works Loan Board	52,415
13,818	Market Loans & Bank loans	14,816
4,973	Welsh Government	5,210
18,935	Local Government bodies	47,891
0	Special Purpose Vehicle	4,538
0	Universities	5,000
<b>89,949</b>	<b>Total borrowing</b>	<b>129,870</b>

In May 2018 Council agreed the adoption of the Asset Investment Policy and the approval of up to £50,000,000 of prudential borrowing to fund acquisitions of land and property assets over a three year period. Further information can be found here:

<https://democracy.monmouthshire.gov.uk/documents/s14073/7.%2020180510%20Council%20-%20Asset%20Management%20Strategy%20-%20covering%20report.pdf>

Further information on borrowing arrangements is disclosed in notes 13.3 and 13.4 to the accounts. The Council continues to operate within its limits as set according to the Local Government Act 2003 and the CIPFA Prudential Code.

### Collection of Council Tax and Non-Domestic Rates

The Council Tax bill for Monmouthshire County Council in 2017/18 including amounts raised for Police and Community Councils was £1,466.49 (£1,405.95 in 2016/17) for properties in valuation Band D. We collected 98.2% in year of the total due (98.1% 2016/17). Our collection rate for Non-Domestic Rates increased to 97.7% in 2017/18 (97% in 2016/17). During the year £149,000 Council Tax and £368,000 Non-Domestic Rates' debts were written off (£183,000 and £278,000 in 2016/17).

### Pension Liabilities

The requirements of IAS19 *Employee Benefits* are incorporated into the Code of Practice. This requires the recognition of a net pension liability and a pensions reserve in the Balance Sheet together with entries in the Comprehensive Income and Expenditure Statement for movements in the asset/liability relating to defined benefit schemes (with reconciling entries back to contributions payable for council tax purposes via the Movement in Reserves Statement).

The pension liability at the end of the year amounted to £217,645,000 (£217,236,000 in 2016/17). The Authority is being charged increased employer contributions in order to contribute to the redressing of the balance of the pension fund. Further details are given in section 14 of the notes to the Accounts.

## 1.4 The Financial Outlook

Over the last four years, the Council has managed £19 million of savings from its service budgets. Funding from Welsh Government has reduced over the period and austerity looks set to continue for the foreseeable future. At the same time pressures on the budget have been increasing in terms of demographic growth, demand and expectations.

**2018/19:** In setting its 2018/19 revenue budget the Council was required to make difficult choices regarding service delivery and Council Tax levels. As part of the process the Council approved an annual Council Tax increase of 4.95%, which increased the annual band D charge by £58.57 to £1,241.76. It also approved £5m of savings measures to ensure that the approved budget is delivered.

**The Medium Term:** The continuing financial projections for the wider public sector continue to be regularly communicated and this Council, like all others, has significant service and financial challenges going forward. In November 2017 Cabinet approved its latest Medium Term Financial Plan (MTFP) (2018 to 2022), and this identified that a further £14m of savings will need to be identified to ensure that balanced positions are achieved.

In respect of the Council's Forward Capital Programme this has been constructed to principally support band A of the 21st Century Schools programme, Disabled Facilities Grants, Asset management and Infrastructure, with some £47.4m (including contributions to the Cardiff Capital Region City Deal initiative) forecast to be spent from 2018/19 to 2021/22.

### Cardiff Capital Region City Deal (CCRCD)

On 1st March 2017 the £1.2 billion Cardiff City Region City Deal between the UK Government, the Welsh Government and the 10 constituent councils in South East Wales, which includes Monmouthshire, was formally ratified. The investment is over a 20 year period and the key aim of the fund is to create 25,000 new jobs by 2036 and lever £4 billion of private sector investment.

The CCRD Investment Fund comprises two distinct elements:-

- £734 million – METRO scheme. This will comprise £503 million of Welsh Government funding provided over the first seven years from 2016/17 to 2022/23; £106 million from the European Development Fund, (which is committed and guaranteed following Brexit by both UK and Welsh Government); and £125 million from UK Government. This element will be the sole responsibility of Welsh Government.
- £495 million – Regional Cabinet Fund, comprising the ten constituent councils' commitment to borrow £120 million over the 20 year period of the Investment Fund, together with £375 million from the UK Government. This fund will be used for investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. This element will be the responsibility of the CCRD Regional Cabinet. The Council will make a 6.1% contribution to the £120 million based on its proportion of the regional population.
- As part of the original January 2017 report certain matters were reserved to the constituent Councils and the most significant was in respect of the business plan. This was approved by all Councils in March 2018. The Cardiff Capital Region City Deal made its first investment during 2017/18 and Monmouthshire's contribution was £1,487,240.

## 1.5 The Accounting Statements

The Authority's accounts for the year are set out in sections 5 to 17. They consist of:

### *Movement in Reserves Statement*

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the Council Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

### *Comprehensive Income and Expenditure Statement*

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations. This may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### *Balance Sheet*



The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories:

- The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### *Cash Flow Statement*

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

### *Notes to the Accounts*

The core financial statements outlined above are supported by notes to further assist the reader in interpreting the Authority's financial position for the year ended 31st March 2018. The notes are sectioned to aid the user of the accounts to navigate the extensive supporting notes.

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**J Robson**  
**Head of Finance (S151 Officer)**

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**Date**

## 2 STATEMENT OF RESPONSIBILITIES

### 2.1 The Authority's Responsibilities

The Authority is required to:-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

### 2.2 The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

The Head of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## CERTIFICATION OF ACCOUNTS

I certify that the accounts set out within sections 5 to 17 gives a true and fair view of the financial position of the Council as at the 31st March 2018 and its income and expenditure for the year ended 31st March 2018.

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**Joy Robson**  
**Head of Finance (S151 Officer)**

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**Date**

I confirm that these accounts were approved by the Leader of the Council on 20th September 2018 on behalf of Monmouthshire County Council.

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**Cllr Peter Fox**  
**Leader of the Council**

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**Date**

## ANNUAL GOVERNANCE STATEMENT FOR YEAR ENDED 31<sup>st</sup> MARCH 2018

### Executive Summary

The Statement itself demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving such as:

- a comprehensive Scrutiny Service Plan;
- evaluating the effectiveness of Safeguarding;
- calling managers into Audit Committee;
- MCC's model of engagement in understanding its communities' views.

WAO's review of Good Governance concluded that the Council has a clear strategic approach for significant changes, although, better information would help Members when deciding the future shape of the Council.

It is also recognised that there is further work to do. Progress against the 2016/17 action plan is shown at Appendix 1. The main areas for improvement in 2017/18 identified by the Council are:

- continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;
- Revise and update the Code of Corporate Governance and get it formally approved by Cabinet
- Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources.
- Improve performance management arrangements and improve strategic planning

An action plan to address areas for improvement is shown at Appendix 2.

- 1 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) and the Society of Local Authority Chief Executives and Senior Managers (S.O.L.A.C.E.), the 'Delivering Good Governance in Local Government Framework 2016' and Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.
- 2 The Statement itself demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving, but also recognise that there is further work to do. Progress against the 2016/17 action plan is shown at Appendix 1. The main areas for improvement in 2017/18 identified by the Council are shown in the action plan shown at Appendix 2.

### Scope of Responsibility

- 3 Monmouthshire County Council (the Council) (MCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This has been updated in recent years through the Wales Programme for Improvement 2005 and even more recently through the Local Government (Wales) Measure 2009 to encompass responsibility for securing continuous improvement based on the needs of and in engagement with communities. Further changes to national frameworks are anticipated as a result of Welsh Government's White Paper which is consulting on proposals to repeal the 2009 Measure.
- 4 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- 5 The Code of Corporate Governance, which is consistent with the principles of the C.I.P.F.A. / S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government', was approved by Council in July 2011; the Code was revised and updated in May 2014. This will need to be revised in accordance with the 2016 Framework and Guidance. A copy of the previous code is available from the Chief Internal Auditor. This statement explains how the Council has complied with the revised Framework and Guidance (2016) and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

### The Purpose of the Governance Framework

- 6 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its population outcomes, priorities and objectives and to consider whether those objectives have met the outcomes and led to the delivery of appropriate, cost effective services.
- 7 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, outcomes and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 8 The governance framework has been in place at the Council for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

#### The Governance Framework

- 9 The Council's Code of Corporate Governance will be revised in line with the following principles:

Overarching requirements for acting in the public interest:

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

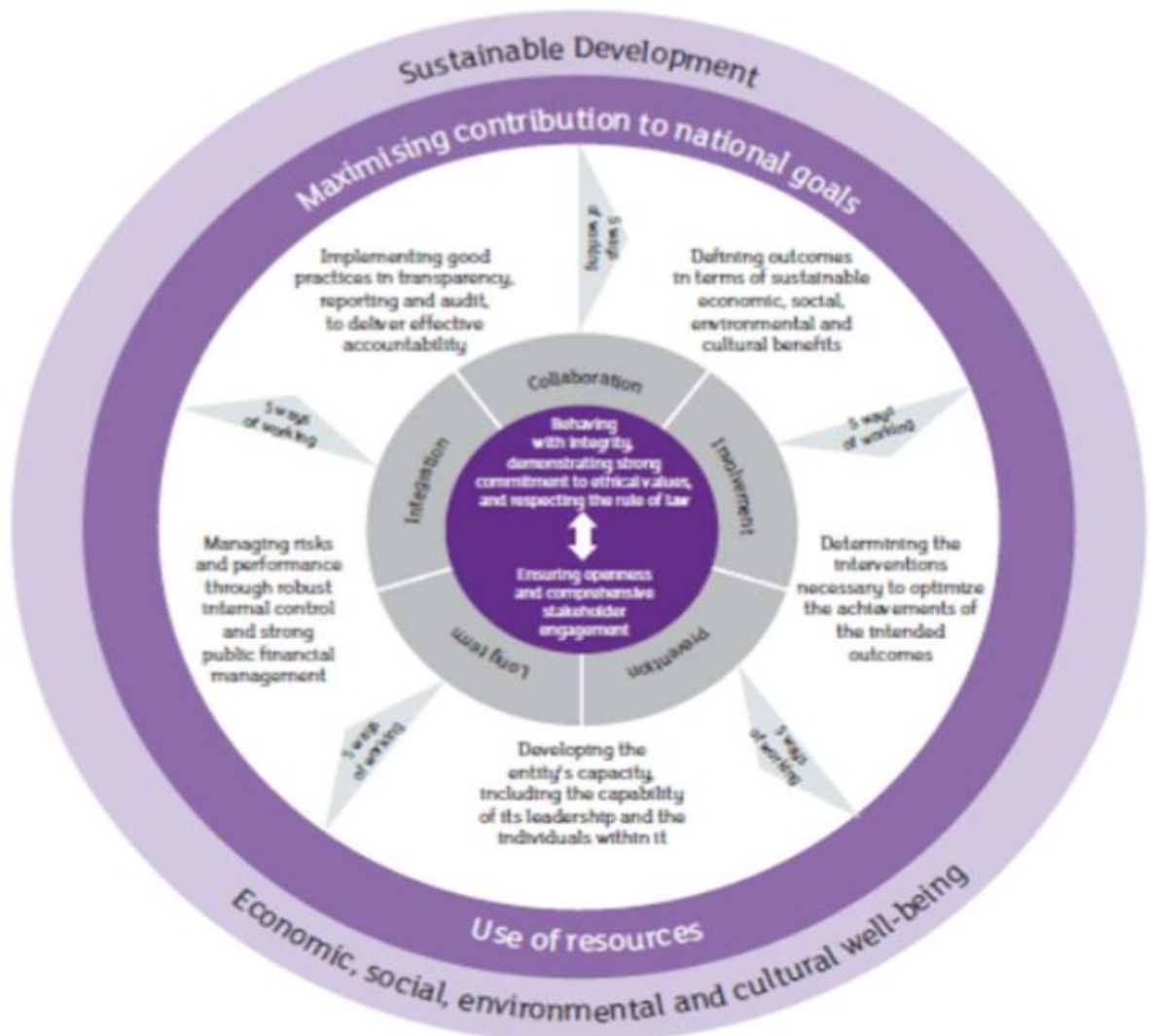
In addition achieving good governance in the Council requires effective arrangements for:

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

- 10 The diagram below brings together the above principles of good governance with the requirements of the Well-being of Future Generations (Wales) Act 2015. It shows sustainable development as all-encompassing. The core behaviours of:

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

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



- 11 The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 12 The key elements of the Council's governance arrangements are set out in The Improvement Plan; the latest version, Building Sustainable and Resilient Communities 2016-2017, was approved by Council in May 2016. Six monthly progress updates were presented to select committees during the year to enable scrutiny of progress and to allow Chief Officers and executive members to be held to account. The Council's four priorities up to May 2017 when the local authority elections took place were :

education of young people,  
 protecting the vulnerable,  
 supporting business and job creation,  
 maintaining locally accessible  
 services.



- 13 The Council subscribes to a vision shared with other public service partners as part of the Public Service Board of working to deliver 'Sustainable *resilient communities*'. This is the cornerstone of the County's Single Integrated Plan 2013 -2017 where three themes have been adopted:

**Nobody is Left Behind**

**People are Confident, Capable and Involved**

**Our County Thrives.**

- 14 The Corporate Business Plan "22 for 22": A Monmouthshire that Works for Everyone was approved by Council in January 2018 and set out the Council's new priorities to 2022, aligned with the well-being objectives of the PSB:

**Best possible start in life**

**Thriving and connected communities**

**Natural and built environments**

**Lifelong wellbeing**

**Future focused council**

- 15 In April 2016 the Local Service Board became the Public Service Board or PSB. As part of the requirements of the Well-being of Future Generations (Wales) Act 2015 the Public Service Board are focused on improving social, economic, environmental and cultural wellbeing, in accordance with the sustainable development principle. Public Service Boards have a planning responsibility to prepare and publish an assessment of local well-being, produce a local well-being plan by May 2018 and report annually on its progress

**Review of Effectiveness**

- 16 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team within the Authority which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 17 The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 18 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:
- i) The Monitoring Officer has reviewed the Council's Constitution and ethical governance arrangements during the year. The constitution was revised and approved by Council in December 2017;
  - ii) periodic reviews of the financial controls including the financial procedure rules by the Chief Finance Officer (Head of Finance); financial procedure rules were approved by Council in September 2014;
  - iii) Revisions and updates to strengthen the strategic risk Management Policy were approved by Cabinet in March 2018;
  - iv) Formal risk management and regular ongoing review of the processes involved;
  - v) Scrutiny Service Plan 2016-2017; Scrutiny has conducted a Self-evaluation and Peer Review with several other councils during Spring 2017 as part of our ongoing commitment to continuous improvement;
  - vi) Scrutiny reports its annual appraisal and Scrutiny Service Plan to Audit Committee to satisfy them that the Council's arrangements are working effectively;

- vii) the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems, establishments and major projects in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that agreed recommendations are implemented;
- viii) the work of the Council's Select and other Committees, including its Audit and Standards committees;
- ix) the opinions and recommendations of the Council's external auditors, following both financial audit work and per the Local Government Measure in regard to matters, including governance issues, which are considered for action and implementation and reported to Council, Cabinet and Audit Committee, as appropriate;
- x) The opinions and recommendations of other inspection, regulation and review agencies which are reported to Council, Cabinet and Audit Committee as appropriate. Audit Committee receives a regular report on the progress made with recommendations and proposals issued by Wales Audit Office
- xi) regular monitoring of performance against the Improvement Plan and service plans and of key targets, and reporting of this to senior management and members;
- xii) Audit Committee annual report;
- xiii) Evaluating the effectiveness of Safeguarding in Monmouthshire was taken through Cabinet;
- xiv) Annual appraisal of the effectiveness of the authority's performance management arrangements reported annually to Audit Committee.

- 19 The following paragraphs review the effectiveness of the governance arrangements in Monmouthshire under the 7 principles.

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

- 20 The code of conduct for members and a protocol on member / officer relations are set out in the constitution. A new version of the code of conduct for members was adopted by Council in May 2016. The council also has a local protocol for the self-regulation of member conduct.
- 21 The Standards Committee, which includes a majority of independent representatives, advises on and monitors the Members' Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members.
- 22 Agreed arrangements enable the Council to comply with statutory requirements in respect of child protection and the protection of vulnerable adults. Recruitment procedures help ensure that Council employees and Members working with children or vulnerable adults are checked for their suitability to do so.
- 23 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.
- 24 There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.
- 25 Policy and decision-making is facilitated through (i) the Cabinet, the meetings of which are open to the public and live streamed on YouTube except where exempt or confidential matters are being discussed, and (ii) a scheme of delegation to committees and officers as set out in the Constitution: Five select committees (including the statutory PSB Select Committee) and a separate audit committee review, scrutinise and hold to account the performance of the Cabinet, decision-making committees and officers. A Scrutiny "Call-In" process for decisions which have been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness.



- 26 A Scrutiny and Executive Protocol is in place which is aligned to the updated constitution of December 2017 and provides parameters for effective executive and scrutiny relationships.
- 27 The Constitution is updated periodically by the Monitoring Officer; it was reviewed and updated during 2017/18, and approved by Council in December 2017; it continues to be reviewed. It can be found on the Council's website and sets out:
- how the Council operates and makes decisions,
  - the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders,
  - the key roles of all members and chief officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated chief officers,
  - a scheme of delegated powers for decision-taking
  - responsibilities for reviewing and agreeing the Council's corporate governance arrangements,
  - arrangements for ensuring it is regularly reviewed and updated
  - its related codes and protocols.
- 28 To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; to ensure sound financial management is a key factor in decisions, the Head of Finance attends SLT, Cabinet and Council meetings.
- 29 The ethical governance framework includes:
- codes of conduct for officers and members
  - a protocol governing Member/Officer relations,
  - a whistle-blowing policy widely communicated within the Council and which is regularly reviewed [ reviewed and approved by Cabinet June 2017]
  - registers of personal and business interests for Members
  - an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied.
  - equalities awareness training
- 30 In accordance with the Local Government and Housing Act, 1989, the Monitoring Officer ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman Investigation resulting in a finding of maladministration
- 31 All exemptions of the Contract Procedure Rules are reported through Audit Committee six monthly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Procedure Rules and Financial Procedure Rules.
- 32 The Audit Committee called in several senior managers during the year and challenged them on why a procurement process went outside the Council's normal tendering processes.
- 33 37 Internal Audit opinions were issued in 2017/18; 8 audit jobs resulted in **Limited** assurance.
- 34 The overall opinion on the adequacy of the internal control environment for 2017/18 was **REASONABLE**. Management agreed to implement the recommendations made in audit reports in order to address the weaknesses identified. The Internal Audit opinions issued in 2017/18 were revised during 2016/17 to reflect the level of assurance gained from the audit review and were as follows; more detail can be found in the Annual Internal Outturn Report for 2017/18, as reported to Audit Committee:

	2015-16	2016-17	2017-18
Substantial Assurance (Very Good)	0	3	2
Considerable Assurance (Good)	9	10	11
Reasonable Assurance	14	7	16
Limited Assurance (Unsatisfactory)	3	7	8
<b>Total</b>	<b>26</b>	<b>27</b>	<b>37</b>

- 35 Reasons why the outcome of the audit reviews which were deemed to provide Limited assurance were presented in a separate report to Audit Committee which has sought assurances from respective operational managers that action will be taken to make the necessary improvements in control.
- 36 The Internal Audit team had a full complement of staff for the full year; 82% of the 2017/18 plan was achieved, which was an improvement on the previous year (75%). The Chief Internal Auditor's overall audit opinion is based on the number of audits undertaken and their individual opinions; he was able to give an overall opinion on the adequacy of the control environment.
- 37 The Internal Audit team undertook a self assessment during the year to assess its compliance with the Public Sector Internal Audit Standards (PSIAS). This was further validated through a peer review process undertaken by the Chief Internal Auditor for Neath Port Talbot Council; the outcome of which was that the team are generally compliant, the highest level of compliance.
- 38 An Improvement Framework is in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement. This is supported by a range of mechanisms including collaborative working initiatives and reviews undertaken both internally and by the external auditors and inspectors. This framework works in conjunction with the Local Government Wales Measure 2009.
- 39 Chief Officers and Heads of Service are accountable for ensuring that the Council Priorities are delivered, and performance against key targets is regularly monitored via the performance management framework and is regularly reported to members via Select Committees.

**Principle B: Ensuring openness and comprehensive stakeholder engagement**

- 40 The agendas are published in advance of all meetings on the Council's website.
- 41 The Scrutiny reports on recommendations/outcomes from scrutiny activity are presented to Cabinet quarterly. The scrutiny function has a 'Scrutiny Service Improvement Plan'. The plan is built into the Council's improvement framework. The plan is also scrutinised by the Council's Audit Committee annually to ensure they are satisfied that the Council has appropriate and effective scrutiny arrangements in place.
- 42 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles. The Scrutiny Handbook provides a guide for Members, officers and the public on the role and value of scrutiny and the website displays the Scrutiny Forward Work Programme and invites public submissions. Development of Customer Insight to better understand our communities. Dissemination of ward meeting minutes.
- 43 Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message. The Council has partnered with an IT supplier to develop Monmouthshire Made Open – a digital engagement platform to enable local people to

help shape ideas to the challenges facing their communities. Scrutiny now has a Twitter account to help engage more effectively with the public on democracy.

- 44 There were several public engagement events undertaken in 2016/17 and 2017/18 for the budget. MCC's model of engagement in understanding its communities' views and the way it now operates as an organisation was shared with many delegates at a Welsh sustainability conference as exemplar. The Council has encouraged the community within Monmouthshire to actively contribute to making stepped changes to improve the way in which services are provided and is a key workstream of the Future Monmouthshire programme established by the Council in May 2016; the intention is to transform public service delivery. This links back to the principles of the Well-being of Future Generations Act which sets out five ways of working including involvement.
- 45 Monmouthshire Public Service Board has produced its Well-being Assessment for the county in March 2017. This will help to shape the future of the area and its communities by informing the Public Service Board's Well-being plan which will be subject to a prolonged consultation period. The assessment draws together findings from data, academic research and policy papers and the views of local people. The views of local people were gathered as part of an extensive community engagement exercise to test whether the data reflected peoples' lived experiences – this was called Our Monmouthshire.
- 46 Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Audit Committee process before being endorsed by Council. All Council decisions, reports and questions asked by Members are available on the website. Financial information, Improvement Plan progress, Council activities, achievements, developments, updates and events were included on the Council's intranet and website, with all Council, Cabinet and Scrutiny Committees now live streamed on You Tube.
- 47 All public meetings of the Council are live streamed on YouTube and are available to view on the Council's YouTube channel at any time after the meeting, which provides greater transparency of the Council's business. The Council, Cabinet, Audit Committee, Select Committees and Planning / Licensing Committees are streamed live on the internet.
- 48 Individual Cabinet Members can make decisions under the scheme of delegation; agendas and decisions for all Cabinet Members are published on the Council's website.
- 49 The Council's website contains links to the following areas in the interests of openness.

- [Data Protection](#)
- [Freedom of Information \(Fol\)](#)
- [Equality and diversity and the Equality Act, 2010](#)
- [Monmouthshire and the Welsh Language](#)
- [Policies, Plans and Procedures](#)
- [Council Performance](#)
- [Budget and Spending](#)
- [Public Service Board \(PSB\)](#)
- [Cardiff Capital Region City Deal](#)
- [The Well-being of Future Generations Act](#)
- [Complaints, Comments, Feedback and Compliment](#)
- [Our Monmouthshire](#)

- 50 The Council has received a number of Freedom of Information Act requests during the year, with no complaints made to the Information Commission Officer. 82% of requests were responded to within the required 20 days:

	2015-16	2016-17	2017/18
No' of FOI requests closed	1057	1055	1005
No' responded to within 20 days	1034	1022	949
Percentage of FOIs responded to within 20 days	98%	97%	82%

- 51 The Medium Term Financial Plan (MTFP) supports the vision for Monmouthshire and extensive public engagement continued in 2017/18 for the 2018/19 budget and Medium Term Financial Plan which engaged with the public in their own community; this included website, social media, drop in sessions and open meeting. The Chief Executive and Leader of the Council also held consultation roadshows across the whole County with staff. These were key to providing people with the opportunity to become informed.
- 52 The Improvement Plan, Building Sustainable and Resilient Communities, 2016/17 involved a public consultation which took place between 1st April – 22nd April 2016.
- 53 During 2017/18 the Public Service Board (PSB) agendas and minutes were published online on the MCC website to ensure transparency.
- 54 Public engagement and consultation is key to the WFG Act. One of the five ways of working is Involvement - *the importance of involving people with an interest in achieving the well-being goals, and ensuring that those people reflect the diversity of the area which the body serves*. This along with the other ways of working is now considered in all relevant decision making reports for Cabinet and Council through a Future Generations Evaluation which includes Equalities and Sustainability Impact Assessments. The progress of implementing the WFG Act was reported through the Audit Committee in July 2017.
- 55 Implementing Open Government standards which enable us to effectively engage with our citizens and open up our data for anyone who needs to use it. Making the most of digitisation and digital inclusion to enable us to engage with people across our County.

**Principle C: Defining outcomes in terms of sustainable economic, social, environmental and cultural benefits**

- 56 The Council's Improvement Plan for 2016/17, Building Sustainable and Resilient Communities, was approved by Council in May 2016. This plan outlines the council's responsibility to publish its Improvement Objectives in line with the plans for the year ahead as outlined in section 15(7) of the Local Government (Wales) Measure 2009 and shows how the council is delivering the 7 aspects of improvement.
- 57 The Single Integrated Plan sets out the vision of the Public Service Board – a partnership of the key public service providers in Monmouthshire which includes the Council – it has three key themes; nobody is left behind, people are confident, capable and involved; and our County thrives. It is developed by and agreed by all our partner organisations who are members of the Board. Currently the partnerships are more focussed on emerging issues and key issues identified in the wellbeing assessment and responding to them collectively as a partnership, as well as fulfilling statutory duties.



- 58 The Council's strategic partners and wider stakeholders were fully engaged in the development of the Single Integrated Plan 2013-17 (SIP) incorporating key themes and outcomes to realise the shared vision. The organisation's Stage 1 Improvement Plan underpins the Council's contribution to the SIP by setting Annual Improvement Objectives for 2016/17. The Stage 2 Improvement Plan was presented to Council in September 2017 which reviewed Council performance in the previous financial (2016/17) and included an evaluation of how well it delivered against the objectives set by Council.
- 59 Under the Well-being of Future Generations (Wales) Act 2015 The Council has a responsibility to:
- Set and publish well-being objectives
  - Take all reasonable steps to meet those objectives
  - Publish a statement about well-being objectives
  - Detail arrangements to publish an annual report of progress
- 60 In March 2018 Council approved the Council's Well-being Plan and endorsed the Area plan... The well-being objectives set bring together the latest evidence from the well-being assessment, policy and legislation and show how the Council will strive to deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs. The Council is also required under the Local Government (Wales) Measure 2009 to set annual Improvement Objectives and produce an Improvement Plan, the wellbeing objectives meet this duty. The Council's well-being objectives, as agreed in March 2017, are:
- Provide children and young people with the best possible start in life to help them achieve better outcomes
  - Maximise the potential in our communities to improve well-being for people throughout their life course
  - Maximise the benefits of the natural and built environment for the well-being of current and future generations
  - Develop opportunities for communities and businesses to ensure a well-connected and thriving county
- 61 The Annual Improvement Plan Objectives for 2016/17 are supported by service plans to operationally deliver these objectives. Planned improvements and targets are aligned to the Annual Improvement Objectives. Service plans were developed in 2017/18 covering all service areas and were updated quarterly and made available on the Council's Hub. These were quality assessed as part of the service planning process.
- 62 In July 2017 Wales Audit Office provided an update to Audit Committee on its Proposals for Improvement. The proposals came out of previous reports and were categorised across governance, performance management, HR, Finance and partnership / collaboration working. There were 18 open proposals and 6 closed proposals; the Council is working through the open proposals.
- 63 Reports were taken through the Scrutiny process during the year which linked service plans to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents available through the Council's website.
- 64 In 2015/16 the Council was an early adopter of the Wellbeing of Future Generations Act which came into effect in April 2016. Preparation included increased awareness raising with Council members and officers. Extensive work continued in 2016/17 to implement the act including training sessions and developing the Well-being assessment in partnership with PSB partners this was endorsed by Council and approved by the Public Service Board (PSB) in March 2017.
- 65 The Council is embracing the benefits of digital communications including social media use. It is also developing additional digital channels by introducing a Customer Services app, enabling people to interact and transact with the Council using mobile devices. We are also further developing the Council's website making it easier to navigate and including more transactional functions. Social media continues to thrive during 2017/18 through Twitter, Facebook and You

Tube to raise awareness of forthcoming events, to provide live streaming of Cabinet, Council and other political meetings, to promote the activities and services provided and to show support and encouragement for community groups.

- 66 Enhancing the digital services with economic (effective and efficient processes aiding business interaction), environmental (less travel and print consumables) and social (digital customer centric services). Measured via the Digital Programme Office Service plan and performance planning process.
- 67 To ensure the best use is made of resources and that taxpayers and service users receive excellent value for money, there are a number of mechanisms within the Council to support this. The option appraisals for the 21<sup>st</sup> Century Schools considered cost and quality to determine the best outcome for the service; budget mandates were in place to monitor and capture the savings assessments; the IT Board reviewed business cases for future IT investment.
- 68 Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year, and the budget management actions of Cabinet and senior officers are scrutinized by 4 of the Select committees quarterly. The budget monitoring reporting cycle periodically contains some output measures and unit cost data, so that economic comparison of costs with other Councils can be made. Previously the Council has compared very favourably to others. The updated MTFP was reviewed and approved by Cabinet over the course of the budget setting period (Sept 2016 to Jan 2017) in response to feedback from engagement and scrutiny sessions and the budget was set in January 2018 by Council for 2018/19. Ongoing scrutiny of the Council's budget position in line with the MTFP has provided members with a greater understanding of the budget setting process and the pressures within individual directorates.
- 69 An authority-wide performance measurement system for the Council, the "data hub", hosted on the Council's intranet site continues to be used and further developed. This is available within 3 clicks of the homepage that opens up on all laptops and enables members and officers to track and monitor key data at any point in time from key strategic plans to directorate level "dashboards". This also allows performance to be compared against other council areas, where applicable. A Cabinet level dashboard contains a number of key performance measures and is discussed quarterly by SLT and Cabinet.
- 70 Based on 2016/17 National Performance indicator data the council has seen service performance improve, or remain at the maximum level, in 45% of comparable indicators. When comparing against other local authorities Monmouthshire was ranked in the top or upper middle quartiles for 60% of its targets. Comparable National Performance indicator data for 2017/18 will be available in September 2018.
- 71 The Council utilises 'Buy For Wales' contracts to ensure value for money is obtained in procuring the many goods and services required to run the Council. A nationwide analysis found that MCC had the highest proportion of spend with SMEs of any local authority in the UK (Source:<http://www.spendsmall.org/>)
- 72 The Equality Impact Assessment and Sustainable Development checklist have been revised and combined to align with the Future Generations Act. The "Future Generations Evaluation" ensures the decisions the Council makes are carefully considered to take equality and sustainable development into account, this includes legislation that Monmouthshire County Council is subject to the Equality Act 2010, Wellbeing of Future Generations Act and Welsh Language (Wales) Measure 2011. A range of these were undertaken during 2016/17 which have been published on the website accompanying decision making reports.
- 73 The Wales Audit Office (WAO) presented its Annual Improvement Report 2016/17 to Audit Committee in September 2017; the overall conclusion was that the Council is likely to meet its statutory requirements in relation to continuous improvement providing it responds constructively and in a timely way to WAO's statutory recommendations.
- 74 The WAO reported on their follow on review of Good Governance when determining significant service changes, through Audit Committee in July 2017. They concluded that the Council has a

clear strategic approach for significant changes, although, better information would help Members when deciding the future shape of the Council.

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

- 75 The Local Authority is a partner in the South East Wales Consortium Schools Causing Concern protocol. This Policy forms a part of, and is aligned with, the National Model for School Improvement in relation to the informal support and challenge provided by the Local Authority (LA) to a school prior to any issuing of a warning notice or invocation of formal powers of intervention based on the six grounds for intervention. It also aligns with the Welsh Government (WG) Guidance on Schools Causing Concern (March 2016).
- 76 Contract Procedure Rules exemptions are reported to the Audit Committee 6 monthly; managers have been challenged in year to justify their procurement outside the Council agreed procedures. Several managers were called in to Audit Committee to give an account of why accepted procedures were not followed.
- 77 Regular reporting into Cabinet, Scrutiny and Audit Committee enables the achievement of the Council's objectives to be challenged and appropriate action plans put in place to address any identified issues so that the intended outcomes can be achieved. The Improvement Objectives and Performance indicators - 2016/17 were taken through Select Committees six monthly. The Strategic Risk Assessment 2016 was also taken through Select Committee, Audit Committee and signed off by Cabinet during the year.
- 78 Dealing with customer complaints helps Monmouthshire to identify and deal with failures in service delivery. The Council's complaint / compliment procedure is available on the web site. Out of 87 complaints received in 2017/18, 74 were resolved informally although 1 complaint was referred to the Ombudsman, who decided not to investigate. 13 formal complaints were received, 2 of which were escalated. 123 comments were received along with 189 compliments.

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

- 79 The Council's recruitment procedures provide equality of employment opportunities. The equality-assessed pay structure meets the requirements of the Single Status Agreement of 1997. The Single Status Collective Agreement was approved by Cabinet in September 2010.
- 80 Developing the digital capabilities of people and systems to enable effectiveness, efficiency and enhanced customer services ( measured via the Digital Programme SIP)
- 81 There is continued support for Members' development through briefing sessions and other learning opportunities. A comprehensive training programme was developed for the intake of new members following Council elections in May 2017 including:

Council Induction	Licensing	Audit
Planning	Scrutiny	Children & Young People
Finance	Governance	Safeguarding
Security at Events	Equalities	

- 82 There is also ongoing training and development which meets the needs of officers and members through the corporate programme. Coaching and leadership skills training will be rolled out to all managers in due course. Check in, Check Out provides a value-based performance assessment approach between staff and line managers and aims to ensure employees have clear and effective understanding of their contribution to the objectives of their teams and subsequently the Council.



- 83 Scrutiny Member Development programme is in place which provides ongoing specific skills based training for Members and includes scrutiny induction.
- 84 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance.

#### Partnerships/collaboration working

- 85 There is Council policy on information sharing along with numerous information sharing protocols with our partners; this is included within the Data Protection Policy. Information sharing is key to joined-up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Monmouthshire signed up to this in January 2011. The Authority is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 1998 and more recently, the General Data Protection Regulation 2018. The Information Sharing protocol has been developed to ensure information is only shared appropriately, safely and compliantly.
- 86 The Council ensures that it has appropriate governance arrangements around its collaborations with other public agencies and other third parties. These can take a range of forms, from informal arrangements to those where governance arrangements are determined through legislation. The governance arrangements form a key part of the decision making processes that the Cabinet or Council follow when deciding to enter a collaborative arrangement, transparent local accountability is a key area of focus.
- 87 As a key example of our commitment to effective governance, arrangements have been developed for the PSB Select Committee.
- 88 An exercise was undertaken in 2013/14 to determine the full extent of the Council's collaboration and partnership arrangements and their respective governance arrangements. A Partnership Audit was undertaken and reported into the Audit Committee in May 2014; 100 partnership / collaboration arrangements were identified. Although the governance arrangements for the majority of partnerships identified have been captured, further work clarified the governance arrangements for all of the partnerships; this was reported to Members through the Audit Committee. Governance arrangements have been put in place around all key partnerships the Council is involved with. Monmouthshire's Partnership Structure is now shown on The Hub and was reported through Strong Communities Select in April 2016.
- 89 Wales Audit Office made a proposal for improvement to the Council as part of their Annual Improvement Report 2014-15, published in November 2015, to "Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources." The action the Council is taking in response to the proposal was reported to Cabinet in January 2016. A community governance review was undertaken to improve community engagement.
- 90 Their Corporate Assessment on the Council, reported through Audit Committee in January 2016, stated "The Council demonstrates ambition in its vision, enthusiasm to deliver and commitment to working collaboratively, but this needs to be supported by a clearly joined-up strategic approach and effective delivery mechanisms." In May 2016 Cabinet agreed to commission a strategic programme of whole-authority work called 'Future Monmouthshire'. Future Monmouthshire identified shifts and changes needed in Monmouthshire and positioned the Council as the key enabler in bringing them about. It will inform the development of a new business model for the Council in order to equip it to meet its goals amidst increasing change and uncertainty. The new model will help inform planning for any further partnership and collaborative working.

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



- 91 There are robust arrangements for effective financial control through the Council's accounting procedures and financial regulations. These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets. The Chief Finance Officer is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Procedures for tendering and contract letting are included in the Contract Procedure Rules and Financial Regulations. The Council's Treasury Management arrangements follow professional practice, are subject to regular review and are contained in the Treasury Management Strategy approved by Council each year.
- 92 Wales Audit Office made a proposal for improvement to the Council as part of their Annual Improvement Report 2014-15, published in November 2015, to "Strengthen the governance and challenge arrangements by: ensuring that minutes of meetings are signed at the next suitable meeting in accordance with the Council's constitution to improve timeliness and transparency of public reporting; and reconsider the Council's policy of not formally minuting Cabinet meetings". All agendas are published in advance on the Council's website and the Cabinet meetings are live streamed.
- 93 In May 2016 Wales Audit Office published its review of the Council's progress to improve its governance arrangements by seeking to answer the following question: 'Is the Council effectively addressing issues raised in the 2015 Corporate Assessment and its own Scrutiny Action Plan to improve governance?' The report concluded that the Council has made progress in improving its governance arrangements although more work is needed to strengthen the transparency of decision making and recording. In July 2017 Wales Audit Office reported to Audit Committee that the "Council has a clear strategic approach for significant service changes, although better information would help Members when deciding the future shape of the Council".
- 94 The most recent update on the action the Council is taking in response to the proposal was reported to Audit Committee in July 2017. This identified progress made which the 'Modern Gov' system has been implemented and improved the documentation of minutes, agendas and reports for meetings on the Council's website, with further implementation of the system planned. Work is ongoing training report writers to implement improvements and senior officer accountability. A decision-log of Cabinet meetings is published on the website following each Cabinet meeting detailing the decisions that have been which include any amendments made to the proposed decision. Not publishing minutes for Cabinet has been a longstanding practice of the Council which has raised no issues of transparency and openness in the decision making process and the Council does not have any plans to change this process for recording decisions at Cabinet.
- 95 The anti-fraud, bribery and corruption strategy was revised and updated during 2017/18. It was approved by Cabinet July 2017 and provides a deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention. The Council's Council Tax Reduction Anti-Fraud Policy was approved by Cabinet in June 2015.
- 96 The Audit Committee considers the effectiveness of the Council's arrangements for securing continuous improvement including risk management arrangements. The Audit Committee also considers corporate governance, monitors the work of auditors and inspectors, and monitors the relationships between auditors and staff and the responses to audit and inspection recommendations. It also has responsibility for reviewing the Annual Statement of Accounts and its associated reports (which include this statement) before approval by Council. The Audit Committee has an independent, non-political, Chairman who prepares an annual report of the work of the Audit Committee.
- 97 Internal Audit operate to the standards set out in the 'Public Sector Internal Auditing Standards' which have been developed from the Institute of Internal Auditors (IIA) International Internal Auditing Standards which came into effect in April 2013. The team's role and status is set out in the Council's Internal Audit Charter. The Chief Internal Auditor reports to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's control environment.
- 98 The Chief Internal Auditor will ensure Internal Audit complies with the Public Sector Internal Audit Standards. A self assessment was undertaken during 2017/18 to assess compliance with the

Standards which was validated in March 2018 by an external assessor, the Chief Internal Auditor of Neath Port Talbot Council. The outcome of which was that the Internal Audit team is generally compliant, the highest level of compliance.

- 99 The Council has an objective and professional relationship with its external auditors and statutory inspectors.
- 100 Managing our information resource through strategies and policies to enable effective decision making which is managed via the draft information strategy and action plan.

### Risk management

101 The Council's Strategic Risk Management Policy was updated and approved by Cabinet in March 2018. The revisions provide greater clarity on how the risk levels are to be assessed. The policy requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing high level strategic risks to the Council's priorities, services and major projects. The risk controls necessary to manage them are identified and monitored to ensure risk mitigation.

102 Within the Council the purpose of risk management is to:

- preserve and protect the Council's assets, reputation and staff
- aid good management of risk and support whole authority governance
- aid delivery of it's population outcomes internally and when working with partners
- improve business performance and anticipated risks in delivering improvements
- avoid unnecessary liabilities, costs and failures
- shape procedures and responsibilities for implementation.

The strategic risk assessment ensures that:

- Strategic risks are identified and monitored by the Authority
- Risk controls are appropriate and proportionate
- Senior managers and elected members systematically review the strategic risks facing the Authority.

The risk assessment is prepared by drawing on a wide range of evidence including service plans, performance measures, regulatory reports, progress on the previous risk assessment and the views of select committees. In order to mitigate the risks, proposed action was recorded and factored back into the respective service improvement plan. The risk assessment is a living document and is updated over the course of the year as new information comes to light. The Strategic Risk Assessment in 2016 was also taken through Select Committee, audit committee and signed off by Cabinet during the year.

103 The Council's Strategic Risk Assessment for 2017/18 contains 16 distinct risks. Following the revised policy these were updated and reviewed throughout the year with the latest version being made available to members via The Hub.

Ref	Risk	Year	Risk Level (Pre – mitigation)	Risk Level (Post – mitigation)
1	The authority does not remain relevant and viable for future generations due to not having a sustainable delivery model.	2017/18	Medium	Low
		2018/19	Medium	Low
		2019/20	Medium	Low
2	Without appropriate and effective governance infrastructure the Council may not deliver its objectives.	2017/18	Medium	Medium
		2018/19	Medium	Low

		2019/20	Medium	Low
3	The Council and partners do not make sufficient progress to improve well-being through regional and partnership working.	2017/18	Medium	Medium
		2018/19	Medium	Medium
		2019/20	Medium	Low
4	Some services may become financially unsustainable in the short to medium term	2017/18	Medium	Low
		2018/19	Medium	Low
		2019/20	Medium	Low
5	The authority is unable to deliver its political priorities due to insufficient capital funding availability which may also lead to risks of maintaining key infrastructure and other identified pressures.	2017/18	Medium	Medium
		2018/19	Medium	Medium
		2019/20	High	Medium
6	Our workforce is not sufficiently resourced and does not have the right mix of skills which impacts our ability to deliver change, improve performance and deliver our objectives.	2017/18	Medium	Medium
		2018/19	Medium	Medium
		2019/20	Medium	Medium
7	Significant harm to vulnerable children or adults due to failure of safeguarding arrangements	2017/18	Medium	Medium
		2018/19	Medium	Medium
		2019/20	Medium	Medium
8	The robust delivery of the Council's corporate parenting responsibility and services related to safeguarding vulnerable children as a result of an increase in demand and complexity in cases in Children's services.	2017/18	Medium	Medium
		2018/19	Medium	Medium
		2019/20	Medium	Low
9	Failure to meet the needs of vulnerable learners may result in them not achieving their full potential	2017/18	Medium	Medium
		2018/19	Medium	Medium
		2019/20	Medium	Low
10	Information security breaches due to mismanagement of information or external parties gaining access to the network could result in critical and sensitive data being lost, compromising the delivery or availability of Council services and the interaction with external agencies and partners.	2017/18	Medium	Medium
		2018/19	Medium	Medium
		2019/20	Medium	Medium
11	Not adequately transitioning to the requirements of the General Data Protection Regulation resulting in reputational damage and risk of fines to the Council	2017/18	Medium	Medium
		2018/19	Medium	Medium
		2019/20	Medium	Low
12	Major disruption to services due to the transfer of the Council's email and skype to Office 365.	2017/18	Medium	Low
		2018/19	Medium	Low
		2019/20	Low	Low
13	A lack of appropriate infrastructure in the County to meet future needs due to key Local Development Plan housing policy targets not being met, in conjunction with the County's	2017/18	Medium	Medium
		2018/19	Medium	Medium

	changing demography and other external changes such as Severn Bridge tolls and this impact on the housing market. These factors can also impact on planning for other infrastructure such as transport and energy.	2019/20	Medium	Low
14	Insufficient ICT infrastructure and skills in the county have the potential to lead to social and economic disadvantages	2017/18	Medium	Medium
		2018/19	Medium	Medium
		2019/20	Medium	Medium
15	Political, legislative and financial uncertainty for council services and local businesses as a result of Britain leaving the European Union.	2017/18	High	High
		2018/19	High	High
		2019/20	High	High
16	The authority cannot deliver its services due to potential internal/external factors – resulting in service disruption due to lack of Business Continuity planning.	2017/18	Medium	Medium
		2018/19	Medium	Medium
		2019/20	Medium	Medium

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

- 104** The South East Wales Education Achievement Service (EAS) Business Plan 2018-2020 was presented to Cabinet in March 2018. The plan sets out the priorities, programmes and outcomes to be achieved by the EAS on behalf of the South East Wales Consortium.
- 105** An update of progress for 2015/16 and the plan for 2016-17 for the People and Organisational Development Strategy 2014-17 was presented to Cabinet in April 2016. This was approved by Council in April 2015 and remains true to its core purpose in meeting the rapidly changing demands placed on its workforce. The comprehensive progress report summarised the outcomes achieved in 2015/16 as well as the next steps in delivering a coherent and cohesive People Services offer to the organisation.
- 106** The iCounty Strategy Business Plan for 2016/19, along with a report on MCC's Digital and Technology service and how it aligns with MCC's iCounty, People and Place strategies was also presented to Cabinet in April 2016. The plan supports the 3 pillars of iCounty:
- a) Improving internal services, data delivery and infrastructure
  - b) Digitally enabled, inclusive and connected communities
  - c) Creating products and commercial assets
- 107** The Business Plan also aligns with the People, Asset Management, MTFP and SRS strategies as well as linking in with MCC's Business and Service Improvement Plans.
- 108** Cabinet were presented with an overview of the performance of the whole authority safeguarding 2015/16 in July 2016 along with the proposed changes to the whole authority safeguarding approach.
- 109** The Audit Committee continues to support the Internal Audit team and endorses its annual report and plan. The plan details the work and service areas the team will cover based on a risk assessment in order to provide assurance on the adequacy of the internal controls, governance arrangements and risk management process.
- 110** The Whole Authority Report complaints, comments and compliments 2016/17 was presented to Audit Committee in January 2018 which identified the number and types of feedback received and



dealt with from 1 April 2016 until 31 March 2017. The report also provided a summary of the number of Freedom of Information Act (FOI) requests received and dealt with by the Council during this period.

### Information Governance

- 111** Monmouthshire County Council (MCC) has been working through a "Dripping tap campaign" to raise awareness of and comply with the General Data Protection Regulation 25<sup>th</sup> May 2018- specifically following the "12 Steps to Compliance" as recommended by the Information Commissioner's Office (ICO). SLT has been kept abreast with key risks and updates on behalf of the Information Governance Group chaired by Senior Information Risk Officer (SIRO) who meet regularly to ensure that MCC is on track. GDPR Operational Leads have been established, along with Digital Champions linking in with teams, individuals and volunteers to ensure compliance and messages are communicated. Elected Members are data controllers in their own right and must register with the ICO.
- 112** Activity undertaken to date includes: workshops, conference, focus groups, drop-in sessions including legal and procurement advice, HUB articles, online Quiz (186+ participated) all staff emails and face to face training (450+staff to date). MCC has also produced a short video introducing the key principles of GDPR A-F (200+ views), signposting where to find further information about compliance, all staff had to watch before 25<sup>th</sup> May 2018. GDPR is now introduced at Corporate and local inductions, to become embedded as a culture.
- 113** To provide tools to do the job, MCC have a dedicated GDPR website (over 2k visits to date) with templates (e.g. for privacy notices), charts (e.g. for establishing individual rights) and general advice/ updates on the regulation. There are 24 open and transparent service plans published internally on specific work stream actions being undertaken in following the brackets: Data collection and use, retention and disposal, systems and technology, security, governance, training/ awareness and staff data.
- 114** To keep the public informed, MCC looks to launch its online privacy notice library, which will host a comprehensive list of privacy notices that sit across the directorates/ teams. Services will also where appropriate pro-actively promote notices by way of email, newsletter, app notification, letter, printed display or web link. Privacy notices are to be reviewed by Services on a regular basis for accuracy along with other GDPR related documents (Such as Information Audit- "Systems List" and Data Protection Impact Assessments).
- 115** The Corporate GDPR Policy will be included on the public website for clarity. Related policies will be updated accordingly by relevant lead officers, so that they satisfy GDPR requirement. Links are in place to work with the South East Wales Information Forum (SWIF) on a regular basis to share best practice. Good housekeeping is encouraged as is continuous improvement to mitigating against the risk of harm to individuals, although it is recognised further work is required to back date data cleansing tasks which require considerable capacity.

### Main areas for Improvement

- 116** The Council will continue to monitor and review its governance arrangements and identify any gaps. These will be addressed during the year to further strengthen governance in Monmouthshire County Council:
- continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;
  - Revise and update the Code of Corporate Governance and get it formally approved by Cabinet
  - Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources.
  - Improve performance management arrangements and improve strategic planning;

**Action Plan 2016/17**

- 117** Appendix 1 shows how the 2016/17 Action plan areas for improvement have been addressed during 2017/18.
- 118** An Action Plan for 2017/18 has been developed to capture known gaps in the Council's governance arrangements; the areas for improvement will be reviewed and considered during 2018/19 to further enhance the Council's governance arrangements. This is shown at Appendix 2.

**Monitoring & Evaluation**

- 119** We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:** .....**2018**  
**Leader**

**Signed:** .....**2018**  
**Chief Executive**

Appendix 1

Main areas of improvement for 2016/17 addressed

The following Table outlines where the Council has addressed gaps previously identified in its governance arrangements:

Governance Principle	Area for Improvement	Progress
Principle F: Managing risks and performance through robust internal control and strong public financial management	Improve performance management arrangements and improve strategic planning	The Corporate Plan sets out a clear direction for the Council up to 2022; the objectives of which will be measured over time using process, output and satisfaction measures. Target setting has been developed and incorporated within the business planning process. Further training will be delivered via The Talent Lab.
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;	Training sessions have been provided for schools and school governors. This programme needs to be expanded to cover all staff.
Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it	Improve oversight and ongoing implementation of the staff appraisal process 'Check In Check Out'	Process has been reviewed and rolled out with more robust guidance, video tutorials and supportive training. A more effective recording module has been developed to enable information to be recorded directly into MYVIEW system.
Principle F: Managing risks and performance through robust internal control and strong public financial management	Improve the clarity of reports that Members receive to ensure they have access to appropriate and timely information	An evaluation assessment, option appraisal, consultation section have now been included within the decision making report template. Greater accountability on senior officers for ensuring reports meet the required standard.
Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it	Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources.	A community governance review has been completed, with new arrangements being piloted in one Area Committee. The Whole Place and Strategic Partnership Teams have subsequently been merged into a single Partnership and Community Development Team in order to better align strategic intent and focus on building sustainable and resilient communities.

Action Plan 2017/18

The following areas will be reviewed and considered during 2018/19 to further enhance the Council's governance arrangements:

Governance Principle	Area for Improvement	Progress
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;	
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	The Code of Corporate Governance was last approved by Council in July 2011. This will need to be updated and approved in line with Delivering Good Governance in Local Government Framework 2016'	
Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it	Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources.	
Principle F: Managing risks and performance through robust internal control and strong public financial management	Improve performance management arrangements and improve strategic planning	



## 4 The independent auditor's report of the Auditor General for Wales to the members of Monmouthshire County Council

### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of Monmouthshire County Council for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Monmouthshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### Report on other requirements

#### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with guidance.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- the governance statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit; or
- I have not received all the information and explanations I require for my audit.

**Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Monmouthshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

**Responsibilities**

**Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

**Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales

24 Cathedral Road  
Cardiff  
CF11 9LJ

Movement In Reserves Statement for the Year Ended 31st March 2018							
	Note	Council Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1st April 2016		8,267	9,268	5,423	22,958	11,930	34,888
<b>Movement in reserves during 2016/17</b>							
Total Comprehensive Income and Expenditure		(2,424)	-	-	(2,424)	(14,788)	(17,213)
Adjustments between accounting basis & funding basis under regulations	10.2	73		13,729	13,802	(13,802)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(2,351)	-	13,729	11,377	(28,590)	(17,213)
Transfers to/(from) Earmarked Reserves	10.4	1,464	(1,464)		-		-
Increase/(Decrease) in 2016/17		(886)	(1,464)	13,729	11,377	(28,590)	(17,213)
Balance at 31st March 2017 carried forward		7,381	7,804	19,152	34,336	(16,660)	17,676
<b>Movement in reserves during 2017/18</b>							
Total Comprehensive Income and Expenditure		(17,210)	-	-	(17,210)	15,117	(2,091)
Adjustments between accounting basis & funding basis under regulations	10.2	16,686	-	(15,598)	1,088	(1,088)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(524)	-	(15,598)	(16,122)	14,030	(2,091)
Transfers to/(from) Earmarked Reserves	10.4	430	(430)	-	-	-	-
Increase/(Decrease) in 2017/18		(95)	(430)	(15,598)	(16,122)	14,030	(2,091)
Balance at 31st March 2018 carried forward		7,286	7,374	3,554	18,214	(2,630)	15,585

Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2018							
2016/17 (Restated**)					2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
70,111	(11,894)	58,217	Children & Young People		71,098	(11,746)	59,352
58,054	(14,014)	44,040	Social Care & Health		64,096	(16,188)	47,908
10,960	(4,777)	6,184	Enterprise		24,290	(9,768)	14,523
54,218	(27,541)	26,677	Chief Executives Unit		42,786	(21,599)	21,188
32,083	(20,083)	12,000	Resources		40,964	(24,354)	16,610
2,579	(262)	2,317	Corporate		2,566	(355)	2,211
<b>228,006</b>	<b>(78,571)</b>	<b>149,434</b>	<b>Cost of Services</b>	<b>11.1</b>	<b>245,800</b>	<b>(84,009)</b>	<b>161,791</b>
			<b>Other operating expenditure:</b>				
			<i>Precepts &amp; Levies:</i>				
9,925	0	9,925	Gwent Police Authority		10,421	0	10,421
4,209	0	4,209	South Wales Fire & Rescue Authority		4,301	0	4,301
2,150	0	2,150	Community and Town Councils		2,480	0	2,480
106	0	106	National Parks		106	0	106
98	0	98	Internal Drainage Boards		94	0	94
17,420	(20,511)	(3,091)	Gains/losses on the disposal of non-current assets		1,322	(722)	600
		<b>13,397</b>	<b>Total Other operating expenditure</b>				<b>18,000</b>
15,956	(7,308)	8,648	Financing and investment income and expenditure	11.3	17,444	(7,858)	9,586
			<b>Taxation &amp; non-specific grant income:</b>				
0	(64,076)	(64,076)	Council Tax	11.5	0	(67,051)	(67,051)
0	(27,981)	(27,981)	Non-domestic rates redistribution	11.6	0	(30,419)	(30,419)
0	(76,998)	(76,998)	General government grants	11.7	0	(74,698)	(74,698)
		<b>2,424</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>17,210</b>
			<b>Other Comprehensive Income and Expenditure:</b>				
		(7,200)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(886)
		21,988	(Gains)/losses on remeasurement of pension assets / liabilities	14.3			(14,231)
		<b>14,788</b>	<b>Total Other Comprehensive Income and Expenditure</b>				<b>(15,117)</b>
		<b>17,213</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>2,092</b>

\*\* The gross expenditure & income figures within the 2016/17 Cost of services have been restated to reflect the correct removal of all support service recharges so that the CIES is consistent with the management reporting structure of the Council. There is no impact on the total net expenditure of £149.434m.

<b>Balance Sheet as at 31st March 2018</b>			
<b>31st March 2017</b>		<b>Note</b>	<b>31st March 2018</b>
<b>£000s</b>			<b>£000s</b>
173,547	Other land and buildings	12.1	204,598
4,786	Vehicles, plant, furniture and equipment	12.1	5,245
61,417	Infrastructure	12.1	62,662
4,021	Community assets	12.1	4,235
40,724	Assets under construction	12.1	33,113
360	Surplus assets not held for sale	12.1	910
4,882	Heritage Assets	12.7	4,643
41,932	Investment Property	12.5	45,153
647	Intangible Assets		489
40	Long-Term Investments	13.1	40
4,240	Long Term Debtors	13.5	3,144
<b>336,596</b>	<b>Long term assets</b>		<b>364,231</b>
0	Short Term Investments	13.1	10,038
349	Inventories		242
19,937	Short Term Debtors	13.5	21,855
6,498	Cash and Cash Equivalents	15.3	7,354
2,933	Assets Held for Sale	12.6	1,450
<b>29,717</b>	<b>Current Assets</b>		<b>40,938</b>
(30)	Cash and Cash Equivalents	15.3	(774)
(20,267)	Short Term Borrowing	13.1	(54,958)
(28,437)	Short Term Creditors	13.6	(31,980)
(3,598)	Provisions	13.7	(3,986)
<b>(52,332)</b>	<b>Current Liabilities</b>		<b>(91,698)</b>
(217,236)	Liability related to defined benefit pension scheme	14.4	(217,645)
(353)	Provisions	13.7	(385)
(69,682)	Long Term Borrowing	13.1	(74,912)
(1,755)	Other Long Term Liabilities	13.1	(1,745)
(5,286)	Capital Grants Receipts in Advance	11.7(b)	(1,310)
(1,992)	Revenue Grants Receipts in Advance		(1,890)
<b>(296,304)</b>	<b>Long Term Liabilities</b>		<b>(297,887)</b>
<b>17,676</b>	<b>Net Assets</b>		<b>15,585</b>
7,381	Council Fund Balance	10.3	7,286
7,804	Earmarked Reserves	10.4	7,374
19,152	Capital Receipts Reserve	10.6	3,555
<b>34,337</b>	<b>Usable Reserves</b>		<b>18,215</b>
48,771	Revaluation Reserve	10.7	46,299
(217,236)	Pensions Reserve	10.9	(217,645)
151,889	Capital Adjustment Account	10.8	170,061
4,000	Deferred Capital Receipts Reserve	10.11	3,000
(839)	Financial Instrument Adjustment Account		(744)
(3,245)	Accumulating Absence Adjustment Account	10.10	(3,601)
<b>(16,660)</b>	<b>Unusable Reserves</b>		<b>(2,630)</b>
<b>17,676</b>	<b>Total Reserves</b>		<b>15,585</b>

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Cash Flow Statement for the Year Ended 31st March 2018

31st March 2017			31st March 2018
£000		Note	£000
2,424	Net (surplus) or deficit on the provision of services	15.1	17,210
(29,565)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	15.1	(32,362)
29,327	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15.1	6,251
<b>2,186</b>	<b>Net cash flows from Operating Activities</b>	<b>15.1</b>	<b>(8,902)</b>
34,512	Purchase of property, plant and equipment, investment property and intangible assets		45,801
14,000	Purchase of short-term and long-term investments		70,070
781	Other payments for investing activities		1,703
(16,677)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(1,727)
(17,999)	Proceeds from short-term and long-term investments		(61,090)
(21,653)	Other receipts from investing activities		(6,352)
<b>(7,036)</b>	<b>Net Cash (Inflow)/Outflow from Investing Activities</b>		<b>48,405</b>
	<b>Financing Activities</b>		
37,938	Repayments of short and long-term borrowing		74,543
30	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		31
(32,455)	Cash receipts of short and long-term borrowing		(114,190)
(536)	Other receipts from financing activities		0
<b>4,977</b>	<b>Net Cash (Inflow)/Outflow from Financing Activities</b>		<b>(39,615)</b>
<b>127</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>		<b>(111)</b>
6,596	Cash and cash equivalents at the beginning of the reporting period		6,468
<b>6,469</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>15.3</b>	<b>6,579</b>

**Notes to the Accounts  
for the Year Ended  
31st March 2018**



## 10 MOVEMENT IN RESERVES STATEMENT NOTES

### 10.1 Movement in Reserves

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. A summary of the movement in reserves during the financial year is illustrated below. More detailed information to support the Movement in Reserves Statement follows this note.

	Note	Balance at 1st April 2016 £000	Movement in Reserve £000	Balance at 31st March 2017 £000	Movement in Reserve £000	Balance at 31st March 2018 £000
<b>Usable Reserves:</b>						
Council Fund balance: Authority	10.3	7,111	0	7,111	0	7,111
Council Fund balance: LMS School Balances	10.5	1,156	(887)	269	(94)	175
Earmarked reserves	10.4	9,268	(1,464)	7,804	(430)	7,374
Capital Receipts Reserve	10.6	5,423	13,729	19,152	(15,597)	3,555
<b>Total Usable Reserves</b>		<b>22,958</b>	<b>11,377</b>	<b>34,337</b>	<b>(16,121)</b>	<b>18,215</b>
<b>Unusable Reserves:</b>						
Revaluation Reserve	10.7	47,671	1,100	48,771	(2,472)	46,299
Capital Adjustment Account	10.8	155,410	(3,521)	151,889	18,172	170,061
Financial Instruments Adjustment Account		(934)	95	(839)	95	(744)
Pension Reserve	10.9	(188,225)	(29,011)	(217,236)	(409)	(217,645)
Deferred Capital Receipts Reserve		0	4,000	4,000	(1,000)	3,000
Accumulated Absences Adjustment Account	10.10	(1,992)	(1,253)	(3,245)	(356)	(3,602)
<b>Total Unusable Reserves</b>		<b>11,930</b>	<b>(28,590)</b>	<b>(16,660)</b>	<b>14,030</b>	<b>(2,630)</b>
<b>Total Authority Reserves</b>		<b>34,888</b>	<b>(17,212)</b>	<b>17,676</b>	<b>(2,091)</b>	<b>15,585</b>

### 10.2 Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note summarises the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. A more detailed overview is provided in the individual notes that follows for each reserve:

Movements in 2017/18:	Council Fund Balance £000	Usable Reserves £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation and impairment of Property, Plant and Equipment assets	13,691	-	(13,691)
Charges for impairment of Heritage Assets	25	-	(25)
Revaluation movements on Heritage Assets	251	-	(251)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	1,185	-	(1,185)
Revaluation movements on Assets Held for Sale (charged to SDPS)	50	-	(50)
Movements in the market value of Investment Properties	1,982	-	(1,982)
Amortisation and impairment of intangible assets	160	-	(160)
Capital grants and contributions applied	(13,318)	-	13,318
Revenue expenditure funded from capital under statute	1,703	-	(1,703)



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Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	941	-	(941)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Statutory provision for the financing of capital investment (MRP)	(3,895)	-	3,895
Capital expenditure charged against the Council Fund	(264)	-	264
<b>Adjustments involving the Capital Receipts Reserve:</b>			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(727)	1,727	(1,000)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(17,324)	17,324
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(95)	-	95
<b>Adjustments involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	25,568	-	(25,568)
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,928)	-	10,928
<b>Adjustment involving the Accumulated Absences Account:</b>			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	356	-	(356)
<b>Adjustment between the Capital Adjustment Account and the Revaluation Reserve:</b>			
Depreciation of non-current asset revaluation gains	-	-	-
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>16,686</b>	<b>(15,598)</b>	<b>(1,088)</b>

<b>Movements in 2016/17:</b>	<b>Council Fund Balance £000</b>	<b>Usable Reserves £000</b>	<b>Unusable Reserves £000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation and impairment of Property, Plant and Equipment assets	11,940	-	(11,940)
Charges for impairment of Heritage Assets	8	-	(8)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	28	-	(28)
Revaluation movements on Assets Held for Sale (charged to SDPS)	-	-	0
Movements in the market value of Investment Properties	(133)	-	133
Amortisation and impairment of intangible assets	181	-	(181)
Capital grants and contributions applied	(13,431)	-	13,431
Revenue expenditure funded from capital under statute	781	-	(781)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	17,367	-	(17,367)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Statutory provision for the financing of capital investment (MRP)	(3,278)	0	3,278
Capital expenditure charged against the Council Fund	(894)	-	894
<b>Adjustments involving the Capital Receipts Reserve:</b>			

Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(20,677)	16,677	4,000
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,949)	2,949
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(95)	-	95
<b>Adjustments involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	17,774	-	(17,774)
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,751)	-	10,751
<b>Adjustment involving the Accumulated Absences Account:</b>			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,253	-	(1,253)
<b>Adjustment between the Capital Adjustment Account and the Revaluation Reserve:</b>			
Depreciation of non-current asset revaluation gains	-	-	-
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>73</b>	<b>13,729</b>	<b>(13,801)</b>

### 10.3 Usable Reserves available for Revenue Purposes

The in-year movements in the Authority's usable Reserves that are available to be applied for revenue purposes are summarised below:

Each of the Authority's Schools is directly governed by a Board of Governors, which is responsible for managing the school's finances. The balance on the Council Fund includes £175,000 in respect of underspent (or overspent) budgets which have been delegated to schools. These balances are at the disposal of the respective schools and represent an earmarked reserve which is not available for the Authority to use generally.

	At 1st April 2016 £000	In Year Movement £000	At 31st March 2017 £000	In Year Movement £000	At 31st March 2018 £000
Amount of Council Fund Balance held by Schools under Local Management Schemes	1,156	(887)	269	(94)	175
Amount of Council Fund Balance generally available for new expenditure	7,111	0	7,111	0	7,111
<b>Total Council Fund Balance</b>	<b>8,267</b>	<b>(887)</b>	<b>7,380</b>	<b>(94)</b>	<b>7,286</b>
Earmarked Revenue Reserves	9,268	(1,464)	7,804	(430)	7,374
<b>Total Usable Reserves available for Revenue Purposes</b>	<b>17,535</b>	<b>(2,351)</b>	<b>15,184</b>	<b>(523)</b>	<b>14,660</b>

### 10.4 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Council Fund into earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund expenditure.

Earmarked reserves have been set up where there has been a need to set aside resources for a specific future purpose. The purpose of each earmarked reserve is detailed below. Utilisation of these reserves is under the control of the Cabinet and has been approved by it.

The transfers to and from Earmarked Reserves in 2017/18 can be summarised as follows:

	At 1st April 2016 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2017 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2018 £000
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Invest to Redesign	1,298	75	(412)	961	567	(225)	1,302
Priority Investment	1,120	593	(713)	1,000	155	(468)	687
Insurance and risk management	1,236	-	(153)	1,083	0	(37)	1,046
IT Transformation	827	147	(246)	728	55	(48)	735
Treasury equalisation	990	-	-	990	0	0	990
Capital Investment	1,265	-	(489)	776	0	(127)	648
Redundancy and Pensions	1,274	114	(593)	795	0	(298)	497
Capital Receipt Generation	322	100	(75)	348	70	(70)	347
<b>Other reserves</b>							
Elections	108	25	-	133	25	(100)	58
Museums acquisition	57	-	-	57	0	(1)	56
Solar Farm Maintenance & Community Fund	0	-	-	0	23	0	23
<b>Service Reserves:</b>							
Grass Routes Buses	140	54	(9)	184	0	(38)	146
Schools sickness & maternity cover	104	-	(10)	94	0	(93)	1
<b>Trading Accounts:</b>							
Youth Offending Team	325	-	(51)	274	0	(25)	249
Outdoor education centres	190	-	-	190	0	(61)	129
Building Control	12	14	-	25	0	(4)	22
Rural Development Plan	0	86	-	86	191	0	278
Highways Plant & Equipment Replacement	0	75	-	75	75	0	150
Homeless Prevention	0	5	-	5	5	0	10
<b>Total</b>	<b>9,268</b>	<b>1,287</b>	<b>(2,751)</b>	<b>7,804</b>	<b>1,166</b>	<b>(1,596)</b>	<b>7,374</b>

**Invest to Redesign Reserve** - To fund service redesign to either improve the service, generate income or reduce costs.

**I.T. Transformation Reserve** - To invest in information technology in support of the organisations outcomes and generation of improved service efficiency, income generation or cost savings.

**Capital Investment Reserve** - To finance future capital expenditure.

**Priority Investment Reserve** - To fund additional one off investment in the Authority's agreed priorities.

**Redundancy and Pensions Reserve** - To meet redundancy costs and commuted payments for early retirements over a maximum of 5 years.

**Insurance and Risk Management Reserve** - To meet excesses and administration costs on claims against the Council, to provide cover on self insured risks and contribute to risk management activities.

**Treasury Equalisation Reserve** - Originally created from rescheduling discounts and premia, intended for use under the concept of prudence to permit a long term view to be taken of treasury decisions.

**Capital Receipt Generation Reserve** - Securing capital receipts is a vital element of the Authority's capital investment strategy. Improving the final disposal value by investment, either in the fabric of the asset or by proper disposal expertise ensures the Council obtains the best possible value for surplus assets.

Current accounting regulations are such that investing in disposal must be taken against the revenue account and these costs cannot be fully offset against the ultimate capital receipt. The reserve has been established to finance such expenditure.

**Other Reserves** - These include a number of other reserves where separate classification is not deemed necessary in the accounts due to the level of the reserve balance or its nature.

**Service Reserves** - Created from surpluses and deficits on the Authority's external and internal trading account activities, and maintained to support and develop these services.

**Trading Reserves** - Trading reserves at the year-end now represent balances created as a result of external trade or where the Authority assumes lead authority status for administering funds on behalf of other partner organisations.

## 10.5 School Balances

The balance on the Council Fund includes £175,225 in respect of underspent (or overspent) budgets which have been delegated to schools. These balances are at the disposal of the respective schools and represent an earmarked reserve which is not available for the Authority to use generally. Details of the movements of these reserves are shown below:

	At 1st April 2016	In Year Movement	At 31st March 2017	In Year Movement	At 31st March 2018
	£	£	£	£	£
<b>Comprehensives</b>					
Caldicot	208,860	(175,124)	33,736	(134,373)	(100,637)
Chepstow	(414,066)	332,999	(81,068)	239,524	158,456
King Henry VIII	107,368	(246,723)	(139,355)	(23,105)	(162,460)
Monmouth	45,772	(146,345)	(100,573)	(323,378)	(423,950)
<b>Sub Total Comprehensives</b>	<b>(52,067)</b>	<b>(235,193)</b>	<b>(287,259)</b>	<b>(241,332)</b>	<b>(528,591)</b>
<b>Primaries</b>					
Archbishop R Williams	84,489	(34,832)	49,657	29,798	79,455
Cantref	41,987	10,779	52,766	13,199	65,965
Castle Park	(21,446)	(24,669)	(46,115)	2,456	(43,659)
Cross Ash	51,269	(5,648)	45,620	13,736	59,356
Deri View	86,054	(58,757)	27,297	12,703	40,000
Dewstow	112,598	(22,473)	90,125	15,501	105,626
Durand	60,520	(6,589)	53,931	17,734	71,664
Gilwern	41,298	(1,662)	39,636	12,617	52,253
Goytre Fawr	53,920	(28,549)	25,371	(14,568)	10,803
Kymin View	18,774	(8,480)	10,294	24,363	34,657
Llandogo	(11,446)	1,710	(9,736)	(2,713)	(12,449)
Llanfair Kilgeddin CV	66,824	(66,824)	0	0	0
Llanfoist	93,789	(25,734)	68,056	(18,476)	49,579
Llantilio Pertholey	37,176	(16,209)	20,967	(16,527)	4,439
Llanvihangel Crucorney	(23,605)	20,488	(3,117)	3,628	511
Magor Vol Aided	56,008	(20,828)	35,179	(54,406)	(19,226)
New Pembroke Primary	36,201	(27,375)	8,826	(8,645)	181
Osbaston Church in Wales	37,344	(18,774)	18,570	(17,935)	635
Our Lady's & St Michael's Catholic Primary	30,654	14,851	45,505	(52,589)	(7,085)
Overmonnow	(19,101)	23,060	3,959	24,430	28,389

Raglan	18,369	(130,346)	(111,977)	(35,766)	(147,743)
Rogiet	59,613	(25,429)	34,184	(8,039)	26,145
Shirenewton	81,560	5,809	87,369	31,230	118,600
St Mary's (Chepstow)	25,385	(38,577)	(13,192)	19,247	6,055
The Dell	50,266	(4,172)	46,094	(23,929)	22,165
Thornwell	2,253	(22,787)	(20,534)	10,969	(9,566)
Trellech	86,281	(519)	85,762	1,888	87,650
Undy	16,641	(66,677)	(50,037)	21,816	(28,221)
Usk CV	71,295	(15,187)	56,108	6,812	62,920
Ysgol Gymraeg Y Fenni	58,741	(9,774)	48,966	9,999	58,965
Ysgol Gymraeg Ffin	13,168	(80,578)	(67,410)	29,794	(37,617)
<b>Sub Total Primaries</b>	<b>1,316,875</b>	<b>(684,754)</b>	<b>632,122</b>	<b>48,327</b>	<b>680,449</b>
<b>Special</b>					
Mounton House	(154,854)	12,437	(142,417)	108,833	(33,584)
Pupil Referral Unit	46,208	20,132	66,340	(9,389)	56,952
<b>Sub Total Special</b>	<b>(108,646)</b>	<b>32,569</b>	<b>(76,077)</b>	<b>99,444</b>	<b>23,367</b>
<b>Total</b>	<b>1,156,163</b>	<b>(887,377)</b>	<b>268,786</b>	<b>(93,561)</b>	<b>175,225</b>

### 10.6 Capital Receipts Reserve

Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's borrowing requirement. Receipts are appropriated to the reserve from the Council Fund via the Statement in Movements Statement.

2016/17 £000		2017/18 £000
5,423	Balance as at 1st April	19,152
16,670	Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,723
7	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	4
(2,949)	Less: use of the Capital Receipts Reserve to finance new capital expenditure	(17,324)
<b>19,152</b>	<b>Balance as at 31st March</b>	<b>3,554</b>

### 10.7 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment, Heritage Assets and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2016/17 £000		2017/18 £000
47,671	Balance at 1 April	48,771
7,955	Upward revaluation of assets	1,876

(755)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(989)
(2,731)	Difference between fair value depreciation and historical cost depreciation	(3,300)
(3,368)	Accumulated gains on assets sold or scrapped	(58)
<b>48,771</b>	<b>Balance at 31 March</b>	<b>46,299</b>

## 10.8 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

This note provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17 £000		2017/18 £000
155,410	Balance at 1 April	151,889
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(11,940)	Charges for depreciation and impairment of property, plant and equipment assets	(13,691)
-	Revaluation movements on heritage assets	(251)
(8)	Charges for impairment of heritage assets	(25)
(28)	Revaluation movements on Property, Plant and Equipment	(1,185)
0	Revaluation movements on Assets Held for Sale	(50)
(181)	Amortisation & impairment of intangible assets	(160)
(781)	Revenue expenditure funded from capital under statute	(1,703)
(13,999)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(883)
2,731	Adjusting amounts written out of the Revaluation Reserve	3,300
	<b>Capital financing applied in the year:</b>	
2,949	Use of the Capital Receipts Reserve to finance new capital expenditure	17,324
13,431	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,318
3,278	Statutory provision for the financing of capital investment charged against the Council Fund	3,895
894	Capital expenditure charged against the Council Fund	264
133	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,982)
<b>151,889</b>	<b>Balance at 31 March</b>	<b>170,061</b>

### 10.9 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016/17 £000		2017/18 £000
(188,225)	Balance at 1 April	(217,236)
(21,988)	Remeasurement gains or (losses) on pension assets and liabilities	14,231
(17,774)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(25,568)
10,751	Employer's pensions contributions and direct payments to pensioners payable in the year	10,928
<b>(217,236)</b>	<b>Balance at 31 March</b>	<b>(217,645)</b>

### 10.10 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year, for example, annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account.

2016/17 £000		2017/18 £000
(1,992)	Balance at 1 April	(3,245)
1,992	Settlement or cancellation of accrual made at the end of the preceding year	3,245
(3,245)	Amounts accrued at the end of the current year	(3,601)
<b>(3,245)</b>	<b>Balance at 31 March</b>	<b>(3,602)</b>

### 10.11 Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2016/17 £000		2017/18 £000
0	Balance at 1 April	4,000
4,000	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
0	Reduction in Deferred Capital Receipts balance to Net present value of future lease payments	(1,000)
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
<b>4,000</b>	<b>Balance at 31 March</b>	<b>3,000</b>



**11 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES**
**11.1 Expenditure and Funding Analysis**

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2016/17 (Restated)				2017/18		
Net Expenditure Chargeable to the general fund £000	Adjustments between the Funding & Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to the general fund £000	Adjustments between the Funding & Accounting Basis £000	Net Expenditure in the CIES £000
49,798	8,419	58,217	Children & Young People	49,853	9,499	59,352
42,752	1,288	44,040	Social Care & Health	43,862	4,046	47,908
5,376	807	6,183	Enterprise	10,150	4,372	14,522
21,328	5,349	26,677	Chief Executives Unit	15,462	5,726	21,188
5,268	6,732	12,000	Resources	7,188	9,423	16,610
19,537	(17,220)	2,317	Corporate	19,717	(17,507)	2,211
<b>144,059</b>	<b>5,375</b>	<b>149,434</b>	<b>Cost of Services</b>	<b>146,232</b>	<b>15,559</b>	<b>161,791</b>
<b>(144,059)</b>	<b>(2,951)</b>	<b>(147,010)</b>	<b>Other Income &amp; Expenditure</b>	<b>(146,232)</b>	<b>1,652</b>	<b>(144,581)</b>
<b>0</b>	<b>2,424</b>	<b>2,424</b>	<b>Surplus or Deficit</b>	<b>(0)</b>	<b>17,210</b>	<b>17,210</b>
(7,111)			Opening General Fund Balance	(7,111)		
0			Surplus or Deficit on General Fund	(0)		
<b>(7,111)</b>			<b>Closing General Fund Balance</b>	<b>(7,111)</b>		

**Adjustments from the General Fund to arrive at the CIES Amounts:**

2016/17 (Restated)					2017/18			
Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000		Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000
6,938	(83)	1,564	8,419	Children & Young People	7,307	1,776	416	9,499
641	482	165	1,288	Social Care & Health	1,298	2,816	(68)	4,046
320	221	266	807	Enterprise	2,626	1,804	(58)	4,372
4,720	436	193	5,349	Chief Executives Unit	3,806	1,764	156	5,726
311	109	6,312	6,732	Resources	1,975	828	6,620	9,423
0	(733)	(16,488)	(17,220)	Corporate	0	(105)	(17,401)	(17,507)
<b>12,931</b>	<b>432</b>	<b>(7,988)</b>	<b>5,375</b>	<b>Cost of Services</b>	<b>17,012</b>	<b>8,883</b>	<b>(10,335)</b>	<b>15,559</b>
(3,148)	0	16,470	13,322	Other operating expenditure	581	0	17,349	17,930
(3,483)	6,591	(97)	3,011	Financing and investment income and expenditure	(4,082)	5,759	1,287	2,964



(13,431)	0	(5,852)	(19,283)	Taxation and non-specific grant income and expenditure	(13,318)	0	(5,924)	(19,242)
(20,062)	6,591	10,521	(2,951)	Other Income & Expenditure	(16,819)	5,759	12,712	1,652
(7,131)	7,023	2,533	2,424	Adjustments between the Funding & Accounting Basis	193	14,642	2,377	17,210

## 11.2 Expenditure & Income analysed by nature

The authority's expenditure and income is analysed as follows:

2016/17 £000 (Restated)		2017/18 £000
111,102	Employee benefits expenses	119,533
115,979	Other services expenses	117,894
14,170	Depreciation, amortisation and impairment	23,235
16,488	Precepts & levies	17,401
2,932	Interest payments	2,968
17,199	Gain/loss on disposal of non-current assets	936
<b>277,870</b>	<b>Total Expenditure</b>	<b>281,967</b>
(44,951)	Fees, charges & other service income	(50,430)
(111)	Interest and investment income	(179)
(91,884)	Income from council tax & NNDR	(97,401)
(117,990)	External grants and contributions	(116,025)
(20,510)	Gain/loss on disposal of non-current assets	(722)
<b>(275,445)</b>	<b>Total Income</b>	<b>(264,757)</b>
<b>2,424</b>	<b>Surplus or Deficit on the Provision of Services</b>	<b>17,210</b>

## 11.3 Financing and Investment Income and Expenditure

A summary level breakdown of Financing and Investment Income and Expenditure reported on the face of the Comprehensive Income and Expenditure Statement for the year is shown below. Further information is contained within the respective notes to the accounts.

31st March 2017			Note	31st March 2018		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,931	(9)	2,922	Interest payable and similar charges	2,967	(12)	2,955
6,591	-	6,591	Pensions interest cost and expected return on pensions assets	5,759	-	5,759
-	(70)	(70)	Interest receivable and similar income	-	(133)	(133)
667	(1,274)	(607)	Income and expenditure in relation to investment properties and changes in their fair value	4,384	(3,293)	1,091
5,768	(5,937)	(169)	(Surpluses)/deficits on trading undertakings not included in the Net Cost of Services	4,334	(4,394)	(60)

0	(20)	(20)	Other investment income	13.2	-	(24)	(24)
15,957	(7,310)	8,647	<b>Total Financing and Investment Income and Expenditure</b>		17,444	(7,857)	9,587

#### 11.4 Significant Trading Operations

The Authority has established 5 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Building Cleaning and Highways External Clients have been removed from the note for 2017/18 as they no longer operate in a commercial environment.

##### Grounds Maintenance

The Authority's Grounds Maintenance function was awarded to an in-house unit after a competitive tender process. The trading objective is to make a profit whilst ensuring value for money to all customers. The unit competes successfully in the private sector carrying out work that includes play areas, horticulture and fencing.

2016/17				2017/18		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
(2,480)	(1,225)	(3,705)	Turnover	(1,820)	(1,227)	(3,047)
2,481	1,167	3,648	Expenditure	1,822	1,196	3,018
1	(58)	(57)	<b>(Surplus)/Deficit</b>	2	(31)	(29)

##### Building Control

Building Control enforces the Building (Local Authority Charges) Regulations 2010 to ensure building construction is carried out in a safe manner alongside the control of dangerous structures and demolitions. The Regulations state that a "break even" position should be maintained on the chargeable trading element and an earmarked reserve for surpluses and losses be set up and reviewed over a suggested three year rolling basis.

The service has returned a chargeable deficit of £4,000 (£14,000 surplus in 2016/17). The building control trading account reserve has a £22,000 surplus as at 31st March 2018. In line with the regulations the section will review future pricing policy in order to ensure that reserves remain at an acceptable level going forward.

2016/17				2017/18		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
-	(373)	(373)	Turnover	-	(389)	(389)
-	(373)	(373)	- Chargeable	-	(389)	(389)
-	-	-	- Non-Chargeable	-	-	-
-	503	503	Expenditure	-	544	544
-	359	359	- Chargeable	-	393	393
-	144	144	- Non-Chargeable	-	151	151
-	130	130	<b>(Surplus)/Deficit</b>	-	155	155
-	(14)	(14)	- Chargeable	-	4	4
-	144	144	- Non-Chargeable	-	151	151

##### Retail Markets

The authority operates 3 retail markets in Monmouth, Caldicot and Abergavenny. The Markets run twice per week at each site and has the aim of providing traders with the environment to allow them to operate to their full potential benefiting not only themselves but their customers. The Authority views it's markets as an integral part of the life and economic regeneration of Monmouthshire towns. The financial performance in 2017/18 was impacted by redundancy expenses and increased premises costs and a small downturn in income. Performance will be closely monitored in 18-19 to ensure that any potential shortfalls are managed in year.

2016/17				2017/18		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total

-	(349)	(349)	Turnover	-	(344)	(344)
-	348	348	Expenditure	-	398	398
-	(1)	(1)	<b>(Surplus)/Deficit</b>	-	<b>54</b>	<b>54</b>

#### Industrial Units

The Council manages 44 industrial units, situated predominantly in the south of the County. The units are let at market rents on flexible terms, any net surpluses are used to support service delivery.

2016/17				2017/18		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
-	(191)	(191)	Turnover	-	(191)	(191)
-	112	112	Expenditure	-	100	100
-	(79)	(79)	<b>(Surplus)/Deficit</b>	-	<b>(91)</b>	<b>(91)</b>

#### Trade Refuse

The Authority offers a residual waste collection to local businesses. Turnover is down from previous year due to increased competition from other market providers, this has affected our bottom line position.

2016/17				2017/18		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
-	(456)	(456)	Turnover	-	(423)	(423)
-	294	294	Expenditure	-	274	274
-	(162)	(162)	<b>(Surplus)/Deficit</b>	-	<b>(149)</b>	<b>(149)</b>

#### Summary

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public whilst others are support services to the Authority's services to the public. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure.

2016/17 £000		2017/18 £000
(169)	Net (Surplus)/Deficit On Trading Operations	(60)
-	- Services to the Public included in Expenditure of Continuing Operations	-
(1)	Support Services recharged to Expenditure of Continuing Operations	0
<b>(170)</b>	<b>Net (Surplus)/Deficit taken to financing and investment income and expenditure</b>	<b>(60)</b>

### 11.5 Council Tax

Council tax derives from charges raised according to the value of residential properties. Each dwelling has been classified into one of nine valuation bands according to its capital value at 1 April 2003 for this specific purpose. Charges are calculated by taking the amount of income required for the Authority, Office of Police and Crime Commissioner for Gwent and Town and Community Councils for the forthcoming year and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent, totalled across all bands and adjusted for discounts. The tax base was 45,537 for 2017/18 (45,102 for 2016/17).

This average basic amount for a Band D property, £1,466.49 (£1,405.95 in 2016/17), is multiplied by the proportion specified for the particular band to give the individual amount due.

Council tax bills were based on the following multipliers for bands A to I.

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	1.0	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	516	3293	6901	8650	7086	7444	5249	1744	672
Valuation (£000)	up to 44	44-65	65-91	91-123	123-162	162-223	223-324	324-424	424+

The analysis of the net proceeds from council tax are as follows:

2016/17 £000		2017/18 £000
(63,903)	Council tax collectable	(66,983)
(172)	Provision for non-payment of council tax	(68)
<b>(64,076)</b>	<b>Total Council Tax proceeds</b>	<b>(67,051)</b>

### 11.6 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate, 0.499p per £ in 2017/18 (0.486p per £ in 2016/17) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Authority is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Assembly Government. The Welsh Government redistributes the sums payable to the local authorities on the basis of a fixed amount per head of population.

The NNDR income after relief and provisions of £22,807,429 (£20,066,000 for 2016/17) was based on an average rateable value of £61,374,717 (£56,274,091 for 2016/17).

2016/17 £000		2017/18 £000
20,249	Non-domestic rates collectable	22,996
(174)	Cost of collection allowance	(179)
(9)	(Increase)/Decrease in provision for bad debts	(10)
<b>20,066</b>	<b>Payments into national pool</b>	<b>22,807</b>
<b>(27,981)</b>	<b>Redistribution from national pool</b>	<b>(30,419)</b>

### 11.7 General Government Grants

The Authority received the following general government grants that were identified as not being attributable to specific services within the Net Cost of Services:

2016/17 £000		2017/18 £000
(63,567)	Revenue support grant	(61,380)
(13,431)	Capital grants and contributions	(13,318)
<b>(76,998)</b>	<b>Total</b>	<b>(74,698)</b>

### 11.8 Grant Income

#### Capital Grants and Contributions

The Authority has credited the following capital grants & contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

2016/17 £000		2017/18 £000
1,461	WAG General Capital Grant	1,462
713	Section 106 Developer Contributions	723
11,869	WAG Grants	12,913

8	Other Contributions	0
<b>14,051</b>	<b>Total</b>	<b>15,099</b>
<b><i>Credited to the Comprehensive Income and Expenditure Statement:</i></b>		
(619)	Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute	(1,173)
(13,431)	Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income	(13,926)
<b>(14,051)</b>	<b>Total</b>	<b>(15,099)</b>

#### Capital Grants and Contributions Received in Advance

The Authority has also received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the provider. The balances at the year-end are as follows:

2016/17 £000		2017/18 £000
<b><i>Capital Grants Receipts in Advance:</i></b>		
3,692	Welsh Government	0
<b><i>Developer Contributions held in Advance:</i></b>		
1,593	S106 Developer contributions	1,310
<b>5,285</b>	<b>Total</b>	<b>1,310</b>

#### Revenue Grants and Contributions

The Authority credited the following revenue grants and contributions to the Net Cost of Services within the Comprehensive Income and Expenditure Statement:

2016/17 £000		2017/18 £000
<b><i>Central Government:</i></b>		
21,610	Housing benefit subsidy	20,959
<b><i>Welsh Assembly Government:</i></b>		
3,264	Sixth Form Funding (DCELLS)	3,002
4,062	SEG / WEG (PDG)	4,219
2,136	Supporting People	2,039
1,898	Waste Management	1,979
251	Rural Development Plan	530
1,160	Flying Start Grant	1,182
697	Concessionary Fares (PTSG)	709
651	Families First	647
3,268	Other WAG grants	4,488
<b><i>Home Office:</i></b>		
172	Afghan / Syrian Relocation Programme (Main Project)	137
145	Police and Crime Commissioner	53
2,068	<b><i>Other Grants &amp; Contributions</i></b>	<b>2,038</b>
<b>41,382</b>	<b>Revenue Grants and Contributions Receivable</b>	<b>41,982</b>

## 12 NON-CURRENT ASSET &amp; CAPITAL FINANCING NOTES

## 12.1 In-Year Movements in Property, Plant and Equipment

The following tables summarise the movements in the Authority's property, plant and equipment portfolio by asset type for the years ending 31st March 2018 and 31st March 2017.

Movements in 2017/18:	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
<b>Cost or Valuation:</b>								
At 1st April 2017	180,177	14,028	85,891	4,021	360	40,724	325,201	1,310
Additions	14,690	1,685	5,004	58	-	22,326	43,763	-
Revaluation movements taken to RRA	812	(0)	-	(8)	(372)	-	432	101
Revaluation movements taken to SDPS	(2,557)	-	-	-	(277)	0	(2,835)	-
Impairment movements taken to SDPS	(546)	-	(2,230)	-	0	-	(2,776)	-
Reclassified (to)/from Held for Sale	18	(1,107)	-	0	1,200	-	112	-
Other reclassifications	24,694	-	35	164	0	(29,937)	(5,045)	-
<b>At 31st March 2018</b>	<b>217,287</b>	<b>14,606</b>	<b>88,700</b>	<b>4,235</b>	<b>911</b>	<b>33,113</b>	<b>358,852</b>	<b>1,411</b>
<b>Accumulated Depreciation:</b>								
At 1st April 2017	(6,629)	(9,242)	(24,474)	-	-	-	(40,345)	(139)
Depreciation charge	(8,164)	(1,188)	(1,564)	-	-	-	(10,915)	(54)
Depreciation written out on revaluation to RRA	446	-	-	8	0	-	455	157
Depreciation written out on revaluation to SDPS	1,650	-	-	-	0	-	1,650	-
Depreciation written out on impairment to SDPS	0	-	-	-	-	-	0	-
Reclassified to/(from) Held for Sale	-	1,068	-	-	-	-	1,068	-
Other reclassifications	8	-	-	(8)	0	-	0	-
<b>At 31st March 2018</b>	<b>(12,689)</b>	<b>(9,361)</b>	<b>(26,037)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(48,087)</b>	<b>(36)</b>
<b>Net Book Value:</b>								
<b>At 31st March 2018</b>	<b>204,599</b>	<b>5,245</b>	<b>62,662</b>	<b>4,235</b>	<b>910</b>	<b>33,113</b>	<b>310,765</b>	<b>1,375</b>
<b>At 1st April 2017</b>	<b>173,548</b>	<b>4,786</b>	<b>61,417</b>	<b>4,021</b>	<b>360</b>	<b>40,724</b>	<b>284,855</b>	<b>1,171</b>

Movements in 2016/17	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
<b>Cost or Valuation:</b>								
At 1st April 2016	185,047	11,964	83,617	3,944	(0)	10,079	294,651	1,310
Additions	2,328	2,117	4,454	86	-	30,522	39,507	-
Revaluation movements taken to RRA	84	43	-	(8)	385	-	505	-

Revaluation movements taken to SDPS	(3,341)	-	-	-	78	(0)	(3,263)	-
Impairment movements taken to SDPS	(4,282)	-	(2,181)	-	56	-	(6,406)	-
Reclassified (to)/from Held for Sale	1,173	(96)	-	(1)	(750)	-	325	-
Other reclassifications	(831)	-	-	-	590	123	(118)	-
<b>At 31st March 2017</b>	<b>180,177</b>	<b>14,028</b>	<b>85,891</b>	<b>4,021</b>	<b>360</b>	<b>40,724</b>	<b>325,200</b>	<b>1,310</b>
<b>Accumulated Depreciation:</b>								
At 1st April 2016	(13,500)	(8,356)	(22,969)	-	-	-	(44,824)	(94)
Depreciation charge	(9,409)	(949)	(1,505)	-	-	-	(11,863)	(45)
Depreciation written out on revaluation to RRA	6,590	-	-	-	105	-	6,695	-
Depreciation written out on revaluation to SDPS	3,229	-	-	-	7	-	3,235	-
Depreciation written out on impairment to SDPS	6,329	-	-	-	-	-	6,329	-
Reclassified to/(from) Held for Sale	-	63	-	-	-	-	63	-
Other reclassifications	131	-	-	-	(111)	-	20	-
<b>At 31st March 2017</b>	<b>(6,629)</b>	<b>(9,242)</b>	<b>(24,474)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40,345)</b>	<b>(139)</b>
<b>Net Book Value:</b>								
<b>At 31st March 2017</b>	<b>173,548</b>	<b>4,786</b>	<b>61,417</b>	<b>4,021</b>	<b>360</b>	<b>40,724</b>	<b>284,855</b>	<b>1,171</b>
<b>At 1st April 2016</b>	<b>171,547</b>	<b>3,608</b>	<b>60,649</b>	<b>3,944</b>	<b>0</b>	<b>10,079</b>	<b>249,827</b>	<b>1,216</b>

## 12.2 Revaluations of Property, Plant & Equipment

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by the Authority's Estates Section under the supervision of the Estates Manager, Mr B. Winstanley. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

The following statement summarises the progress of the Authority's rolling programme for the revaluation of fixed assets:

- The 2017/18 revaluations were carried out or approved by qualified valuers within the Authority's Estates section or external qualified valuers. The basis for valuation is set out in the accounting policies within section 17 of the notes to the accounts.
- All assets requiring valuations have been revalued in the 5 year period ending 31st March 2018. The valuations carried out during 2017/18 primarily included Caldicot School, Oak Grove Solar Farm, Usk County Hall, Abergavenny Market and recreational areas & playing fields.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	0	5,245	62,662	4,234	910	33,113	106,165
<b>Valued at fair value as at:</b>							
31st March 2018	56,925	-	-	-	-	-	56,925
31st March 2017	84,523	-	-	-	-	-	84,523
31st March 2016	48,460	-	-	-	-	-	48,460



31st March 2015	14,690	-	-	-	-	-	14,690
31st March 2014	0	-	-	-	-	-	0
<b>Total Cost or Valuation</b>	<b>204,598</b>	<b>5,245</b>	<b>62,662</b>	<b>4,234</b>	<b>910</b>	<b>33,113</b>	<b>310,765</b>

### 12.3 Schools Non-Current Assets

The Authority currently owns and runs four comprehensive schools, twenty two primary schools and one special school. In addition to the twenty two primary schools, there are four voluntary controlled schools and four voluntary aided schools.

The Authority runs the voluntary controlled schools on behalf of 3rd party organisations such as charities and religious organisations who own the underlying assets. The Authority does not record these school assets on its balance sheet.

With regards to voluntary aided schools within Monmouthshire, and similar to voluntary controlled schools, the assets are owned by 3rd party organisations and are not recorded on the Authority's balance sheet.

The net book value of school non-current assets as at 31st March 2018, shown in the Authority's balance sheet, is £167,607,967 (£140,402,511 as at 31st March 2017).

### 12.4 Private Finance Initiatives

#### Monmouth Health & Social Care Facility (Monnow Vale)

The Authority has entered into a pooled budget arrangement with the Aneurin Bevan Local Health Board. Under the arrangements funds are pooled under Section 33 of the NHS (Wales) Act 2006 to provide health and social care in the form of inpatient, outpatient, clinic and day care facilities to individuals who have medical, social, community or rehabilitation needs. This agreement came into effect from the 1st June 2006.

The Facility is a unique project that replaced a number of out dated or separate facilities scattered throughout the County with a new building that has been financed by a private finance partner over a period of 30 years.

The Authority accounts for its 29% share of the PFI assets, comprising buildings and equipment, with a corresponding liability amounting to its long term obligation for financing these assets.

The life of the building had originally been established for valuation purposes as being 40 years and the equipment as being 15 years. As the life of the building is 10 years beyond that of the PFI agreement, it is anticipated that the facility will be used by the parties beyond the 30 year PFI agreement. At the end of the agreement, the buildings revert to the Health Board at nil consideration. There have been no changes in the arrangements during the year.

The Authority's share in the assets used to provide services at the facility are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.1, their total net book value at 31st March 2018 being £1,375,000.

### 12.5 Investment Properties

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation. Investment Properties are not used in any way to deliver a service and are not held for sale. The Authority's current portfolio of investment properties primarily consists of County Farms and District Shops.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2016/17 £000		2017/18 £000
(529)	Rental income from investment property	(833)
124	Direct operating expenses arising from investment property	212
<b>(405)</b>	<b>Net (gain)/loss</b>	<b>(621)</b>



The following table summarises the movement in the fair value of investment properties over the year:

2016/17 £000		2017/18 £000
41,098	Balance at start of the year	41,932
608	Additions	860
(5)	Disposals	(687)
133	Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure	(1,982)
98	Transfers (to)/from Property, Plant and Equipment	5,031
<b>41,932</b>	<b>Balance at end of the year</b>	<b>45,154</b>

Capital receipts totalling £1,001,000 were credited to the Capital receipts reserve during 2017/18 in relation to investment properties (160,000 in 2016/17).

### Fair Value Hierarchy

Details of the Authority's investment properties and information about the fair value hierarchy:

2016/17				Type of Property	2017/18			
Quoted Prices in active markets for identical assets	Other Observable inputs	Significant Unobservable inputs			active markets for identical assets	Other Observable inputs	Significant Unobservable inputs	
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
£000	£000	£000	£000		£000	£000	£000	£000
0		90	90	Freehold Reversions			90	90
0	40,072		40,072	Agricultural Properties		37,008		37,008
0		518	518	Retail Units			1,171	1,171
0		1,252	1,252	Industrial Properties			1,569	1,569
0			0	Solar Farm			5,314	5,314
<b>0</b>	<b>40,072</b>	<b>1,860</b>	<b>41,932</b>		<b>0</b>	<b>37,008</b>	<b>8,145</b>	<b>45,153</b>

There have been no transfers between levels during the year.

**Level 2 Other Observable inputs:** The fair value for the Agricultural Portfolio (at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets locally. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

**Level 3 Significant Unobservable Inputs:** The Freehold Reversions, Retail Properties and Industrial Properties located in the local authority area are measured using the income approach, by means of a term and reversion method. The approach has been developed using the authority's own data requiring it to factor in assumptions such as the duration, rent growth, occupancy levels, bad debt levels, maintenance costs, etc. These property types are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

**Highest and Best Use:** In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

**Valuation Techniques:** There has been no change in the valuation techniques used during the year for investment properties.

**Level 3 Investment Properties**

A summary of the movement in the fair value of level 3 investment properties over the year:

2016/17 £000		2017/18 £000
1,840	Balance at start of the year	1,860
0	Transfers (to)/from Level 3	0
51	Additions	6,269
0	Disposals	0
(31)	Net gains/(losses) from fair value adjustments included in Surplus or Deficit on the Provision of Services	16
<b>1,860</b>	<b>Balance at end of the year</b>	<b>8,145</b>

**Fair Value Measurement**

The valuers arrive at a Fair Value for level 3 Investment Properties by applying a yield to the income stream. The yield reflects the risk and is derived from factors such as the use made of the property, the quality of the tenant, the length and security of the income and also in the case of retail, the location. These impact on rent growth, occupancy levels, bad debt levels and maintenance costs. The yield is arrived at from the valuers knowledge of the market, from contacts and published information alongside knowledge of the individual asset.

Type of Property	Valuation Technique used to measure Fair Value	Unobservable Inputs	Range	Sensitivity
Freehold Reversions	Income approach, by means of a term and reversion method	Yield	4%	The Fair Value of the Property will increase as the yield reduces.
Retail Units		Yield	7% - 10%	
Industrial Properties		Yield	12%	
Solar Farm		Yield	6%	

**12.6 Assets Held for Sale**

Assets held for sale comprise those assets that are available for immediate sale and where the sale is highly probable and will be actively marketed at its market value. The in-year movement and balance of assets held for sale as at 31st March 2018 are shown below:

2016/17 £000		2017/18 £000
20,684	Balance outstanding at start of year	2,933
-	- Additions	-
1,034	Assets newly classified as held for sale: From PPE	38
(1,423)	Assets declassified as held for sale: To PPE	(1,218)
-	- Revaluation gains	-
-	- Revaluation losses	(50)
-	- Impairment losses	-
(17,362)	Assets sold	(253)
<b>2,933</b>	<b>Balance outstanding at year-end</b>	<b>1,450</b>

## 12.7 Heritage Assets

The Code requires that heritage assets are measured at valuation in the financial statements, together with comparative year information. The Code however permits some relaxations in the valuation requirements of heritage assets, meaning that the authority could potentially recognise more of the museums collections in the Balance Sheet. However, whereas the Authority recognises some heritage collections in financial statements, it is of the view that obtaining valuations for the vast majority of these collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Authority's financial statements. Whilst this exemption is permitted by the Code, the position will be subject to ongoing review.

The Authority would not typically consider disposing of any heritage assets even though previously offers have been received.

The following table summarises the movement in the carrying value of Heritage assets:

	Property Heritage Assets £000	Museum Exhibits £000	Civic Regalia, Artwork & Collect'n £000	Total £000
<b>Cost or Valuation:</b>				
1st April 2016	151	4,464	180	4,795
Additions	95	-	-	95
Revaluation increases/ (decreases) recognised in the SDPS	-	-	-	0
Impairment losses/(reversals) recognised in the SDPS	(8)	-	-	(8)
<b>31st March 2017</b>	<b>238</b>	<b>4,464</b>	<b>180</b>	<b>4,882</b>
<b>Cost or Valuation:</b>				
Additions	24	-	-	24
Revaluation increases/ (decreases) recognised in the SDPS	(250)	-	-	(250)
Impairment losses/(reversals) recognised in the SDPS	(25)	-	-	(25)
Reclassified from property, plant and equipment	13	-	-	13
<b>31st March 2018</b>	<b>0</b>	<b>4,464</b>	<b>180</b>	<b>4,644</b>

### Property Heritage Assets

The Authority owns six property assets which meet the criteria for inclusion as heritage assets. These comprise the following assets:

- Caldicot Castle
- Angidy Ironworks, Tintern
- The Slaughterhouse - Arches, Monmouth
- Clydach Ironworks, Clydach
- War Memorial, Frogmore St, Abergavenny
- Tintern Station, Tintern

These assets were last valued on a fair value - existing use value (EUV) basis and were carried out internally by the Authority's Estates Section under the supervision of the Estates & Sustainability Manager, Mrs D. Hill-Howells MRICS.

Further to this Abergavenny Museum and Castle is leased by the Authority.

### Museum Exhibits

Monmouthshire operates four museums, namely Monmouth, (The Nelson Museum), Abergavenny, Caldicot (Castle) and Chepstow. Each individual museum maintains an inventory of exhibits and the Authority last commissioned a valuation of material items in August 2012.

The most significant museum exhibit is the Nelson collection which is included on the balance sheet at a valuation of £4.3m and was last valued by external valuers in August 2012. The valuation was limited to selected items with market prices in excess of £1,000.

### Civic Regalia, Artwork & Collections

Five other assets are classified as Heritage assets under this classification where cost information was readily available. These comprise the following assets:

- Henry Tapestry
- Chairman's Chain of Office
- Vice Chairman's Chain & Insignia
- Lady Chairman's Chain & Insignia
- Vice Lady Chairman's Chain & Insignia

These assets are currently valued at their most recent insurance valuation. The Authority currently has insurance cover in place for the majority of the exhibits. This was agreed through negotiation with the insurance underwriters.

## 12.8 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

31st March 2017 £000		31st March 2018 £000
114,076	Opening Capital Financing Requirement	134,588
	<b>Capital investment:</b>	
39,507	Property, Plant and Equipment	43,763
608	Investment Properties	860
0	Assets held for sale	0
95	Heritage Assets	24
74	Intangible Assets	1
1,401	Revenue Expenditure Funded from Capital under Statute	3,484
	<b>Sources of finance:</b>	
(2,949)	Capital receipts	(17,324)
(14,051)	Government grants and other contributions	(15,099)
(894)	Direct revenue contributions	(264)
	<b>Other:</b>	
(3,278)	Minimum revenue provision	(3,895)
0	Capital receipt set aside	0
<b>134,588</b>	<b>Closing Capital Financing Requirement</b>	<b>146,138</b>
	<b>Explanation of movements in year:</b>	
2,400	Increase in underlying need to borrowing - supported by Government financial assistance	2,401
21,391	Increase in underlying need to borrowing - unsupported by Government financial assistance	13,044
(3,278)	Less: Minimum revenue provision	(3,895)
<b>20,513</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>11,550</b>

## 12.9 Summary of Capital Expenditure treatment

In order to assist the user of the accounts, the summary below provides a concise analysis of capital expenditure incurred by the Authority during the financial year and its resultant treatment in the statement of accounts.

Capital expenditure incurred by the Authority that does not result in an equivalent increase in the value of the underlying fixed asset is initially charged in full as a fixed asset addition, and then subsequently impaired in order to ensure that the carrying value of the fixed asset concerned is not overstated.

2016/17 £000		2017/18 £000
	<b>Enhancing value:</b>	
37,048	Property, plant and equipment	40,987
244	Investment properties	604
46	Intangible assets	1
0	Assets held for sale	0
87	Heritage assets	(1)
	<b>Not enhancing value:</b>	
2,459	Property, plant and equipment	2,776
364	Investment properties	256
28	Intangible assets	0
0	Assets held for sale	0
8	Heritage assets	25
1,401	Revenue Expenditure Funded from Capital under Statute	3,484
<b>41,684</b>	<b>Total Capital Expenditure</b>	<b>48,131</b>

### 12.10 Capital Commitments

At 31st March 2018, the Authority has entered into major contracts (i.e. those individually above £200,000) for the construction of Property, Plant and Equipment in 2018/19 and later years budgeted to cost £20,743,000 (£14,168,000 at 31st March 2017).

### 12.11 Financing Capital Expenditure

The following streams of finance were utilised to fund capital expenditure during the year:

2016/17 £000		2017/18 £000
2,400	Supported Borrowing	2,401
21,391	Unsupported Borrowing	13,043
1,461	General Capital Grant	1,462
11,877	Capital grants and contributions	12,913
2,949	Council Fund Capital Receipts	17,246
0	Low Cost Home ownership receipts	78
	<b>Revenue Contribution:</b>	
784	Earmarked Reserves	172
110	Council Fund	92
713	S106 contributions	723
<b>41,684</b>		<b>48,131</b>

### 12.12 Minimum Revenue Provision

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual minimum revenue provision (MRP) from revenue to contribute towards the reduction in its overall borrowing requirement.

Provision is made in accordance with the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2014 and adjoining MRP guidance which places a simple duty for an authority each year to make an amount of MRP which it considers to be "prudent".

In December 2016, Council approved a change to the MRP policy relating to Supported borrowing from 4% reducing balance to the use of the straight line method over 50 years. This has had the effect of reducing the MRP charge required in 2017/18 and later years.

The Authority also makes additional voluntary revenue contributions in respect of finance leased assets.

The amount of revenue provision made by the Authority in 2017/18 was £3,895,000 (£3,278,000 in 2016/17).

### 12.13 Leases - Authority as Lessor

#### Operating Leases

The Authority has entered into operating lease arrangements to lease property assets to various individuals and organisations. These primarily consist of Industrial units, County Farms, Land parcels and Recreation halls.

The minimum lease payments receivable includes rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. During the financial year £582,000 of minimum lease payments were receivable by the Authority (£568,000 in 2016/17).

The future minimum lease payments receivable under non-cancellable leases in future years are:

2016/17 £000		2017/18 £000
441	Not later than one year	533
1,071	Later than one year and not later than five years	1,022
3,200	Later than five years	2,404
<b>4,712</b>		<b>3,959</b>

#### Finance Leases

In 2016/17, the Authority entered into a Finance lease arrangement with Optimisation Developments Ltd for land at the Old Cattle market in Abergavenny.

The gross carrying amount and present value of the minimum lease payments receivable under this finance lease is detailed below.

2016/17			2017/18	
Present Value of Minimum Lease Payments to the Authority	Gross Amount outstanding from Lessee		Present Value of Minimum Lease Payments to the Authority	Gross Amount outstanding from Lessee
£000			£000	
160	160	Not later than one year	157	160
640	640	Later than one year and not later than five years	593	640
3,200	3,200	Later than five years	2,193	3,040
<b>4,000</b>	<b>4,000</b>		<b>2,943</b>	<b>3,840</b>

The present value of the minimum lease payments has been reduced during 2017/18 by the £160,000 receivable, the first lease payment and also by introducing a discount factor of 2.26% determined from the value of the leased asset.

### 12.14 Leases - Authority as Lessee

#### Operating Leases

The Authority has acquired property, vehicles, plant and equipment by entering into operating leases.

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £342,000 (£386,000 in 2016/17).

The future minimum lease payments due under non-cancellable leases in future years are:

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2016/17 £000		2017/18 £000
225	Not later than one year	219
390	Later than one year and not later than five years	292
68	Later than five years	117
<b>683</b>		<b>629</b>

**13 FINANCIAL INSTRUMENTS, CURRENT ASSETS & LIABILITIES NOTES**
**13.1 Categories of Financial Instruments**

The Authority holds no financial assets or financial liabilities at fair value through profit or loss, where assets or liabilities would be classified as held for trading.

An unquoted equity investment of £40,000 represents an equal share with Torfaen County Borough Council in SRS Business Solutions Limited. This investments comprised seed funding for the company and is expected to be recovered in full. Further information is provided in note 16.6.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value. Debtors are impaired where there is objective evidence that the carrying amount exceeds the recoverable amount and amounts shown are the amount net of any such impairment.

The following categories of financial instrument are carried in the Balance Sheet as at 31st March 2018:

Long-Term 31st March 2017 £000	Short-Term 31st March 2017 £000		Note	Long-Term 31st March 2018 £000	Short-Term 31st March 2018 £000
		<b>Investments</b>			
0	0	Loans & receivables	13.4	0	10,038
40	0	Unquoted equity investments	13.4	40	0
0	6,498	Cash & cash equivalents	15.3	0	7,354
<b>40</b>	<b>6,498</b>	<b>Total Investments</b>		<b>40</b>	<b>17,391</b>
		<b>Debtors</b>			
4,240	19,937	Receivables	13.5	3,144	21,854
<b>4,240</b>	<b>19,937</b>	<b>Total Debtors</b>		<b>3,144</b>	<b>21,854</b>
		<b>Borrowings</b>			
(69,682)	(20,267)	Financial liabilities at amortised cost	13.4	(74,912)	(54,958)
0	(30)	Cash & cash equivalents	15.3	0	(774)
<b>(69,682)</b>	<b>(20,297)</b>	<b>Total Borrowings</b>		<b>(74,912)</b>	<b>(55,732)</b>
		<b>Other Long Term Liabilities</b>			
(803)	0	PFI and finance lease liabilities		(771)	0
(952)	0	Other Long Term Liabilities		(974)	0
<b>(1,755)</b>	<b>0</b>	<b>Total Other Long Term Liabilities</b>		<b>(1,744)</b>	<b>0</b>
		<b>Creditors</b>			
0	(28,437)	Payables	13.6	0	(31,980)
<b>0</b>	<b>(28,437)</b>	<b>Total Creditors</b>		<b>0</b>	<b>(31,980)</b>

**13.2 Income, Expense, Gains and Losses**

The Income, expense, gains and losses recognised in Financing Income and Expenditure in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2016/17 £000		2017/18 £000
	<b>Financial Liabilities measured at amortised cost:</b>	
2,904	Interest payable on external debt	2,944
(9)	Debt reimbursement from third parties	(12)
5	Interest payable to trust funds	2
22	Interest payable on finance leases	21
<b>2,922</b>	<b>Total Interest payable and similar charges</b>	<b>2,955</b>
	<b>Financial assets - loans and receivables:</b>	
(70)	Interest income	(31)
0	Interest income accrued on impaired financial assets	0



0	Interest income relating to Finance lease debtors	(102)
0	Investment Losses / (Gains)	0
(20)	Other interest and investment income	(24)
(90)	Total Interest Income	(157)
2,832	Net (gain)/loss for the year	2,798

### 13.3 Fair Values of Financial Instruments

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Interest is calculated using the most common market convention, ACT/365
- Where interest is paid every 6 months on a day basis, the value of interest is rounded to 2 equal instalments
- For fixed term deposits it is assumed that interest is received on maturity, or annually if duration is greater than 1 year
- The interest value and date have not been adjusted where a relevant date occurs on a non-working day
- The fair values of long term 'Lender's Option Borrower's Option' (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate and adding the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to Bloomberg's proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumptions that lenders will only exercise their options when market rates have risen above the contractual loan rate.

The fair values calculated are as follows:

#### Borrowings

Carrying Amount 31st March 2017 £000	Fair Value 31st March 2017 £000		Carrying Amount 31st March 2018 £000	Fair Value 31st March 2018 £000
(89,949)	(114,134)	Financial liabilities at amortised cost	(129,870)	(150,098)

The fair value is more than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the discount rate (underlying market rates) at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

#### Loans and Receivables

Due to the short term nature of the investments, the carrying amount of loans and receivables held at the balance sheet date is deemed to be a reasonable approximation of the fair value.

### 13.4 Nature and Extent of Risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures such as interest rates
- Inflation risk – the possibility that the interest earned on investments does not fully offset inflationary pressures

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team in conjunction with appointed treasury advisors, under policies approved by the Council in the Treasury Management Strategy and Annual Investment Strategy. The strategy provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

The revised Borrowing Strategy continues to take into account the fact that it is cheaper to borrow for shorter periods than for long periods as previously was the case. It also took into account that there was a net benefit to be gained from internal borrowing, where surplus cash is utilised to fund capital expenditure, compared to borrowing externally. This approach reduces surplus cash balances but produces a net benefit as the cost of borrowing is higher than the returns from investing the additional surplus cash.

The investment strategy seeks to minimise risk in the current climate by restricting investment to institutions which are given a high credit rating by external rating agencies and which continue to show other measures of credit worthiness and as advised by leading financial consultants and by ensuring liquidity is maintained with short term deposits.

The Authority has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

**a) Credit Risk**

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions if either they or their resident Country fall below the minimum "high" credit criteria set by the Authority. Different counterparty limits are in place for different investment instruments, based on type or Country of origin.

All of the investments currently held by the Authority are considered to be of low credit risk. The Authority, assisted by its treasury advisors, has this position constantly under review.

The authority does not expect any losses from non-performance by any of its counterparties in relation to investments held as at 31st March 2018.

The £10,038,000 of Investments held by the Authority at the 31st March 2018 is broken down as below.

Counterparty Group	£'000	Average Credit rating	Country	Average Duration (days)	Investment Vehicle
UK Government	10,038	AA	United Kingdom	8	Term Deposit with DMADF

Customers for goods and services are assessed taking into account their financial position, past experience and other factors such as the current economic climate. Risk of default and uncollectability is assessed based on the nature of the underlying debt and historic collection rates. Receivables as at the year-end are illustrated in note 13.5 to the accounts, together with any associated impairment.

**b) Liquidity Risk**

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The maturity and counterparty analysis of financial liabilities is as follows:

31st March 2017 £000		31st March 2018 £000
52,223	Public Works Loan Board	52,415
13,818	Market Loans & Bank loans	14,816
4,973	Welsh Government	5,210
18,935	Local Government bodies	47,891
0	Special Purpose Vehicle	4,538
0	Universities	5,000
<b>89,949</b>	<b>Total</b>	<b>129,870</b>
	<b>The Loans Mature as follows:-</b>	
20,267	Less than one year	54,958
1,537	Between one and two years	2,271
24,027	Between two and five years	29,563
9,860	Between five and ten years	10,273
34,257	More than ten years	32,805
<b>89,949</b>	<b>Total</b>	<b>129,870</b>

The financial liabilities due to Welsh Government at the 31st March 2018 are the outstanding balances totalling £1,162,000 from interest free loans provided to fund energy saving Street Lighting capital schemes and £4,048,000 from a loan which funded the Oak Grove solar farm construction. Accounting requirements require financial liabilities in the form of loans to be carried at amortised cost. However, some of these interest free loans have not been carried at amortised cost on the grounds that the figures quoted are not materially different.

Market loans are considered long term loans based on the remaining time to maturity, but it should be noted that they are currently within their call period. If a lender should exercise a call option on one of these loans, Monmouthshire County Council has the right to repay the loan immediately.

### c) Market Risk

#### i) Interest rate risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates – the fair value of the borrowing liabilities will fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance. The Authority held no investments carried at fair value at the 31st March 2018 (£nil at 31st March 2017).

The Authority has a number of strategies for managing interest rate risk. The 2018/19 Treasury strategy includes monetary limits for net variable Interest rate exposure, which is the difference between the levels of variable rate debt and variable rate investments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of central government grant payable on financing costs (supported borrowing) will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. In-year analysis allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

At 31st March 2018, if interest rates had been 1% higher with all other variables held constant, the most significant financial effect would be:

- Financial Liabilities - a reduction in fair value of £9,093,000 (£9,231,000 reduction in 2016/17).
- Financial Assets - the difference between the carrying and fair value will be immaterial due to the short term nature of investments.

The impact of a 1% fall in interest rates on financial liabilities would be as above but with the movements being reversed.

#### ii) Price risk

The Authority does not hold any tradable equity shares or shareholdings. It is carrying a £40,000 investment in shares of SRS Limited, a company set up with and jointly owned by Torfaen Borough Council & Gwent Police Authority.

#### iii) Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## 13.5 Debtors

The nature and value of payments due to the Council for the year but not received as at 31st March 2018, repayable in the short term (within 12 months of the balance sheet date) and long term (after 12 months of the balance sheet date), is summarised below:

**Monmouthshire County Council: Statement of Accounts 2017/18**

31st March 2017					31st March 2018			
Long Term £000	Short Term £000	Impairment £000	Net £000		Long Term £000	Short Term £000	Impairment £000	Net £000
				<b>Central Government Bodies:</b>				
0	4,958	0	4,958	Welsh Government	0	5,835	0	5,835
0	2,376	0	2,376	HM Customs & Excise	0	2,013	0	2,013
0	1,265	0	1,265	NNDR Debtor	0	934	0	934
0	0	0	0	Council Tax and Housing Benefit Subsidy	0	56	0	56
0	8	0	8	Other	0	54	0	54
				<b>Other entities and individuals:</b>				
0	4,128	46	4,174	Other Local Authorities	0	4,746	(115)	4,631
4,000	0	0	4,000	Deferred Capital receipts	2,928	0	0	2,928
0	2,500	(62)	2,438	Revenue debtors	0	2,461	(59)	2,402
0	2,481	(1,798)	683	Council tax arrears	0	2,434	(1,729)	705
0	1,464	(260)	1,204	Corporate sundry debtors	0	1,394	(205)	1,189
0	1,333	(582)	751	Housing benefit overpayments	0	1,394	(566)	828
0	1,313	(13)	1,300	NHS Bodies	0	998	(12)	986
0	626	(110)	517	Social Services debtors	0	647	(120)	527
0	215	(168)	47	Rent arrears	0	222	(197)	25
0	216	0	216	Capital debtors	0	1,669	0	1,669
214	0	0	214	Housing Advances	211	0	0	211
26	0	0	26	Other	5	0	0	5
<b>4,240</b>	<b>22,883</b>	<b>(2,946)</b>	<b>24,177</b>	<b>Total Debtors</b>	<b>3,144</b>	<b>24,857</b>	<b>(3,003)</b>	<b>24,998</b>

The aged analysis of the debtors outstanding as at 31st March 2018 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
<b>Central Government Bodies:</b>						
Welsh Government	5,835	0	0	0	0	<b>5,835</b>
HM Customs & Excise	2,013	0	0	0	0	<b>2,013</b>
NNDR Debtor	333	0	0	76	525	<b>934</b>
Council Tax and Housing Benefit Subsidy	56	0	0	0	0	<b>56</b>
Other	54	0	0	0	0	<b>54</b>
<b>Other entities and individuals:</b>						
Other Local Authorities	2,901	1,527	306	12	0	<b>4,746</b>
Deferred Capital receipts	0	0	160	160	2,608	<b>2,928</b>
Revenue debtors	2,461	0	0	0	0	<b>2,461</b>
Council tax arrears	0	0	0	1,082	1,352	<b>2,434</b>
Corporate sundry debtors	651	239	177	137	190	<b>1,394</b>
Housing benefit overpayments	100	183	340	199	572	<b>1,394</b>
NHS Bodies	783	153	21	41	0	<b>998</b>
Social Services sundry debtors	133	83	208	147	76	<b>647</b>
Capital debtors	1,669	0	0	0	0	<b>1,669</b>
Rent arrears	14	4	18	31	154	<b>222</b>
Housing Advances	0	0	0	0	211	<b>211</b>
Other	0	0	0	0	5	<b>5</b>
<b>Total</b>	<b>17,003</b>	<b>2,190</b>	<b>1,230</b>	<b>1,885</b>	<b>5,693</b>	<b>28,001</b>

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2018 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
Other Local Authorities	0	(1)	(97)	(17)	0	(115)
NHS Bodies	0	(11)	0	(1)	0	(12)
Revenue debtors	0	0	(23)	(14)	(22)	(59)
Council Tax Arrears	0	0	0	(837)	(892)	(1,729)
Social Services sundry debtors	(3)	(7)	(24)	(35)	(51)	(120)
Corporate sundry debtors	0	(6)	(51)	(33)	(115)	(205)
Rent arrears	0	(2)	(9)	(31)	(155)	(197)
Housing benefit overpayments	0	0	(96)	(56)	(414)	(566)
<b>Total</b>	<b>(3)</b>	<b>(27)</b>	<b>(300)</b>	<b>(1,024)</b>	<b>(1,649)</b>	<b>(3,003)</b>

### 13.6 Creditors

It is the Authority's policy to pay creditors promptly, without undue delay and within mutually agreed terms. 95% of payments were paid within a 30 day target settlement date (97% in 2016/17).

The nature and value of payments due to be made by the Council in the year but not actually made as at 31st March 2018 is summarised below:

31st March 2017 £000		31st March 2018 £000
6,370	Central Government Bodies	6,021
5,309	Other Local Authorities	4,064
557	NHS Bodies	372
4,114	Capital Creditors	6,520
12,087	Other entities & individuals	15,003
<b>28,437</b>	<b>Total</b>	<b>31,980</b>

### 13.7 Provisions and Contingent Liabilities

The value of provisions as at 31st March 2018, together with their movement for the year, is summarised below:

	Note	As at 1st April 2017 £000	Additional Provisions Made £000	Amounts Used £000	Unused Amounts Reversed £000	As at 31st March 2018 £000
Insurance Claims	13.8a	675	498	(120)	(314)	739
Insurance Claims - MMI	13.8b	31	0	0	0	31
Accumulating Compensated Absences	13.8c	3,245	3,601	(3,245)	0	3,601
<b>Total</b>		<b>3,951</b>	<b>4,099</b>	<b>(3,365)</b>	<b>(314)</b>	<b>4,371</b>

The analysis of provisions between those that are short-term and long-term where it is expected that the provision will be settled within 12 months or greater than 12 months of the balance sheet date respectively, are summarised below:

Current 31st March 2017 £000	Long Term 31st March 2017 £000		Current 31st March 2018 £000	Long Term 31st March 2018 £000
338	338	Insurance Claims	370	370
16	16	Insurance Claims - MMI	16	16
3,245	0	Accumulating Compensated Absences	3,601	0
<b>3,598</b>	<b>353</b>	<b>Total</b>	<b>3,986</b>	<b>385</b>

**a) Insurance Claims**

The Authority maintains insurance policies to cover itself against claims made. The effect of these policies is to limit the Council's costs in relation to successful claims made against it. Annual insurance premiums have been recharged to services during the financial year along with costs of claims incurred.

To satisfy IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a full actuarial assessment of open insurance claims was carried out at 30th September 2015 by the Authority's insurance brokers. The Authority has used this data to project future potential liabilities on the basis of current claims received, policy excesses and stop losses (the capped loss we can incur in any policy year). This assessment has allowed the Authority to reflect the estimated cost of liabilities at 31 March 2018. Provision has only been made where the Authority's insurers indicate a settlement is likely. The result is that the total provision is at the most likely level to be paid out in the future. Any movement in provisions has been charged against the services to which the claims relate.

The Authority maintains the insurance and risk management reserve to assist in the control of the Authority's insurance risks. The balance in the reserve is reviewed annually as part of the assessment on the adequacy of reserves by the Head of Finance. The reserve is required to cover potential claims not yet reported as well as recorded claims, which do not merit a provision, referred to above. It therefore represents additional cover, over and above the provision, to cover all foreseeable claims as at the balance sheet date.

The provision in place at 31st March 2018 was 739,000 (£675,000 at 31st March 2017) and the balance on the insurance and risk management reserve as at 31st March 2018 was £1,016,000 (£1,053,000 as at 31st March 2017). These balances are deemed to provide sufficient cover for the Authority's claims exposure.

The total number of open claims made against the Authority as at 31st March 2018 was 234 (181 open claims as at 31st March 2017).

A breakdown of the provision made across policy types is provided below:

2016/17 £000		2017/18 £000
292	Public Liability	467
383	Employer's Liability	272
0	Property	0
<b>675</b>	<b>Total</b>	<b>739</b>

**b) Municipal Mutual Insurance (MMI)**

For the policy years before 1992/93, the local authority is exposed to an insurance liability relating to the closure of the MMI Fund on 30th September 1992. MMI had insufficient funds to meet existing and future claims and its liquidators exercised the option of recovering an initial levy from each scheme member of 15% via a levy notice on 1st January 2014. The levy was increased to 25% by way of a second notice on the 1st April 2016.

In addition to the levy paid for settled claims, a percentage payment is also applied to outstanding claims which are subsequently settled against the Authority. As at the 31st March 2018, a provision of £31,000 has been made for outstanding claims of this nature.

**c) Accumulating Compensated Absences**

Short-term accumulating compensated absences comprise employee benefits in the form of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year and are due to be settled within 12 months of the year-end.

A provision is made as a result of the earned benefit not taken before year-end being established on a sample basis of employees, extrapolated to establish the estimated total accrued benefit. The provision is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The provision is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement as required by regulations in place, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The value of the provision made in respect of such employee benefits at the 31st March 2018 was £3,601,269 (£3,244,863 at 31st March 2017).

**d) Asbestos Indemnity**

As part of the process of transferring the Authority's council housing stock in 2007/08, Council approved changes to the Stock Transfer Agreement to include an asbestos indemnity.

It was a standard requirement of stock transfers that the local authority provides an indemnity to the funders and new landlord, in this case Monmouthshire Housing Association, with respect to the presence of asbestos in the property transferring. The indemnity does not apply in respect of the first £2.55million of costs incurred in relation to such works, as updated annually by RPI.

The resultant provision is one where the authority has negotiated a limited contingent liability of £6.003million, as updated annually by RPI, for a period of 15 years from the date of transfer of 20th January 2008. 5 years remain of this period.

There are no immediate financial implications and professional advice suggests a low risk of future liability arising. Low risk does not however equate to “no risk” and there is a potential future liability of up to £6.360 million as updated by RPI (£6.184 million as at 31st March 2017) , in the event the asbestos indemnity is called upon.

The latest available information indicates spend to date by Monmouthshire Housing Association (for the period 21st January 2008 to 31st March 2018) is £87,694 (previously £73,572 for the period 21st January 2008 to 31st March 2017).

### 13.8 Agency Transactions

#### Home Improvement Loans (HIL) and Vibrant and Viable Places (VVP) Loans

The Welsh Government has established a scheme whereby loans are made available, through Local Authorities, to homeowners and landlords wishing to renovate their properties for rent or sale.

Under this scheme, Monmouthshire County Council is acting an agent for Welsh Government by implementing this initiative. Our role will be to promote the scheme, administer applications, conduct financial and property checks and process applications.

Funding is paid to the Local Authority at the start of the scheme which we hold in our account. Welsh Government have set out terms and conditions which are detailed below: -

Loans are interest free

The maximum loan period is dependant on whether the property to be renovated is sold or let

The loan amount is capped at £25,000 per unit of accommodation

The maximum loan amount per applicant is £150,000

The below table set out a financial analysis for the scheme in the accounts:

	Agency funds from WG	Interest Earned	Loans Issued & outstanding	Repayment to WG	Total
	£000s	£000s	£000s	£000s	£000s
Home Improvement Loans	1,250	10	(64)	(1,159)	37
Vibrant and Viable Places Loans	621	3	(46)	0	578
<b>Total</b>	<b>1,871</b>	<b>13</b>	<b>(110)</b>	<b>(1,159)</b>	<b>615</b>

The gross amount owed to Welsh Government is £727,000. The Loan amounts not yet repaid by Loan recipients to Monmouthshire County Council is £109,000. The net Agency creditor is £618,000 and this is held within Long Term Liabilities.



## 14 POST-EMPLOYMENT BENEFIT NOTES

### 14.1 Participation in Pension Schemes

The council is required to account for its pension costs in accordance with IAS19 - employee benefits.

This means that the council's financial statements need to reflect the fair value of its future pension liabilities relating to past employee service, and the extent to which assets have been set aside to fund them, rather than the actual payments and contributions made in the year.

#### *Teachers*

Teachers employed by the Authority are members of the Teachers' Pension Scheme (TPS), administered by Capita Business Services Ltd on behalf of the Department for Education.

The scheme is a statutory, unfunded, defined benefit occupational pension scheme with benefits based on final average salary and length of service. The Department for Education use a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The latest available figure for total net liability is £347,312 million as at the 31 March 2017 (£271,873 million at 31 March 2016). The latest actuarial valuation of the scheme (undertaken every 4 years), as at 31 March 2012 was published on the 9th June 2014. Key results from the actuarial valuation include an increase in employer contribution from 14.1% to 16.4% of pensionable pay commencing 1 September 2015 and an employer cost cap of 10.9% of pensionable pay. The reported deficiency in the balance of assets less liabilities of the scheme was reported as £15,000 million at 31 March 2012 (£3,260 million at 31 March 2004, the previous actuarial valuation).

The Authority's payments relating to 2017/18 totalled £3,896,000 (£3,916,000 in 2016/17) to the scheme in respect of teachers' retirement benefits, representing 16.48% of teachers' pensionable pay (16.48% for 2016/17).

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and are detailed below.

There were £321,000 of contributions remaining payable to the scheme at the year end (£324,000 at 31st March 2017).

#### *Greater Gwent Pension Fund*

The Authority participates in two pension schemes administered by Torfaen County Borough Council:

- The Local Government Pension Scheme - This is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets in the long term. Pension benefits accrued up until March 2014, based on pensions of a percentage of final salary. Benefits since that time have accrued on an average salary basis.
- Unfunded Teachers Discretionary Benefits - the Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme above. This is unfunded, meaning that there are no investment assets built up to meet pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The following sections of the notes provide further supporting information covering the Authority's interest in the Greater Gwent Pension Fund.

- 14.2 Pension Fund Stakeholders
- 14.3 Entries in the comprehensive income and expenditure statement
- 14.4 Expected future pension contributions
- 14.5 Actuarial Assumptions
- 14.6 Sensitivity analysis
- 14.7 Investments held by the pension fund
- 14.8 The movement in the authority's share of the assets and liabilities within the Fund
- 14.9 A summary explanation of the movement in assets and liabilities



**14.2 Pension Fund Stakeholders**

The total defined benefit obligation for the Authority's share of the Greater Gwent Pension fund (excluding unfunded liabilities) as at the 31st March 2018 is split as follows:

2016/17			2017/18	
£000's	%		£000's	%
243,098	46%	Active	264,329	49%
94,898	18%	Deferred	94,558	18%
188,068	36%	Pensioners	180,785	33%
<b>526,064</b>	<b>100%</b>	<b>Total</b>	<b>539,672</b>	<b>100%</b>

A breakdown of the investments held by the Greater Gwent pension fund, quoted and unquoted is given in 14.7 giving an indication of the level of diversification and therefore risk within the fund.

Finance is only required to be raised to cover teachers unfunded discretionary benefits when the pensions are actually paid.

**14.3 Entries in the comprehensive income and expenditure statement**

The Authority recognises retirement benefits in the net cost of services, as they are earned by employees not when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable to the pension fund in the year, so the real cost of post-employment/ retirement benefits is reversed out of the Council Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Council Fund Balance via the Movement in Reserves Statement during the year.

Finance is only required to be raised to cover teachers unfunded discretionary benefits when the pensions are actually paid.

Local Government Pension Scheme	Teachers' Unfunded Discretionary Benefits		Local Government Pension Scheme	Teachers' Unfunded Discretionary Benefits
2016/17 £000's	2016/17 £000's		2017/18 £000's	2017/18 £000's
		<b>Comprehensive Income and Expenditure Account</b>		
		<b>Net Cost of Services:</b>		
11,106	0	current service cost	19,610	0
77	0	past service cost / (gain) including curtailments	199	0
0	0	settlement gain	0	0
<b>11,183</b>	<b>0</b>	<b>Total Net Cost of Services</b>	<b>19,809</b>	<b>0</b>
		<b>Financing and Investment Income and Expenditure:</b>		
15,286	199	interest cost on pension liabilities	13,930	135
(8,894)	0	interest income on plan assets	(8,306)	0
0	0	Impact of asset ceiling on net interest	0	0
<b>17,575</b>	<b>199</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>25,433</b>	<b>135</b>
		<b>Other Comprehensive Income and Expenditure:</b>		
22,200	-212	(Gains) and losses on remeasurement	(14,212)	(19)
0	0	Effect of business combinations and disposals	0	0
<b>22,200</b>	<b>(212)</b>	<b>Total Other Comprehensive Income and Expenditure</b>	<b>(14,212)</b>	<b>(19)</b>
<b>39,775</b>	<b>(13)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>11,221</b>	<b>116</b>
		<b>Movement in Reserves Statement</b>		
(17,575)	(199)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(25,433)	(135)
		<b>Actual amount charged against the Council Fund for pensions in the year:</b>		
10,270	481	employers' contributions payable to scheme	10,465	463

#### 14.4 Expected future pension contributions

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2019 is £10,221,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2019 are £477,000.

Statutory arrangements are in place to ensure that the financial position of the fund remains healthy. In the 31 March 2016 Actuarial Valuation, a shortfall of 28% of the fund's liabilities was identified. The Fund's 'funding target' is to achieve and maintain a funding level of 100% of liabilities. The maximum deficit recovery period has been set at 25 years. At each Actuarial Valuation, a contribution rate is set to meet the funding target over the deficit recovery period.

#### 14.5 Actuarial Assumptions

The latest full actuarial valuation of the Greater Gwent (Torfaen) Pension Scheme was carried out on the 31st March 2016. In between formal valuations which occur every three years the actuary assesses the extent of the employers pension assets and liabilities.

Both the Teachers unfunded discretionary benefits and the County Council fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. The actuary has used the projected unit credit method to arrive at their valuation. This is dependent on the underlying assumptions which have been made about mortality rates, salary levels, discount rates etc. Any differences which arise between these assumptions and actual trends will cause an associated change in the net pension liability arising.

The principal assumptions used by the actuary in their calculations have been:

Financial Assumptions	Local Government Pension Scheme			Teachers Unfunded Discretionary Benefits		
	31st March 2018	31st March 2017	31st March 2016	31st March 2018	31st March 2017	31st March 2016
Rate of increase in salaries	2.8%	2.8%	3.7%	-	-	-
Rate of increase in pensions (inline with CPI)	2.4%	2.4%	2.2%	2.4%	2.4%	2.2%
Rate for discounting scheme liabilities	2.7%	2.6%	3.5%	2.7%	2.6%	3.5%
<b>Life Expectancy:</b>						
Current male pensioner aged 65 (years)	21.5	21.5	23.0	21.5	21.5	23.0
Current female pensioner aged 65 (years)	23.9	23.9	25.4	23.9	23.9	25.4
Future male pensioner aged 65 in 20 years' time (years)	23.6	23.6	25.2	-	-	-
Future female pensioner aged 65 in 20 years' time (years)	26.1	26.1	27.8	-	-	-

The discount rate used to value fund liabilities is based on market yields on high quality corporate bonds over appropriate terms. To facilitate this, Hymans Robertson produce a corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index.

The weighted average duration at the most recent actuarial valuation for Monmouthshire County Council is 17 to 23 years. Monmouthshire County Council is in the Medium category.

#### 14.6 Sensitivity Analysis

As noted above, changes to the financial assumptions disclosed in 14.5 will result in movements in the key pension related financial outcomes. An estimation of the results of such movements are given below.

Change in assumption at 31st March 2018	Approximate % increase to Employer	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	55,492
0.5% increase in the Salary Increase Rate	2%	9,014
0.5% increase in the Pension Increase Rate	8%	45,694

In addition the actuary estimates that a one year increase in life expectancy would approximately increase the Employers Defined Benefit Obligation by around 3-5%. In practice this is dependent on the age groups predominantly affected.

#### 14.7 Investments held by the pension fund

Teachers unfunded discretionary payments have no assets to cover its liabilities. The Local Government Pension Scheme's assets are valued at fair value, and consist of the following categories, by proportion of the total assets held:

31st March 2017		Category	Quoted in Active markets	31st March 2018	
£000	%			£000	%
60,314	18.9%	Equities	Yes	62,097	18.7%
		<b>Investment funds &amp; Unit Trusts</b>			
184,311	57.7%	Equities	No	191,298	57.6%
56,545	17.7%	Bonds	No	53,817	16.2%
8,467	2.7%	Other	No	13,975	4.2%
8,113	2.5%	Property	No	8,015	2.4%
1,582	0.5%	Cash accounts	No	2,710	0.8%
0	0.0%	Alternatives	No	0	0.0%
<b>319,332</b>	<b>100.0%</b>	<b>Total</b>		<b>331,910</b>	<b>100.0%</b>

**14.8 The movement in the authority's share of the assets and liabilities within the fund**
**The Movement in Fund Assets**

Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits		Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits
2016/17 £000	2016/17 £000		2017/18 £000	2017/18 £000
254,271	0	As at 1st April	319,333	0
0	0	Settlement costs	0	0
8,894	0	Interest on plan assets	8,306	0
10,270	481	Employers contributions	10,465	463
2,836	0	Contributions by scheme participants	2,937	0
56,125	0	Gains / (losses) on remeasurement of assets	3,536	0
0	0	Administration expenses of plan assets	0	0
(13,063)	(481)	Benefits paid	(12,667)	(463)
319,333	0	As at 31st March	331,910	0

**The Movement in Fund Liability**

(436,585)	(5,911)	As at 1st April	(531,153)	(5,417)
(11,106)	0	Current service cost	(19,610)	0
(77)	0	Past service (cost) / gain (including curtailments)	(199)	0
0	0	Settlement gains	0	0
0	0	Curtailment costs	0	0
(15,286)	(199)	Interest on pension liabilities	(13,930)	(135)
(2,836)	0	Contributions by scheme participants	(2,937)	0
(78,326)	212	Gains / (losses) on remeasurement of liabs	10,676	19
13,063	481	Benefits paid	12,667	463
0	-	Effect of business combinations & disposals	0	-
(531,153)	(5,417)	As at 31st March	(544,486)	(5,070)

There were £1,106,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2017 £1,039,000 was payable) and £5,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£1,000 at 31 March 2017).

Of the £544,000,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2018, there are £4,813,000 of unfunded liabilities (£5,088,000 as at 31st March 2017). £354,000 of employer contributions were made in respect of these liabilities during the year.

**14.9 Summary of the movement in assets and liabilities**

Over the five years ending the 31 March 2017, the fund's actuaries have estimated that the Authority had the following assets and liabilities:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
<b>Local Government Pension Scheme</b>					
Present value of scheme liabilities	(349,554)	(422,166)	(436,585)	(531,153)	(544,485)
Fair value of scheme assets	232,758	259,755	254,271	319,333	331,910
<b>Surplus / (deficit) in the scheme</b>	<b>(116,796)</b>	<b>(162,411)</b>	<b>(182,314)</b>	<b>(211,820)</b>	<b>(212,575)</b>
<b>Teachers Unfunded Discretionary Benefits</b>					
Present value of scheme liabilities	(5,082)	(5,003)	(5,911)	(5,417)	(5,070)
Fair value of scheme assets	0	0	0	0	0
<b>Surplus / (deficit) in the scheme</b>	<b>(5,082)</b>	<b>(5,003)</b>	<b>(5,911)</b>	<b>(5,417)</b>	<b>(5,070)</b>
<b>Total</b>					
Present value of scheme liabilities	(354,636)	(427,169)	(442,496)	(536,569)	(549,555)
Fair value of scheme assets	232,758	259,755	254,271	319,333	331,910
<b>Surplus / (deficit) in the scheme</b>	<b>(121,878)</b>	<b>(167,414)</b>	<b>(188,225)</b>	<b>(217,236)</b>	<b>(217,645)</b>
<b>Year on year increase in net liability (or deficit)</b>					<b>(409)</b>

There is a small increase in combined net liability of £409,000 from 1 April 2017 to 31 March 2018 resulting from several large movements not fully offsetting. The net liability increased due to Current & Past service costs being £8.9m higher than contributions paid in year and also due to the impact of the interest cost incurred on the scheme liabilities £14.1m. The net liability reduced due to £8.3m of Interest being earned from invested assets and due to the scheme assets & liabilities both being remeasured beneficially by a total of £14.2m. The high Current Service cost was as a result of the discount rate at the start of the year reducing which increases the present value of funding future pension payments.

15 NOTES TO THE CASH FLOW STATEMENT

**15.1 Reconciliation of Comprehensive Income & Expenditure Account to Net Cash Flows from Operating Activities**

2016/17 (Restated) £000		2017/18 £000
2,424	Net (surplus) or deficit on the provision of services	17,210
	<b>Non-cash transactions:</b>	
(11,864)	Depreciation of non-current assets	(10,915)
(141)	Impairment and downward valuations	(4,287)
(153)	Amortisation of intangible non-current assets	(160)
234	Increase/decrease in impairment for provision for bad debts	(67)
(64)	Increase/(decrease) in inventories	(108)
9,629	Increase/(decrease) in debtors	797
(1,255)	(Increase)/decrease in creditors	361
(1,695)	(Increase)/decrease in provisions	(420)
(7,023)	Pension liability	(14,640)
(17,367)	Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised	(941)
133	Movement in the value of investment properties	(1,982)
	<b>Items classified in another classification in the cash flow statement</b>	
(781)	Other payments for investing activities	(2,854)
13,431	Other receipts from investing activities	6,352
0	Other payments for financing activities	(31)
16,677	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,784
<b>2,186</b>	<b>Net cash flows from Operating Activities</b>	<b>(8,902)</b>

**15.2 Returns on Investments and Servicing of Finance**

Returns on Investments received and Servicing of Finance paid during the year are made up of the following elements:

2016/17 £000		2017/18 £000
	<b>Returns on Investments received:</b>	
(72)	Interest received	(155)
(19)	Other interest and investment income	(24)
	<b>Servicing of Finance paid:</b>	
3,029	Interest paid	2,624
22	Interest element of finance lease rental payments	21
<b>2,960</b>		<b>2,466</b>

**15.3 (Increase)/decrease in Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

	At 31st March 2017	In Year Movement	At 31st March 2018
	£000	£000	£000
<b>Current Assets</b>			
Cash held by the Authority	221	98	319
Bank current accounts	1,820	(1,820)	0
Short-term call account deposits	4,457	2,578	7,035
<b>Current Liabilities</b>			
Bank current account overdrafts	(30)	(744)	(774)
<b>Total</b>	<b>6,468</b>	<b>112</b>	<b>6,580</b>

## 16 OTHER NOTES TO THE ACCOUNTS

### 16.1 Members Allowances

Information on members' allowances is available on request from the Payroll Manager, Payroll Section, Monmouthshire County Council, @Innovation House, Wales 1, Magor, NP26 3DG.

The Authority paid the following amounts to elected and co-opted members of the council during the year:

2016/17 £000		2017/18 £000
578	Basic allowance	575
182	Special responsibility allowance	197
36	Travel allowance	28
4	Subsistence allowance	3
<b>800</b>	<b>Total</b>	<b>803</b>

### 16.2 Audit Costs

The Authority has incurred the following costs during 2017/18 in relation to the audit of the Statement of Accounts, certification of grant claims, statutory inspections and to non-audit services provided by the Authority's external auditors:

2016/17 £000		2017/18 £000
176	Fees payable to the appointed auditor with regard to external audit services - financial audit	176
103	Fees payable to the appointed auditor with regard to external audit services - Local Government Measure	103
50	Fees payable to the appointed auditor for certification of grant claims & returns	55
<b>329</b>	<b>Total</b>	<b>334</b>

### 16.3 S31 and S33 Pooled Budget Arrangements

Section 31 of the Health Act 1999 and Section 33 of the NHS (Wales) Act 2006 enables the establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds enable bodies to work collaboratively to address specific local health issues. A key feature of the pool is that the use of resources contributed to the pool should be dictated by the need of clients who meet the criteria established for the pool, rather than the respective contributions by the partners. Thus, it is to be expected that health service resources could be used to deliver local authority services and vice versa.

Pooled funds are not legal entities. The partners in the pool will nominate one partner to be the host to the pool. That host has responsibility for the administration of the pool.

#### a) Mardy Park Rehabilitation Scheme

The Authority had previously entered into a pooled budget arrangement with the Aneurin Bevan Local Health Board for the provision of a Rehabilitation Scheme at Mardy Park which came into effect from the 1st April 2004, with the Authority being host for the partnership.

The Purpose of the scheme was to reduce the time spent in hospital for rehabilitation patients who have no need for in-patient care, undertaken through the assessment of individuals needs and on how community based schemes could adapt to manage the risk of non-residential care effectively.

During the 2017/18 financial year the previous Mardy Park agreement has been revisited and redrafted to incorporate the service redesign undertaken. The site at Mardy Park has undergone significant redesign within the past year to accommodate ever changing service demands and provide an integrated Health and Social Care hub within North Abergavenny. Mardy Park now offers a multi-functional facility to allow for a more reactive based centre, providing high quality rehabilitation, respite and reablement to offer rapid hospital discharge, freeing up pressure on Delayed Transfers of Care and early hospital discharge. The site offers a facility to host a number of clinics to the community.

The agreement states that, if at the end of any financial year or upon termination of the Agreement there is an overspend, the Partners may agree that resources in the next financial year shall be applied in meeting the overspend. If this is not agreed the over spend shall be apportioned between the Partners in a just and equitable manner taking into account the circumstances of and reasons for the overspend.

The income and expenditure for the pooled fund arrangements for the financial year ended 31st March 2018 was:



2016/17 £000		2017/18 £000
	<b>Funding</b>	
(209)	Monmouthshire County Council	(258)
(157)	Monmouthshire Local Health Board	(177)
<b>(366)</b>	<b>Total Funding</b>	<b>(435)</b>
	<b>Expenditure</b>	
235	Employee related	303
46	Premises related	85
0	Transport related	1
21	Supplies & Services	37
46	Agency & Contracted	94
15	Central and Support services recharges	0
15	Capital Financing	0
<b>378</b>	<b>Total Expenditure</b>	<b>520</b>
<b>12</b>	<b>Net (Under)/over spend</b>	<b>85</b>

#### b) Gwent Integrated Community Equipment Store (GWICES)

The Authority has entered into a pooled budget arrangement with the Aneurin Bevan Local Health Board and four other local authorities in the Gwent area, namely Blaenau Gwent, Caerphilly, Newport and Torfaen. Under the arrangement funds are pooled under Section 33 of the NHS (Wales) Act 2006. This agreement came into effect on 1st October 2008.

The Purpose of the scheme is to provide an efficient and effective integrated equipment store to service users who are resident in the partnering localities.

Torfaen County Borough Council is the host for the Partnership, who recorded gross expenditure of £3,295,000 (£3,216,000 for 2016/17) and gross income of £3,295,000 (£3,216,000 for 2016/17) for the financial year ended 31st March 2018. Monmouthshire County Council's contribution for the year was £307,000 (£286,000 for 2016/17).

#### c) Monmouth Health & Social Care Facility (Monnow Vale)

The Authority has entered into a pooled budget arrangement with the Aneurin Bevan University Health Board. Under the arrangements funds are pooled under Section 33 of the NHS (Wales) Act 2006 to provide health and social care in the form of inpatient, outpatient, clinic and day care facilities to individuals who have medical, social, community or rehabilitation needs. This agreement came into effect from the 1st June 2006.

The Facility is a unique project that replaced a number of out dated or separate facilities scattered throughout the County with a new building that has been financed by a private finance partner over a period of 30 years. Further information is contained in note 12.4 to the accounts.

Aneurin Bevan University Health Board is the host for the Partnership, who recorded gross expenditure of £3,433,000 (£3,317,000 for 2016/17) and gross income of £3,312,000 (£3,253,000 for 2016/17) for the financial year ended 31st March 2018. Monmouthshire County Council's total contribution for the year was £1,022,000 (£989,000 for 2016/17).

#### d) Gwent Frailty Programme

A Section 33 Partnership Agreement exists between five Local Authorities in the former Gwent area and Aneurin Bevan Local Health Board for the provision of Frailty services to service users who are resident within each of the Partner Localities. This service became operational from the 4th April 2011 and the agreement came into effect from this date.

The Gwent Frailty programme has created a Community based integrated model of care through the establishment of Community Resource Teams (CRT's) delivering a range of services to avoid hospital admissions, facilitate early discharge and help individuals remain 'happily independent'. The CRT's provide integrated Urgent Response, Reablement, Falls Services within each Locality in line with agreed Locality Commissioning Plans (LCPs).

The programme has attracted Welsh government Invest to Save funding totalling £7.3m which is being used to pump prime the establishment of CRTs and to fund the IT infrastructure. Partners have also committed recurring budgets to the programme totalling £8.9m per annum and have agreed savings targets to ensure on-going financial stability.

Caerphilly County Borough Council is the host for the Partnership, who recorded gross expenditure of £15,484,000 (£14,982,000 for 2016/17) and gross income of £15,467,000 (£15,438,000 for 2016/17) for the financial year ended 31st March 2018. Monmouthshire County Council's total contribution for the year was £1,286,000 (£1,291,000 for 2016/17).

## 16.4 Related Party Transactions

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allow readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

### Central & Welsh Government

Central & Welsh Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of core and specific grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. housing benefits). Details of grant income received from Central & Welsh Government and other government departments are set out in notes 11.7 and 11.8 to the Accounts.

### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in note 16.1 to the accounts. Where work or services have been commissioned, or where grants were made during the financial year in which members had an interest, members have a duty to declare such an interest. The Authority must ensure that contracts entered into were in full compliance with the Authority's standing orders and that grants were made with proper consideration of declarations of such interests.

During the financial year, members who declared an interest did not take part in any discussion or decision relating to grants made or works or services commissioned. Details of all interests declared are recorded in minutes or relevant meetings and recorded in the Register of Members' Interest, open to public inspection at its offices at @Innovation House, Wales 1, Magor, NP26 3DG.

### Companies and Joint Ventures

The Authority has interests in companies and joint ventures and relevant transactions are disclosed in note 16.6 to the Accounts about such interests.

### Senior Officers

Section 117 of the Local Government Act 1972 requires officers to declare any pecuniary interests that they may have regarding any transactions being entered into by the Authority in which they have a direct or indirect involvement.

The Head of Finance (S151 officer), Monitoring Officer for the Authority, Chief Officer for Children & Young People, Chief Officer for Resources, Head of People Services & Information Governance have no pecuniary interests.

The Chief Executive was the Acting Returning Officer and Electoral Registration Officer for Monmouthshire during 2017/18 and held the following position during the year:

- Non Executive Director of Innovationpoint (a wholly owned Welsh Government Subsidiary)
- Clerk to the Lord Lieutenancy of Gwent
- Honorary Visiting Professor, University of Cardiff

The Chief Officer for Enterprise and Deputy Chief Executive held the following position during the year:

- Chair of the Innovation Advisory Council for Wales

The Chief Officer for Social Care & Health held the following position during the year:

- Independent Member of Aneurin Bevan Unitary Health Board

The Head of Operations held the following position during the year:

- Board Member to Capita Gwent Consultancy (dormant company)
- Non-Executive Director to Dragon Waste Limited

The following balances were held with these related parties at the year-end:

2016/17 Debtors £000	2016/17 Creditors £000		2017/18 Debtors £000	2017/18 Creditors £000
0	194	Dragon Waste Limited	0	128

During the year the following payments & receipts with these related parties arose as follows:

2016/17 Payments £000	2016/17 Receipts £000		2017/18 Payments £000	2017/18 Receipts £000
1,383	36	Dragon Waste Limited	2,354	36

## 16.5 Trust Funds

The Council acts as sole or custodian trustee for a number of trust funds. The funds do not represent assets of the Council and they have not been included in the Consolidated Balance Sheet. The below balances are based upon unaudited figures for the year ended 31st March 2018:

	Income £000	Expend £000	Assets £000	Liabilities £000
<b>Welsh Church Act Fund</b>	(207)	192	5,631	(145)
The primary objective of the Charity is to assist groups and individuals for educational, social, recreational and other charitable purposes. The Trust owns tangible fixed assets comprising eight parcels of land. Five of these are agricultural, two are grazing and one is forestry.				
<b>Llanelly Hill Social Welfare Centre</b>	(4)	3	93	(25)
The primary objective of the fund is the provision of a Social welfare centre to the residents of Llanelly hill. The Trust's fixed assets comprise the social welfare centre premises and land upon which it is situated.				
<b>Chairman's Charity</b>	(5)	5	2	(2)
The Chairman's Charity supports and raises funds for the Chairman's nominated Charity of the year.				
<b>Funds for which Monmouthshire County Council acts as custodian trustee:</b>				
<b>Monmouthshire Farm School Endowment</b>	(27)	30	724	(2)
<b>Appointeeship - Personal Monies</b>	(1,896)	1,971	930	(1,005)
<b>Appointeeship - Independent Living Fund Monies</b>	(286)	274	62	(50)

## 16.6 Related Businesses and Operations

Councils must consider whether they need to produce group accounts for interests held in other bodies/organisations where they meet the definition of subsidiaries, associates and joint ventures. The Council has reviewed of all their relationships in this regard, and although the Council has interests in the following companies and operations, it is deemed that the interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information.

### Dragon Waste Limited

The Company was formed to carry out the Council's waste disposal function. The Council holds a 19% share holding in the company. The Company's latest available trading results are the accounts for the year ending 31st March 2017.

31st March 2017 £000 Final	31st March 2018 £000 Draft

47	Net Assets/(Liabilities)	(44)
(87)	Profit/(Loss) before Taxation	(111)
(64)	Profit/(Loss) after Taxation	(91)
0	Dividends	0

No assets or liabilities of the Company are reflected in the Consolidated Balance Sheet. The remaining 81% of the Company is owned by Viridor Waste Exeter Limited, which is a wholly owned subsidiary of Viridor Waste Limited. The ultimate parent company

Payments of £2,353,677 were made to Dragon Waste Limited during 2017/18 (£1,378,740 during 2016/17).

The Authority owed £128,313 to Dragon Waste Limited at the 31st March 2018 (£194,383 owed to Dragon Waste as at 31st March 2017) in respect of Waste Management contract income.

Further information can be found in Dragon Waste Limited Financial Statements for the year ended 31 March 2016 which are available from the Company Secretary, Pennon Group Plc, Peninsula House, Rydon Lane, Exeter, Devon, England, EX2 7HR.

#### SRS Public

The Authority entered into a public sector collaborative arrangement, known as the Shared Resource Service, with Torfaen County Borough Council (TCBC) and Gwent Police Authority in May 2011, Newport City Council and Blaenau Gwent Borough Council have joined the partnership subsequently. The arrangement has resulted in a Shared Resources Centre (SRC) being set up for the purpose of providing IT services to each member authority. A memorandum of understanding is in place to provide robust governance arrangements. The arrangement is not a separate legal entity and ownership of the SRS premises resides with TCBC. The arrangement is funded by core contributions from partners, income from desk licences and rack rentals from schools and external income. Monmouthshire's payments to SRS amounted to £3.795m in 2017/18, with the Council's core contribution totalling £2.11 million.

SRS activities for 2017/18 involved a combined gross expenditure budget of £15.1 million.

The Authority owed £149,626 to SRS Public at the 31st March 2018 (£44,526 owed as at 31st March 2017).

#### SRS Business Solutions Limited

SRS Business Solutions Limited, a company limited by shares, was incorporated on 11th June 2011. The company was set up with £40,000 share capital from the Authority and TCBC, in order to facilitate trading in ICT related services with the private and third sector.

SRS (BS) fits the accounting definition of a Joint Venture. The accounting position of the company is not material to the fair presentation of the financial position and transactions of the Council, or to the understanding of the Statement of Accounts. The accounting treatment therefore falls outside the requirement to prepare Group Accounts; this treatment being consistent with that adopted by TCBC.

The Company's latest available trading results are the draft estimates for the year ending 31st March 2018.

31st March 2017		31st March 2018
£000 (Restated)		£000 Draft
104	Net Assets/(Liabilities)	121
20	Profit/(Loss) before Taxation	20
16	Profit/(Loss) after Taxation	16
0	Dividends	0

There were no transactions between Monmouthshire County Council and SRS (BS) during 2017/18 (nil in 2016/17).

Further information can be found in SRS Business Solutions Limited financial statements for the year ended 31 March 2017 which are available from the Head of Finance, Monmouthshire County Council, County Hall, Rhadyr, Usk, NP15 1GA.

#### Y Prentis

A business set up by Monmouthshire County Council and Melin Homes with a 50/50 share to actively promote the provision of technical and vocational secondary education.

The Company's latest available trading results are the financial statements for the period ending 30th September 2017.

The company is exempt from audit under section 477 of the companies act 2006 for the financial year ending September 2017.

30th Sept 2016		30th Sept 2017
Final		£000 Draft
262	Total Assets/(Liabilities)	288
75	Profit/(Loss) before Taxation	32
60	Profit/(Loss) after Taxation	26
0	Dividends	0

There were no transactions between Monmouthshire County Council and Y Prentis during 2017/18 (nil in 2016/17).

#### Education Achievement Service (EAS)

The five local Councils of Monmouthshire, Caerphilly, Blaenau Gwent, Torfaen and Newport have formed an Education Achievement Service (EAS). The integrated service has been designed to raise education standards in South East Wales.

The EAS became operational in September 2012. It is a joint company, limited by guarantee and wholly owned and completely controlled by the five local Councils, but operating at arm's length. It is not a profit making company, and it is a separate legal entity. There is no lead Council with each being represented equally with a 20% interest and having equal voting rights. The company has a Board consisting of the Lead Director and elected member representatives from the partner Councils. The collaboration Agreement commits the Council to participating in the EAS company for a minimum period of four years.

The Company's latest available trading results are the draft estimates for the period ending 31st March 2018.

31st March 2017		31st March 2018
£000 Final		£000 Draft
308	Total Assets/(Liabilities)	210
105	Profit/(Loss) before Taxation	(104)
105	Profit/(Loss) after Taxation	(104)
0	Dividends	0

Payments of £502,877 were made to the EAS during 2017/18 (£589,189 during 2016/17).

There were no balances owing to/from the EAS at 31st March 2018 (nil at 31st March 2017).

#### Gwent Archives

The five local Councils of Monmouthshire, Caerphilly, Blaenau Gwent, Torfaen and Newport are included in the Gwent Archives Service. The integrated service collects, preserves, and makes accessible to the public, documents relating to the area it serves.

The Company's latest available trading results are the draft estimates for the period ending 31st March 2018.

31st March 2017		31st March 2018
£000 Final		£000 Draft
293	Total Assets/(Liabilities)	287
49	Profit/(Loss) before Taxation	(6)
49	Profit/(Loss) after Taxation	(6)
0	Dividends	0

Payments of £182,244 were made to Gwent Archives during 2017/18 (£182,244 during 2016/17).

There were no balances owing to/from Gwent Archives at 31st March 2018 (nil at 31st March 2017).

### Gwent Crematorium

The five local Councils of Monmouthshire, Caerphilly, Blaenau Gwent, Torfaen and Newport are included in the Gwent Crematorium Service. The integrated service provides crematorium services to the public relating to the area it serves.

The Company's latest available trading results are the draft estimates for the period ending 31st March 2018.

31st March 2017		31st March 2018
£000 (Restated)		£000 Draft
2,590	Total Assets/(Liabilities)	3,241
487	Profit/(Loss) before Taxation	598
487	Profit/(Loss) after Taxation	598
0	Dividends	0

Payments of £138,375 were received from Gwent Crematorium during 2017/18 (£138,375 during 2016/17).

There were no balances owing to/from Gwent Crematorium at 31st March 2018 (nil at 31st March 2017).

### Project Gwyrdd

The five local Councils of Monmouthshire, Caerphilly, Newport, Cardiff and the Vale of Glamorgan are included within the Project Gwyrdd. The integrated service collects, processes, and disposes of household waste that is suitable for recycling.

The Company's latest available trading results are the draft estimates for the period ending 31st March 2018.

31st March 2017		31st March 2018
£000 Final		£000 Draft
328	Total Assets/(Liabilities)	343
24	Profit/(Loss) before Taxation	15
24	Profit/(Loss) after Taxation	15
0	Dividends	0

Payments of £32,000 were made to Project Gwyrdd during 2017/18 (£32,000 during 2016/17).

There were no balances owing to/from Project Gwyrdd at 31st March 2018 (nil at 31st March 2017).

### City Deal

On 1st March 2017 the £1.2 billion Cardiff City Region City Deal between the UK Government, the Welsh Government and the 10 constituent councils in South East Wales, which includes Monmouthshire, was formally ratified. The investment is over a 20 year period and the key aim of the fund is to create 25,000 new jobs by 2036 and lever £4 billion of private sector investment.

The CCRD Investment Fund comprises two distinct elements:-

- £734 million – METRO scheme. This will comprise £503 million of Welsh Government funding provided over the first seven years from 2016/17 to 2022/23; £106 million from the European Development Fund, (which is committed and guaranteed following Brexit by both UK and Welsh Government); and £125 million from UK Government. This element will be the sole responsibility of Welsh Government.

- £495 million – Regional Cabinet Fund, comprising the ten constituent councils' commitment to borrow £120 million over the 20 year period of the Investment Fund, together with £375 million from the UK Government. This fund will be used for investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. This element will be the responsibility of the CCRD Regional Cabinet. The Council will make a 6.1% contribution to the £120 million based on its proportion of the regional population.

As part of the original January 2017 report certain matters were reserved to the constituent Councils and the most significant was in respect of the business plan. This was approved by all Councils in March 2018. The Cardiff Capital Region City Deal made its first investment during 2017/18 and Monmouthshire's contribution was £1,487,240 and was paid on 29 March 2018 to the Accountable Body.



**CSC Foundry**

During 2017/18 MCC had 'Significant Influence' over CSC Foundry Ltd which is a subsidiary of CCRCD. As at 31st March 2018 CSC Foundry had £4.5m invested with the Authority which is classified within Short term borrowing in the Balance sheet.

**16.7 Interests in Joint Operations**

The Code requires authorities to enhance their statement of accounts with information about any material interest in subsidiaries, associates and joint ventures in a set of group accounts.

For 2017/18 it is deemed that the interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements. In order to ensure compliance with the Code, a range of narrative disclosures have been made in other sections of the accounts (See note 16.6 for further information).

**16.8 Senior Officer Remuneration**

The remuneration paid to the Authority's senior employees, where annualised salary is equal to or more than £60,000 per year, is as follows:

Year ended 31st March 2018						
Post Holder	Salary including fees and allowances £	Compensation for loss of employment £	Expense Allowances £	Total Remuneration excluding Pension contributions £	Pension Contributions (Based on Common Rate from Actuary) £	Total Remuneration including Pension contributions £
Chief Executive Officer	112,211	0	0	<b>112,211</b>	23,676	<b>135,888</b>
Chief Officer - Children and Young People	79,581	0	0	<b>79,581</b>	16,792	<b>96,373</b>
Chief Officer - Enterprise	89,783	0	0	<b>89,783</b>	18,596	<b>108,378</b>
Chief Officer - Social Care and Health	82,408	0	0	<b>82,408</b>	17,388	<b>99,796</b>
Chief Officer - Resources	80,103	0	0	<b>80,103</b>	16,131	<b>96,234</b>
Head of Operations	62,363	0	0	<b>62,363</b>	13,159	<b>75,521</b>
Head of Finance and Section 151 Officer	72,107	0	0	<b>72,107</b>	15,215	<b>87,322</b>
Head of People	69,818	0	0	<b>69,818</b>	14,732	<b>84,550</b>
Monitoring Officer, (Head of Legal Services)	72,107	0	0	<b>72,107</b>	15,215	<b>87,322</b>
<b>Total</b>	<b>720,480</b>	<b>0</b>	<b>0</b>	<b>720,480</b>	<b>150,902</b>	<b>871,382</b>

Year ended 31st March 2017						
Post Holder	Salary including fees and allowances £	Compensation for loss of employment £	Expense Allowances £	Total Remuneration excluding Pension contributions £	Pension Contributions (Based on Common Rate from Actuary) £	Total Remuneration including Pension contributions £
Chief Executive Officer	111,100	0	0	<b>111,100</b>	23,442	<b>134,542</b>
Chief Officer - Children and Young People (Apr-Jan)	66,819	35,000	0	<b>101,819</b>	14,265	<b>116,084</b>
Interim Chief Officer - Children and Young People (Feb-March), also Head of Strategic Partnerships	72,989	0	0	<b>72,989</b>	15,401	<b>88,390</b>
Chief Officer - Enterprise	85,369	0	0	<b>85,369</b>	18,013	<b>103,382</b>
Chief Officer - Social Care and Health	81,592	0	0	<b>81,592</b>	17,216	<b>98,808</b>
Chief Officer - Resources (June-March), also Head of Commercial and People Development (Apr-May)	76,399	0	0	<b>76,399</b>	15,154	<b>91,553</b>

Head of Operations	61,745	0	0	<b>61,745</b>	13,028	<b>74,774</b>
Head of Finance and Section 151 Officer	71,393	0	0	<b>71,393</b>	15,064	<b>86,457</b>
Head of Democracy and Regulatory Services (Apr-May), becoming Head of People	67,521	0	0	<b>67,521</b>	14,247	<b>81,768</b>
Monitoring Officer, also Head of Legal Services	70,359	0	0	<b>70,359</b>	14,846	<b>85,205</b>
<b>Total</b>	<b>765,287</b>	<b>35,000</b>	<b>0</b>	<b>800,287</b>	<b>160,676</b>	<b>960,963</b>

Senior Officers are defined for the purposes of this disclosure as the Chief Executive, together with those senior officers that the Chief Executive is either directly responsible for or senior officers who are directly accountable to the Chief Executive. If they meet this definition any time during the year, their annual salary has been reported.

Senior staff can act in an ancillary capacity as Returning Officers overseeing the administration of periodic referenda and elections. Commonly the fee for such work is nationally set. For the avoidance of any doubt, any such costs are not included in this analysis.

Employers' pension contributions were paid at a rate of 21.1% of pensionable pay for staff within the Local Government Pension Scheme (21.1% for 2016/17). Expense allowances are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2017/18 (Nil in 2016/17).

A new requirement was introduced in 2014/15 to report the Chief Executive's remuneration as a proportion of the full time equivalent median salary of Monmouthshire County Council employees. In 2017/18, the median employee position has been calculated as £21,962, equating to spinal point 24 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5.11:1

In 2016/17, the median employee position was calculated as £21,057, equating to spinal point 23 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5.28:1

## 16.9 Officers' Emoluments

The number of employees whose remuneration was £60,000 or more in bands of £5,000, during the year ended 31st March 2018, was:

2016/17		Remuneration Band	2017/18	
Number of employees	(Of which are teaching staff)		Number of employees	(Of which are teaching staff)
0	0	£115,000 - £119,999	0	0
1	0	£110,000 - £114,999	1	0
2	1	£105,000 - £109,999	3	3
2	1	£100,000 - £104,999	0	0
0	0	£95,000 - £99,999	1	0
0	0	£90,000 - £94,999	0	0
2	1	£85,000 - £89,999	3	2
4	2	£80,000 - £84,999	4	1
1	1	£75,000 - £79,999	2	1
9	3	£70,000 - £74,999	7	4
10	6	£65,000 - £69,999	12	7
8	5	£60,000 - £64,999	10	6
<b>39</b>	<b>20</b>	<b>Total</b>	<b>43</b>	<b>24</b>

Remuneration is defined as gross salary and expenses and the effect of any severance costs e.g. redundancy, termination and compromise agreements. Remuneration also excludes pension contributions.

Bandings above include the effect of senior officers shown in note 16.8

Employers' pension contributions were paid at a rate of 21.1% of pensionable pay for staff within the Local Government Pension Scheme (21.1% for 2016/17) and 16.4% of pensionable pay for staff within the Teachers' Pension Scheme (16.4% in 2016/17).



For the purposes of reporting remuneration, voluntary aided schools' employees have been included in the remuneration notes 16.8 to 16.10, where appropriate, as if they were employees of the council even though their contract of employment is with their respective governing body.

### 16.10 Termination Benefits

The Code does not set out a precise definition of exit packages and authorities need to consider the relevant departure costs that have been recognised in the financial statements in accordance with the Code's requirements on termination benefits.

Termination benefits are defined as amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Code sets out that the form of the employee benefit does not determine whether it is provided in exchange for service or in exchange for termination of the employee's employment.

Total Cost of Exit packages reflects redundancy payments, settlement agreements to terminate employment, and any strain costs associated with the agreed enhancement of post-employment pension benefits.

2016/17			Exit package Cost band	2017/18		
No. of Compulsory Redundancies agreed	No. of other departure costs agreed	Total Cost of Exit Packages in each payband £000's		No. of Compulsory Redundancies agreed	No. of other departure costs agreed	Total Cost of Exit Packages in each payband £000's
38	3	331	£0 - £20,000	35	4	370
11	3	391	£20,001 - £40,000	14	1	473
1	0	43	£40,001 - £60,000	3	0	130
0	1	65	£60,001 - £80,000	0	1	80
0	0	0	£80,001 - £100,000	1	0	81
1	0	119	£100,001 - £150,000	0	0	0
<b>51</b>	<b>7</b>	<b>949</b>	<b>Total</b>	<b>53</b>	<b>6</b>	<b>1,134</b>

### 16.11 Events after the Balance Sheet date

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. There are two types:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. No such unadjusting events have been identified subsequent to the balance sheet date.

## 17 STATEMENT OF ACCOUNTING POLICIES

### 17.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018.

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. They are prepared on a going concern basis.

### 17.2 Accounting Standards issued not yet adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The main new or amended standards within the 2018/19 Code are IFRS 9 and IFRS 15, but they are not expected to have a material impact on the information provided in the 2017/18 and 2018/19 financial statements, and transitional reporting arrangements mean that restatement of the 2017/8 accounts will not be required. However, the following information is provided as background:

**IFRS 9** replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, and a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39.

**IFRS 15** establishes a new comprehensive framework for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition, but as the Council has relatively predictable income streams the impact will be minimal.

### 17.3 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet where such balances are considered material.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- A discretionary de minimus level of £1,000 is applied to accruals of both income and expenditure with the exception of automatically system generated accruals or those required where it is necessary to ensure accuracy for grant claims or agency work.

#### 17.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on the next banking day. Cash equivalents are investments that are readily convertible on the next banking day to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

#### 17.5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the Council Fund Balance with a Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### 17.6 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government and the impact of the decision for Britain to leave the European Union remains unclear. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired.
- The Council is deemed to control the services provided under its PFI arrangements and also to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.
- A provision is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is calculated by taking a sample of non-school employee records and extrapolating the data over the total non-school employee base. The sample return for 2017/18 was 24% (16% for 2016/17).

## 17.7 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Revaluation of Property, plant & equipment	Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset.	If the actual results differ from the assumptions the value of PPE will be over or understated. This would be adjusted when the assets were next revalued.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. Further information is provided in note 14 concerning the risks and sensitivity of changes in the pension assets and liabilities.

Provisions	The Council has included provisions for known insurance claims as at 31st March 2018. The value of these claims is based on information provided by our Insurance brokers on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. However the outcome of these cases is still uncertain as outstanding legal cases and negotiations remain on going.	The Authority maintains the insurance and risk management reserve to assist in the control of the Authority's insurance risks. The provisions in place and the balance on the insurance and risk management reserve at 31st March 2018 are deemed to provide sufficient cover for the Authority's claims exposure. Notes 13.7(a) & 13.7(b) provide further information on the types of claims the Authority is exposed to.
Arrears	At 31st March 2018, the Authority had a balance of £7.03m (£7.38m as at 31st March 2017) of debtors relating to council tax arrears, business rate arrears, rent arrears, corporate sundry debtors, social services sundry debtors and housing benefit overpayments. A review of these balances suggested that an impairment of doubtful debts of £2.82m (£2.92m as at 31st March 2017) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, there would be a consequential increase in the impairment of doubtful debts.

## 17.8 Employee Benefits

### *Benefits Payable During Employment*

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. A provision is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The provision is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The provision is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### *Termination Benefits*

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### *Post Employment Benefits*

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Torfaen County Borough Council

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees when they worked for the Authority and related to final salary and length of service.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### *The Local Government Pension Scheme*

All other staff, subject to certain qualifying criteria, are entitled to become members of the Local Government Pension Scheme which is administered by Torfaen County Borough Council. The pension costs charged to the Authority's accounts in respect of this group of employees is determined by the fund administrators and represents a fixed proportion of employees' contributions to this funded pension scheme.

The Local Government Scheme is accounted for as a defined benefit scheme:

- The Liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates, employee turnover rates, etc., and projections of earning for current employees.
- Liabilities are discounted to their value at current prices, using a single discount rate which is derived from the spot rates on a selection of AA rated corporate bonds of various durations which match the liabilities within the Authority's pension fund. This is known as the yield curve approach.
- The assets of the Greater Gwent (Torfaen) Pension Fund attributable to the Authority are included in the balance sheet at their fair value as determined by the Fund's actuary.
- The change in the net pensions liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Interest on plan assets – this is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.

- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Gains or losses on remeasurement – changes in the net pensions liability (Liabilities less assets) that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further details are given in section 14 of the notes to the Financial Statements.

#### *Discretionary Benefits*

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **17.9 Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **17.10 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority’s financial performance.

### **17.11 Financial Instruments**

#### *Financial Liabilities*



Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

However, one stepped loan held by the Authority is carried at a higher amortised cost than the outstanding principal, and interest is charged at a marginally lower effective rate of interest than the interest payable under the terms of the loan contract.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund Balance to be spread over future years. The Authority has a policy of spreading any loss over the term that was remaining on the loan against which the premium was payable and any gain over lesser of the term remaining on the loan against which the discount was receivable or 10 years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets – Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Authority has made one loan at less than market rates (soft loans) for policy reasons. Due to the immaterial nature of the loan, it is recorded in the balance sheet at the value of the principal outstanding.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Where the impact is deemed to be material, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.



Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## 17.12 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## 17.13 Heritage Assets

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture.

Heritage assets were previously shown in community assets but are now recorded in a separate category on the balance sheet as a non-current asset class. The Authority does not classify any operational assets as heritage assets.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets and as a result the Authority has chosen not to value heritage assets if the cost is deemed to be excessive.

A further condition for expenditure to be capitalised is that it exceeds the relevant de minimus limit in place. A de-minimus limit has been put in place of £10,000 for heritage assets.

The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value, hence the Authority does not consider it appropriate to charge depreciation for the assets.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. The trustees of the Authority's Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

#### 17.14 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority for more than one financial year.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

#### 17.15 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the latest price paid, with an allowance made for obsolescent and slow moving items. This is a departure from the requirements of the Code which require inventories to be shown at the lower of actual cost and net realisable value. However, the amounts concerned are not considered material.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

#### 17.16 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 17.17 Fair value measurement

The Council measures its assets held for sale, surplus assets, investment properties and available-for-sale financial instrument at fair value at each reporting date. Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement will be at highest and best use from the perspective of a market participant. The fair value of an investment property held under a lease is the lease interest.

It is assumed that any fair value measurement of an asset or liability uses the same assumptions that market participants acting in their economic best interest would use and that the transaction takes place in the principal market or failing that in the most advantageous market for the asset or liability.

Appropriate valuation techniques are used for which sufficient data is available. Inputs to the techniques are categorised within the fair value hierarchy that consists of three levels as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are accessible by the Council at the measurement date
- Level 2 inputs are quoted prices other than quoted prices within Level 1 that are observable either directly or indirectly
- Level 3 inputs are unobservable inputs for an asset or liability.

The use of relevant observable inputs is maximised and the use of unobservable inputs is minimised.

Any transfers between valuation levels will take place at the valuation date at the end of the reporting period.

### 17.18 Joint Operations

The Council has a number of interests in other entities which fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. However the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements. In order to ensure compliance with the Code, a range of narrative disclosures have been made in other sections of the accounts (See note 16.6 for further information).

### 17.19 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### *The Authority as Lessee - Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Assets of less than £10,000 Current value, the de minimus for capitalisation of Fixed assets, will not be treated as Finance leases.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).
- A revenue provision (MRP) equal to the principal repayments made, taken to the Capital Adjustment Account via the Movement in Reserves Statement.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### *The Authority as Lessee - Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

#### *The Authority as Lessor - Finance Leases*

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Again, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the Council Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the Council Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the Council Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

#### *The Authority as Lessor - Operating Leases*

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Where material, initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **17.20 Overheads and Support Services**

The costs of overheads and support services are no longer charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Code of Practice. The Statements of Accounts are now presented in the same way as the management reporting structure of the Council, so overheads are now reported in the budget areas where they are managed.

### **17.21 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

It is not a requirement for expenditure outside of the capital programme to be capitalised if it does not exceed the de minimus limit of £10,000 for all asset categories.

#### *Measurement*

Assets are initially measured at cost, comprising:

- The purchase price.

- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- All other operational assets – Current value based on existing use value (EUV) for operational assets where there is an active market, or if there is no market-based evidence of current value because of the specialist nature of the asset and/or the asset is rarely sold ( i.e. EUV cannot be determined), depreciated replacement cost (DRC) using the ‘instant build’ approach.
- Non-operational assets – Fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Adopted roads built by developers are in many respects seen as donated assets. Whilst donated assets are required to be measured at fair value at recognition, infrastructure assets are measured initially at historical cost and subsequently at depreciated historical cost rather than fair value. The authority have taken the view that the historical cost of such adopted roads is zero.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value. Vehicles, plant and equipment are categories of asset treated in this manner.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### *Impairment*



Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life including freehold land and Community Assets) and assets that are not yet available for use (assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight-line allocation over the life of the asset as advised by a suitable qualified officer
- Infrastructure – straight-line allocation over 60 years

No depreciation is charged in the year of acquisition with a full year charge applied in the disposal year.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Components**

An asset may consist of several different and significant physical components. If an item of property, plant and equipment comprises two or more significant components with substantially different useful lives, then each component is treated separately for depreciation purposes and depreciated over its individual useful life.

When a component is replaced or restored, the old component is written off to avoid double counting and the new component capitalised. Where a component does not have its own carrying amount because it has not previously been accounted for separately the cost of the new component is used as an indication of the cost of the replaced part. A component is derecognised where no future economic benefits are expected from its use.

The Authority has established thresholds for the separation of significant components. As a result components of an item of property, plant or equipment that make up a significant part of the cost of the item would only need to be separated where the item itself is material individually or when aggregated with like items.

### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

Assets held for Sale Assets are assets where the:

- asset is immediately available for sale
- sale is highly probable
- asset is actively marketed
- sale is expected to be completed within 12 months

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

## **17.22 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **17.23 Private Finance Initiative (PFI) and Similar Contracts**



PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## 17.24 Provisions, Contingent Liabilities and Contingent Assets

### *Provisions*

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

### *Contingent Liabilities*

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **17.25 Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

### **17.26 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **17.27 VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.



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

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

[infoofficer@audit.wales](mailto:infoofficer@audit.wales).

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.

# Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are no some issues to report to you prior to their approval.

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# Summary report

## Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Monmouthshire County Council (the Council) at 31 March 2018 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative level at which we judge such misstatements to be material for the Council are £2.88 million for income and expenditure items, working capital and other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action, where necessary.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Council for 2017-18 that require reporting under ISA 260.

## Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2018 on 4 June 2018 which was in line with the agreed deadline, and we have now substantially completed our audit work.
- 7 We are reporting to you the issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Head of Finance and Assistant Head of Finance.

## Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#).

## Significant issues arising from the audit

### Uncorrected misstatements

- 10 We set out below the misstatements we identified in the financial statements, which have been discussed with management but remain uncorrected, and request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons for non-correction.
- a. Accrued income and deferred income overstated by £1,372,006**
- For internal monitoring purposes the accountant responsible had tried to split (via journal postings) the income from Welsh Government over two ongoing projects to reflect their year-end positions. These postings resulted in an overstatement of both accrued income (Debtors) and deferred income (Creditors). However, there was no impact on income per the Comprehensive Income and Expenditure Statement (CIES). The impact on the financial statements is that Short-term Creditors and Short-term Debtors is overstated by £1,372,006.
- b. Termination Benefits understated by £15,000**
- During testing of termination benefits we identified a commitment to terminate the employment for one individual, which was not included in the accounts. The impact on the financial statements is that both Accruals and Termination Costs (included in Employee Benefit Expenses) are understated by £15,000.
- c. Property, Plant and Equipment overstated by £1,020,000**
- During testing of Property, Plant and Equipment (PPE) we identified one asset (Monmouthshire Leisure Centre) that was under reconstruction and was not considered for an impairment review at year-end. The Authority has capitalised all the costs for the renovation under Assets Under Construction but had not undertaken an impairment of the 'old' leisure centre that was included in Land and Buildings. The impact on the financial statements is that Property, Plant and Equipment is overstated by £1,020,000 and the Revaluation Reserve/Surplus on revaluation of PPE Assets in the CIES is overstated by £1,020,000.
- d. Grant income and expenditure understated by £343,825**
- During income cut-off testing, we identified one 2017-18 bank receipt (from Welsh Government) for the Schools Maintenance Revenue Grant that was not recognised in grant income. Instead, an incorrect posting/journal had reduced both income and expenditure. The impact on the financial statements is that both Cost of Services Income (Grant Income) and Cost Services Expenditure are understated by £343,825.

## Corrected misstatements

- 11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

## Other significant issues arising from the audit

- 12 During the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no significant issues arising in these areas this year:
- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** As referred to above, the draft Annual Accounts were provided to us on 4 June 2018 and we found the information provided to be relevant, reliable, comparable and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear. However, the statements included a significant number of rounding errors (as reported in last year's ISA 260). We have recommended that these are adjusted for, but Management has decided not to adjust for these.
  - **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work. We met with the Finance Team regularly during the final audit to review progress and clear any issues arising promptly. The working papers provided were of a good standard. However, further improvements could be made. Following completion of last year's audit we agreed a 'Schedule of Deliverables' with the finance team in order to ensure that appropriate working papers were available to us at the commencement of the audit. Unfortunately not all of these papers were presented to us with the draft financial statements, which resulted in having to request them again. We will continue to work with the Finance team to see if the audit process can be developed and refined further.
  - **There was one significant matter discussed and corresponded upon with management which we need to report to you.** We noted that the Council is failing to 'de-recognise' existing infrastructure assets when these assets are replaced or where improvements are made. This is because the Council is unable to identify the individual assets, due to insufficient detail being contained in the asset register. Going forward, improvements are needed to the process and the description of assets within the fixed assets register, to ensure that infrastructure assets are more clearly identifiable and can be 'de-recognised'. We are comfortable that the net book value of the assets included in the accounts at 31 March 2018 is not materially misstated.



- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

## Independence and objectivity

- 13 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 14 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the County that we consider to bear on our objectivity and independence.

# Appendix 1

## Final Letter of Representation

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

3 July 2018

## Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements of Monmouthshire County Council for the year ended 31 March 2018 for the purpose of expressing an opinion on their truth and fairness, their proper preparation and the regularity of income and expenditure.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- Preparing the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18; in particular the financial statements give a true and fair view in accordance therewith:
  - including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
  - make judgements and estimates on a reasonable basis;
  - state whether applicable accounting standards have been followed and disclosed and explain any material departures from them; and
  - prepare them on a going concern basis on the presumption that the services of Monmouthshire County Council will continue in operation.
- Ensuring the regularity of any expenditure and other transactions incurred.
- The design, implementation and maintenance of internal control to prevent and detect error.

## Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Monmouthshire County Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.
- Our knowledge of all possible and actual instances of irregular transactions.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and

accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

**Additional Disclosure (suggested wording) – Included within the Fixed Asset balances are a number of Heritage Assets, each with a value of £1. We are satisfied that an appropriate method of valuation has been used to establish these values and the individual assets are not materially misstated.**

## Representations by the Audit and Risk Assurance Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Monmouthshire County Council on 20 September 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

P Matthews  
Chief Executive  
20 September 2018

P Fox  
Council Leader  
20 September 2018

# Appendix 2

## Proposed audit report of the Auditor General

### The independent auditor's report of the Auditor General for Wales to the members of Monmouthshire County Council

#### Report on the audit of the financial statements

##### Opinion

I have audited the financial statements of Monmouthshire County Council for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Monmouthshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom [year] based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

### Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with guidance.

### Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- the governance statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit; or
- I have not received all the information and explanations I require for my audit.

### Certificate of completion of audit

I certify that I have completed the audit of the accounts of Monmouthshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
September 2018

24 Cathedral Road  
Cardiff  
CF11 9LJ



# Appendix 3

## Summary of corrections made to the draft financial statements which should be drawn to the attention of Members of Monmouthshire County Council

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 1: summary of corrections made to the draft financial statements

Value of correction	Nature of correction	Reason for correction
£6,886,100	<p><b>Comprehensive Income &amp; Expenditure Statement (CIES)</b> Children &amp; Young People Gross Expenditure decreased by £6,886,100. Surplus on revaluation of Property Plant and Equipment Assets decreased by £6,886,100.</p> <p><b>Unusable Reserves</b> Revaluation Reserve decreased by £6,886,100. Capital Adjustment Account increased by £6,886,100.</p>	The revaluation of Caldicot Comprehensive School has been treated in the financial statements as two separate valuations, when it should have been treated as one (single asset). This resulted in an impairment of the old school asset debited to the CIES and an upwards revaluation of the new school asset credited to the Revaluation Reserve. The Authority should have recorded the net movement as it is a single asset.
£629,000	<p><b>Note 12.10 Capital Commitments</b> Capital commitments was decreased by £629,000.</p>	The capital commitments regarding Monmouthshire Comprehensive School, incorrectly included a commitment to phase 1 and 2 of the rebuild, which had been completed in year.
Presentational	<p><b>Note 13.1 – Categories of Financial Instruments</b> Short-Term Debtors 2016-17 was decreased by £4,241,000. Short-Term Debtors 2017-18 was decreased by £3,144,000. Long-Term Debtors 2017-18 was decreased by £1,096,000.</p>	The Short and Long-Term Debtors in Note 13.1 did not agree to the Balance Sheet or supporting Debtors note 13.5. The figures included in note 13.1 were 'gross' when they should be net (ie after impairment).

Value of correction	Nature of correction	Reason for correction
Presentational	<b>Note 11.2 Nature of Expenditure</b> Fees, charges and other service income decreased by £8,059,000. External grants and contributions increased by £8,059,000.	From review of the working papers, there were a number of 'consolidation' adjustments that had been incorrectly classified.
Presentational	<b>Note 13.4 Nature and extent of risks arising from financial instruments</b> Supporting note added for material Balance Sheet item: Short-Term Investments £10,038,000.	Additional disclosure required to comply with the CIPFA Code 2017-18.
Presentational	<b>Note 13.4 Nature and extent of risks arising from financial instruments</b> Short-Term Borrowings PWLB increased by £998,873. Long-Term Borrowings BWLB decreased by £998,873.	All Public Works Loan Board (PWLB) loans were treated as Short-Term Borrowings. One loan is due to be repaid in Less than one year and should have been treated as Short-Term Borrowings.
Presentational	<b>Note 13.4 Nature and Extent of Risks arising from Financial Instruments</b> Loans Mature between one and two years decreased by £5,000,000. Loans Mature between two to five years increased by £5,000,000.	One loan was incorrectly classified as maturing between one and two years, when it should have been classified as maturing between two to five years.
Presentational	<b>Note 16.6 Related Business Operations</b> Dragon Waste Ltd trading results updated to reflect 2017-18 figures.	The figures included for Dragon Waste Ltd in 2017-18 financial statements had not been updated from last year.
Narrative	Further detail added regarding restatement of Cost of Services (COS) comparatives to ensure the Authority is in line with the CIPFA Code 2017-18.	The COS comparatives for gross income and expenditure have been restated, but the Authority has not disclosed the nature of the reclassification, the amount or the reason for reclassification.  This is required as per section 3.4.2.31 of the CIPFA Code 2017-18.
Narrative	Revised wording for accounting policy 17.20 Overheads and Support Services.	Accounting policy did not reflect the treatment in the financial statements.

Value of correction	Nature of correction	Reason for correction
Narrative	<p><b>16.6 Related Business and Operations</b>  Detail added regarding £4,500,000 loan from CSC Foundry Ltd, which is included in Short-Term Borrowings.</p>	<p>The related party disclosure for the 'City Deal' did not include details of the related party transaction with CSC Foundry Ltd. Monmouthshire County Council had significant control during 2017-18 and should have disclosed any transactions or balances with CSC Foundry Ltd, as per section 3.9.4 of the CIPFA Code 2017-18.</p>

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**SUBJECT: INTERNAL AUDIT SECTION  
PROGRESS REPORT 3 Months into 2018/19**

**DIRECTORATE: Resources**  
**MEETING: Audit Committee**  
**DATE: 13<sup>th</sup> September 2018**  
**DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30<sup>th</sup> June 2018.

To consider the performance of the Internal Audit Section over the first 3 months of the current financial year.

## 2. RECOMMENDATION(S)

That the Committee note the audit opinions issued.

That the Committee note the progress made by the Section towards meeting the 2018/19 Operational Audit Plan and the Section's performance indicators at the 3 months stage of the financial year.

## 3. KEY ISSUES

- 3.1 The Section has started to undertake its programme of audits in accordance with the 2018/19 agreed Operational Audit Plan.
- 3.2 This report gives brief details of the work undertaken in the year to date. The report also gives details of the Section's performance indicators for the 3 months to 30<sup>th</sup> June 2018.
- 3.3 The Public Sector Internal Audit Standards came into force in April 2013 (updated March 2017) which the Internal Audit team needs to demonstrate it is compliant with; these replaced the former Code of Practice for Internal Audit within Local Government. The new standards will be reported to the Audit Committee separately.
- 3.4 A requirement of the PSIAS is for the Internal Audit team to be externally assessed once every five years to ensure compliance with these Standards. The Welsh Chief Auditors' Group proposed an option

of a peer review in order to meet the requirements of this external assessment, which has been agreed by respective S 151 Officers of local authorities in Wales. Monmouthshire's peer review took place during 2017/18 with the outcome being that the team is generally compliant.

- 3.5 The 2018/19 Draft Audit Plan was agreed by the Audit Committee on 16<sup>th</sup> March 2018; final approved on 6<sup>th</sup> July 2018.

#### 4. REASONS

- 4.1 Since the start of the financial year, the Internal Audit Section has completed 16 audit jobs from its 2018/19 Operational Audit Plan, with 5 being opinion related; these are listed in the table shown in Appendix 1.
- 4.2 In relation to the normal audit opinion related reports, 5 have been issued by the end of the 1<sup>st</sup> Quarter; all being **Reasonable**, none were given a *Limited* assurance opinion. One report related to the annual governance statement where no opinion was given, but this forms part of the Council's annual financial statements and financial advice was given in several areas. The team were involved with auditing grant claims which they have certified as either *qualified* or *unqualified*.
- 4.3 The definitions of the four internal audit opinions and the finding ratings used by the Section are provided at Appendix 2 for Members' information.
- 4.4 Finalisation work from 2017/18 continued; of the 24 reviews at draft report stage at 31 March 2018, 10 have subsequently been finalised; 1 x Substantial opinion, 4 x Considerable opinion, 3x Reasonable opinion, 1 x Limited opinion and 1 qualified grant claim.
- 4.5 Audit management have also been involved with a number of ongoing special investigations to date this year, some of which have continued from 2017/18; these are often very sensitive and time consuming. Work has been undertaken on 1 unplanned area, providing additional advice and support for service managers.
- 4.6 Appendix 3 of the report gives details of the Section's performance indicators as at 30<sup>th</sup> June 2018.
- 4.7 Of the 10 2017/18 finalised audit reviews, the acceptance of audit recommendations was good at 99%; of these, evaluation questionnaires have only been returned from 3 operational managers therefore the data is not yet representative in terms of how satisfied they were with the audit service they had received.
- 4.8 Draft reports have taken 3 days to issue following completion of audit work. It has taken 12 days to issue final reports following the receipt of management comments.

- 4.9 Getting audit reports out to service managers are key indicators. The audit management will endeavour to continue to turnaround the work within the target time set for draft and final reports.
- 4.10 The percentage coverage of the audit plan at 17% (13% 2016/17) is higher than the same period of the previous year and above the profiled target of 14% at this stage of the financial year. Management will keep this indicator under careful review for the rest of the year to ensure that the audit coverage by the year end is as comprehensive as possible. The operational plan will be re-prioritised to ensure the higher risk areas are covered by the year end if resources become an issue again.
- 4.11 The team started the year with a full complement of staff in the team.
- 4.12 In Quarter 1 the team was involved with the verification and validation of the Council's annual performance indicators before they are submitted to Welsh Government. This is often a time consuming exercise with tight timescales. The team are also involved with the administration of the National Fraud Initiative (NFI) data sets on behalf of the Council.

## **5. SERVICE MANAGEMENT RESPONSIBILITIES**

- 5.1 Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by including their management responses within the audit reports. When management agree the audit action plans they are accepting responsibility for addressing the issues identified within the agreed timescales.
- 5.2 Ultimately, managers within MCC are responsible for maintaining adequate internal controls within the systems they operate and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Heads of Service for information and appropriate action where necessary.

## **6. FOLLOW UP AUDIT REVIEWS**

- 6.1 Where 'Limited Assurance' opinions are issued, they are followed up within a twelve month timescale to ensure that the agreed actions have been taken by management and that the internal control systems are improved. These will be reported separately to the Audit Committee.

## **7. RESOURCE IMPLICATIONS**

None.

**8. CONSULTTEES**

Head of Finance

**Results of Consultation:**

N/A

**9. BACKGROUND PAPERS**

Operational Audit Plan 2018/19

**10. AUTHORS AND CONTACT DETAILS**

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## AUDIT COMMITTEE SEPTEMBER 2018

### INTERNAL AUDIT SECTION PROGRESS REPORT 2018/19 – 3 MONTHS

#### APPENDIX 1

Internal Audit reviews from the 2018/19 Operational Audit Plan where fieldwork has been completed and/or final reports issued since 1/4/18 are listed in the table below.

Internal Control Opinions give the auditor's overall conclusion on the control environment operating in each system/establishment under review. Opinions range from Substantial Assurance through to Limited Assurance.

Draft issued indicates that a draft report has been issued and a response is awaited from the client before the report can be finalised.

### Status of reports as at 30<sup>th</sup> June 2018

### Internal Audit Services - Management Information for 2018/19 – Quarter 1

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Complete when FINALISED	Opinion given
P1819/16	Children & Young People	Schools	Raglan Primary School Follow-up	Medium	DRAFT	Reasonable
P1819/17	Children & Young People	Schools	Ysgol Y Ffin Primary School Follow-up	Medium	DRAFT	Reasonable
P1819/60	Resources	Finance	IR35	Medium	DRAFT	Reasonable
P1819/61	Resources	Finance	Direct Bank Payments	Medium	DRAFT	Reasonable
P1819/70	Social Care & Health	Integrated Services	Former Monmouthshire Enterprises Services Follow-up	Medium	DRAFT	Reasonable
P1819/71	Social Care & Health	Integrated Services	Supporting People Grant - Outcomes Data (May)	High	FINAL	Qualified

## Non – opinion / Added Value Audit Work

<b>Job number</b>	<b>Directorate</b>	<b>Service</b>	<b>Job Name</b>
P1718/03	Enterprise	Economy and Enterprise	Audit Advice
P1819/01	Children & Young People	21st Century Schools	Monitoring Implementation of Audit Recommendations
P1819/19	Children & Young People	Schools	Audit Advice
P1819/21	Children & Young People	CYP Resources	Audit Advice
P1819/29	Enterprise	Tourism, Leisure & Culture	Audit Advice
P1819/33	Enterprise	Policy & Governance	Audit Advice
P1819/46	Operations	Highways and Flood Management	Audit Advice
P1819/52	Resources	People	Audit Advice
P1819/63	Resources	Finance	Audit Advice
P1819/67	Resources	Commercial & Integrated Landlord Services	Audit Advice
P1819/74	Social Care & Health	Integrated Services	Audit Advice
P1819/78	Social Care & Health	Children's Services	Audit Advice
P1819/83	Corporate	Cross Cutting	Annual Governance Statement

**Internal Audit Opinions**

Each report contains an opinion which is an overall assessment of the control environment reviewed. Opinions were revised during 2015/16 to reflect a better understanding of the level of assurance given. The full list of audit opinions to be used from 2016/17 onwards is shown below:

<b>SUBSTANTIAL</b>	Substantial level of assurance.  Very well controlled, with numerous strengths identified and any risks being less significant in nature.
<b>CONSIDERABLE</b>	Considerable level of assurance  Generally well controlled, although some risks identified which should be addressed.
<b>REASONABLE</b>	Reasonable level of assurance.  Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.
<b>LIMITED</b>	Limited level of assurance.  Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.

The table below summarises the finding ratings used during our audits:

RATING	RISK DESCRIPTION	IMPACT
1	Significant	(Significant) – Major / unacceptable risk identified.  Risks exist which could impact on the key business objectives. Immediate action required to address risks.
2	Moderate	(Important) – Risk identified that requires attention.  Risks identified which are not business critical but which require management attention as soon as possible.
3	Minor	(Minimal) – Low risk partially mitigated but should still be addressed.  Audit comments highlight a suggestion or idea that management may want to consider.
4	Strength	(No risk) – Good operational practices confirmed.  Well controlled processes delivering a sound internal control framework.

**For grant claim audits:**

**Unqualified** opinion - the terms and conditions of the grant were generally complied with;

**Qualified** opinion - the terms and conditions of the grant were not fully complied with; the identified breaches of terms and conditions will be reported to the grantor and internally to relevant Head of Service/Chief Officer.

**AUDIT COMMITTEE SEPTEMBER 2018**

**INTERNAL AUDIT SECTION PROGRESS REPORT  
2018/19 – 3 MONTHS**

**APPENDIX 3**

**Performance Indicators**

	<b>2017/18</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Target</b>
1	Percentage of planned audits completed	13%	23%	36%	82%	12% (80% pa)
2	Percentage of audits completed within planned time	0%	0%	30%	43%	60%
3	Average no. of days from audit closing meeting to issue of a draft report	8 days	21 days	59 days	52 days	12 days
4	Average no. of days from receipt of response to draft report to issue of the final report	17 days	16 days	32 days	19 days	5 days
5	Percentage of recommendations made that were accepted by the clients	98%	99%	97%	96%	90%
6	Percentage of clients at least 'satisfied' by audit process	100%	100%	100%	82%	90%
7	Percentage of directly chargeable time (actual v planned)	102%	108%	110%	108%	100%
8	Number of special investigations	4	4	5	6	

	<b>2018/19</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Target</b>
1	Percentage of planned audits completed	17%				14% (84% pa)
2	Percentage of audits completed within planned time	N/A				60%
3	Average no. of days from audit closing meeting to issue of a draft report	3 days				12 days
4	Average no. of days from receipt of response to draft report to issue of the final report	12 days				5 days
5	Percentage of recommendations made that were accepted by the clients	100%				90%
6	Percentage of clients at least 'satisfied' by audit process	100%				90%
7	Percentage of directly chargeable time (actual v planned)	112%				100%
8	Number of special investigations	2				

N / A – not available

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**SUBJECT: INTERNAL AUDIT SECTION  
Public Sector Internal Audit Standards  
(PSIAS) External Review 2018**

**DIRECTORATE: Resources  
MEETING: Audit Committee  
DATE: 13<sup>th</sup> September 2018  
DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To inform members of the Council's Audit Committee of the outcome of the external assessment undertaken to ensure compliance with the PSIAS.

## 2. RECOMMENDATION(S)

- (i) That the Committee note the report
- (ii) The Audit Committee be updated on progress in fulfilling the action plan.

## 3. KEY ISSUES

- 3.1 The Public Sector Internal Audit Standards (PSIAS) came into force in April 2013 (updated March 2017) and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every 5 years by a qualified, independent reviewer from outside of the organisation.
- 3.2 The two possible approaches to external assessments outlined in the Standards included either a full external assessment or an internal self assessment which is validated by an external reviewer. In order to facilitate this process of external validation a peer review group was established by the Welsh Chief Auditors' Group.
- 3.3 Monmouthshire CC elected to adopt the self assessment approach with an external validation undertaken by a suitably qualified and experienced external assessor with the required level of knowledge of the application of the PSIAS.

- 3.4 Monmouthshire's peer review was undertaken in Q4 of 2017/18 by the Head of Financial Services, Neath Port Talbot CBC; he was also the Head of Internal Audit of that organisation. He was provided with all of the self assessment information and associated documents / evidence.
- 3.5 The results of the peer review assessment and external validation process can be found in Appendix 1 in the form of the final assessment report.
- 3.6 In summary, the peer review concluded that Monmouthshire Internal Audit team generally conforms with the PSIAS and the impact of non-conformance is not considered to be significant.
- 3.7 Whilst no significant deviations from the Standards were noted, some areas of improvement were highlighted as part of the review and these are shown in the action plan at the end of the report. This will be monitored to assess the progress of improvements.

#### **4. REASONS**

- 4.1 As internal audit sections of all UK organisations now need to comply with the PSIAS, in order to demonstrate compliance an external validation of the self assessment was undertaken by an independent and appropriately qualified reviewer. This itself, is a requirement of the PSIAS.

#### **5. RESOURCE IMPLICATIONS**

None.

#### **6. CONSULTEES**

Chief Officer Resources  
Chair of Audit Committee

#### **Results of Consultation:**

N/A

#### **7. BACKGROUND PAPERS**

Operational

#### **8. AUTHORS AND CONTACT DETAILS**



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**Public Sector Internal Audit Standards (PSIAS)**  
**External Assessment of Monmouthshire County Council**  
**16<sup>th</sup> May 2018**  
**FINAL REPORT**

Date of Assessment Fieldwork	February & March 2018
Draft Report Issued	18 <sup>th</sup> March 2018
Final Report Issued	16 <sup>th</sup> May 2018
Report Status	Final
Report Author	David Rees, Head of Financial Services Neath Port Talbot CBC
Issued to	Philip White, Chair of Audit Committee, Peter Davies, Acting Section 151 Officer, Andrew Wathan, Chief Internal Auditor

## **1 Introduction**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) became effective from 1<sup>st</sup> April 2013 and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.
- 1.2 The two possible approaches to external assessments outlined in the standard included either a full external assessment or an internal self-assessment which is validated by an external reviewer.
- 1.3 Members of the Welsh Chief Internal Auditors Group elected to adopt the self-assessment approach, with another member of the Group undertaking the validation.

## **2 Purpose**

- 2.1 The purpose of the external assessment is to help improve delivery of the audit service to an organisation. The assessment is designed to be a supportive process that identifies opportunities for development which ultimately help to enhance the value of the audit function to the authority.

## **3 Results**

- 3.1 An external validation of the self-assessment completed by the Chief Internal Auditor of Monmouthshire County Council was completed by the Head of Internal Audit of Neath Port Talbot County Borough Council during February and March 2018.
- 3.2 The validation included a review of the CIPFA produced self-assessment checklist and relevant documents provided in advance of a visit held in April 2018. During the visit further sample documentation was reviewed and discussions were held with the Chief Internal Auditor and Audit Manager.
- 3.3 The views of the Acting Section 151 Officer and Chair of Audit Committee were sought via email.
- 3.5 In summary there are 334 best practice lines within the PSIAS. A self-assessment review of conformance against the PSIAS was undertaken by the Chief Internal Auditor.
- 3.6 Following the validation by the Neath Port Talbot County Borough Council Head of Internal Audit the Internal Audit Section of Monmouthshire County Council is currently conforming, as at 31<sup>st</sup> March 2018, to 265 of the requirements, with partial conformance with 5, non- conformance with 27 and 37 considered to be not applicable. The table below summarises the outcome.

Standard	Conformance				
	Y	N	P	N/A	Total
1. Definition of Audit Risk	3				3
2. Code of Ethics	12	1			13
3. Attribute Standards					
1000. Purpose, Authority and Responsibility	20	2		1	23
1100. Independence and Objectivity	20	8	1		29
1200. Proficiency and Due Professional Care	17		1	3	21
1300. Quality Assurance and Improvement Programme	16	3	2	6	27
4. Performance Standards					
2000. Managing the Internal Audit Activity	37	5	1	3	46
2100. Nature of Work	24	4		3	31
2200. Engagement Planning	46			12	58
2300. Performing the Engagement	22				22
2400. Communicating Results	43	4		8	55
2500. Monitoring Progress	3			1	4
2600. Communicating the Acceptance of Risks	2				2
<b>Total</b>	<b>265</b>	<b>27</b>	<b>5</b>	<b>37</b>	<b>334</b>

3.7 The main areas of non-compliance or partial compliance are in respect of the following

### **Code of Ethics**

3.7.1 The staff within the Internal Audit Section do not make annual declarations in respect of any outside interests, any gifts or hospital offered/accepted/declined nor do staff sign a declaration confirming that they are aware of the IIA Code of Ethics and conform to its principles.

### **Standard 1000: Purpose, Authority and Responsibility**

3.7.1 The Standards require that the Internal Audit Charter recognises the mandatory nature of the PSIAS. The Internal Audit Charter for Monmouthshire County Council does not state that compliance with the Standards is mandatory.

3.7.2 At 4.6 and 5.2 the Charter states that Internal Audit staff make annual declarations. At the time of the review there were no declarations in place.

- 3.7.3 The Internal Audit Charter does not give sufficient detail in respect of how the non-audit work undertaken by the service is managed to maintain the service's independence.

#### **Standard 1100: Independence and Objectivity**

- 3.7.4 The Chief Internal Auditor is not employed directly by Monmouthshire County Council instead his services are procured directly from his employer Newport City Council. The Chair of Audit Committee is satisfied with this arrangement and does not feel it is to the detriment of Monmouthshire County Council this is a view shared by the Acting Section 151 Officer. There is currently no job description in place for the Chief Internal Auditor however the agreement between the two authorities clearly outlines what is expected of him.
- 3.7.5 The Standards expect the Chair of the Audit Committee to have an input into the internal audit budget and resources and to approve decisions relating to the appointment and removal of the Chief Internal Auditor. As is the case with most local authorities this is not a function of the Audit Committee. Similarly the standards expect that the Chief Executive and the Chair of Audit Committee have an input into the performance appraisal of the Chief Internal Auditor, this does not happen at Monmouthshire nor is it routinely done in most local authorities.

#### **Standard 1300: Quality Assurance and Improvement Programme**

- 3.7.6 The Standards require that a Quality Assurance and Improvement Programme (QAIP) is developed which covers all aspects of the internal audit activity and enables conformance with all aspects of the Standards to be evaluated. The results of this QAIP are to be reported to Senior Management and the Audit Committee including any instances of non-conformance with elements of the PSIAS. The external review found that there was no single document available which satisfied the standard's requirement for a formal QAIP to be in place.
- 3.7.7 The current self-assessment undertaken annually only partially meets the standard. A revised annual assessment should be developed to fully meet the standard.

#### **Standard 2000: Managing the Internal Audit Activity**

- 3.7.8 Whilst the draft audit plan references higher level plans such as the Corporate & Improvement Plans there are no formal links to these documents and therefore to the Council's strategic objectives and priorities.
- 3.7.9. The Standards state that the internal audit plan should be based on a documented risk assessment. There was no documentary evidence to support the risk ratings applied to the audits contained within the Audit Plan.
- 3.7.10 The Standards indicate that an assurance mapping exercise should be undertaken as part of identifying and determining the approach to using other sources of assurance. This Standard is partially met as the Chief Internal Auditor confirmed reliance is placed on other sources of work such as the Wales Audit Office. However, no formal assurance mapping document has been developed.

#### **Standard 2400: Communicating Results**

- 3.7.11 It was noted during the review that there were on occasions a delay in the review process which led to reports not being issued in a timely manner.
- 3.7.12 The standards require that the annual audit report incorporates a statement on conformance with the PSIAS, the results of the QAIP and details of progress against any improvement plans resulting from the QIAP. The annual report was found not to contain all these elements at this time, therefore it is deemed that this standard is only partially met.

## **4. Overall Opinion**

- 4.1 The Quality Assessment Manual produced by the Institute of Internal Auditors suggests the following ratings to indicate the level of conformance with the PSIAS

**Generally Conforms** – which means that the internal audit activity has a charter, policies and processes that are judged to be in conformance with the standards

**Partially Conforms** – which means that deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner

**Does Not Conform** – which means that deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities

- 4.2 The overall opinion following the external validation of the Monmouthshire Internal Audit Section is that it **Generally Conforms** with the PSIAS. Some opportunities for further improvement have been identified as shown in this report but none of the items of partial or non-conformance are considered to be a significant failure to meet the Standards
- 4.3 Any non-conformance with the Standards and the impact must be disclosed to senior management and the Audit Committee. The Chief Internal Auditor has agreed that an action plan will be drafted to respond to the areas of partial compliance and non-compliance for consideration by the Audit Committee.

**MONMOUTHSIRE COUNTY COUNCIL PSIAS EXTERNAL VALIDATION ACTION PLAN  
2017/18**

Ref	Standard	Action to address non or partial compliance	Who is responsible for implementing the action	Timescale
	<b>Code of Ethics</b>			
Rec 1	Do staff make disclosures expected by the law and the profession?	Declarations/disclosures should be made on an annual basis to ensure compliance with the Code of Ethics and Standard 1100 Independence & Objectivity. Until such times as the disclosures are in place 4.6 & 5.2 of the Charter should be deleted.	Chief Internal Auditor  Appropriate declarations will be sought from IA staff to ensure compliance which will then link with the IA Charter	September 2018
	<b>1000 Purpose, Authority and Responsibility</b>			
Rec 2	Does the Internal Audit Charter recognise the mandatory nature of the PSIAS?	The Internal Audit Charter should state that compliance with the PSIAS is mandatory	Chief Internal Auditor  The IA Charter will be updated accordingly	September 2018
Rec 3	Does the Internal Audit Charter include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?	The Internal Audit Charter should clearly outline the arrangements in place which maintain/address the independence of the section when undertaking non-audit functions.	Chief Internal Auditor  The IA Charter will be updated accordingly	September 2018
	<b>1100 Organisational Independence</b>			
Rec 4	Does the Chief Executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Internal Auditor?	Consideration should be given to the Chief Executive having a role in performance appraisal of the Chief Internal Auditor	Chief Internal Auditor / Head of Finance	December 2018
Rec 5	Is feedback sought from the Chair of the Audit Committee for the Chief Internal Auditor's performance appraisal?	Feedback should be sought from the Chair of the Audit Committee as part of the Chief Internal Auditor's performance appraisal.	Chief Internal Auditor / Head of Finance	December 2018
	<b>1300 Quality Assurance and Improvement Programme</b>			
Rec 6	Has the Chief Internal Auditor developed a Quality Assurance and Improvement Programme that covers all aspects of	A formal Quality Assurance and Improvement Programme document should be developed and reported to the Audit Committee	Chief Internal Auditor  Consideration will be given to collating existing	December 2018



	the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?		mechanisms for improving the way in which IA delivers its service into one document	
7	Does the organisation conduct a review of the effectiveness of its internal audit at least annually?	The current annual self-assessment should be developed to fully meet the standard.	Chief Internal Auditor  This will be done	March 2019
	<b>2000 Managing the Internal Audit Activity</b>			
Rec 8	Does the risk-based plan incorporate or is linked to a strategic or high-level statement of: a) How the Internal audit service will be delivered? b) How the internal audit service will be developed in accordance with the internal audit charter? c) How the internal audit service links to organisational objectives and priorities?	The Chief Internal Auditor should develop a strategic or high-level statement as part of the preparation of the risk-based plan.	Chief Internal Auditor  This is incorporated within the annual audit plan taken to Audit Committee but consideration will be given to providing a separate flow diagram	March 2019
Rec 9	Has the Chief Internal Auditor carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	The Chief Internal Auditor should complete a formal assurance mapping exercise to identify where reliance can be placed on assurance provided by other sources	Chief Internal Auditor  Consideration will be given to the appropriateness and relevance of assurance mapping in future audit plans	March 2019
Rec 10	Is the internal audit activity's plan of engagements based on a documented risk assessment?	A clear methodology for determining the risk ratings applied to audits contained within the plan should be formulated and retained to support the rating applied.	Chief Internal Auditor  This will always be subjective based on Audit Management's knowledge and experience but will be consistent as in previous years. Consideration will be given to clearly documenting this process	March 2019
	<b>2400</b>			

	<b>Communicating Results</b>			
Rec 11	Quality of communications, are communications g) timely?	Reviews of completed audits should be prioritised to ensure that draft and final reports are issued as timely as possible to ensure their effectiveness.	Chief Internal Auditor  This will be done moving forward	April 2018
Rec 12	Does the annual report incorporate the following: g) A statement on conformance with the PSIAS? h) The results of the QAIP? i) Progress against any improvement plans resulting from the QAIP?	The annual report of the Chief Internal Auditor should be expanded to include a statement on Monmouthshire's conformance with the PSIAS. The report should advise recipients on the results of Internal Audit's QAIP and progress made against any improvement plans resulting from it.	Chief Internal Auditor  Following the external validation of the internal self assessment and the development of the QAIP this will be done from 2018/19 onwards	June 2019

<b>SUBJECT</b>	<b>2018-19 RESERVE USAGE FORECAST</b>
<b>DIRECTORATE</b>	<b>Chief Executive's Unit</b>
<b>MEETING</b>	<b>Audit Committee</b>
<b>DATE</b>	<b>12th September 2018</b>
<b>DIVISIONS/WARD AFFECTED</b>	<b>All Authority</b>

## **1 PURPOSE**

- 1.1 To appraise audit members of the prospective reserve usage in conjunction with continuing to highlight the revised reserves protocol endorsed by Cabinet.
- 1.2 A periodic focus by Audit Committee on reserve usage is important due to
  - Future funding gap and continuing low settlements
  - Pressures arising from such issues as increasing demand, new and changing legislation, changes in the wider economy and hard to predict events.
  - Grant funding streams being reduced or stopped at short notice
  - Capital receipts and other income streams not being achieved
  - Saving proposals not being delivered and increased demand on services leading to overspends

## **2 REVISED RESERVES PROTOCOL**

- 2.1 The detailed report received by Cabinet in July 15 was prompted by;
  - Faster than expected use of earmarked reserves over the last 4 year period
  - Limited opportunities to replenish reserves from in year underspends as budgets get tighter
  - Limited opportunities to redistribute reserves as various reserves are used up
  - Risks around the on-going austerity measures, the projected gap in the MTFP and the lack of clarity on the Authority's future business model or longer term financial plan to respond to this, notwithstanding the work recently commenced around 'Future Monmouthshire'.
  - Huge commitment of capital resources to Future Schools
  - The need for reserves to work harder
  - The need to consider some issues as requiring base budgets rather than continued funding from reserves e.g. redundancy costs are unfortunately going to be an ongoing feature of expense for the Authority every year.

### 3 RESERVE ACTIVITY

3.1 The Council has unallocated reserves in the form of Council fund balance and school reserves. Realistically the level of surplus/deficit affecting Council Fund will commonly fluctuate before the end of the year, but for estimating purposes we will commonly presume services' activities influenced to avoid material adverse effect.

Revenue and Capital monitoring reflects an approved use of earmarked reserves. At month 2, service managers' presumptions are to fully utilise the reserve funding conveyed to them in 2018-19 budget. So at the end of 2018-19 (based on period 1 activity), the predicted reserve position for both general fund reserve and earmarked reserves is anticipated to amount to,

#### Reserve Usage

	01/04/2018	Contribution to Reserves	Contribution from Reserves - revenue	Contribution from Reserves - capital	31/03/2019
<b>Sub Total Council Fund</b>	<b>-7,286,303</b>	0	0	0	<b>-7,286,303</b>
<i>Earmarked Reserves:</i>					
<b>Sub-Total Invest to Redesign</b>	<b>-1,302,343</b>	<b>-170,681</b>	401,714	0	<b>-1,071,310</b>
<b>Sub-Total IT Transformation</b>	<b>-734,881</b>	0	215,913	0	<b>-518,969</b>
<b>Sub-Total Insurance and Risk Management</b>	<b>-1,046,416</b>	0	0	0	<b>-1,046,416</b>
<b>Sub-Total Capital Receipt Generation</b>	<b>-347,139</b>	0	153,415	0	<b>-193,724</b>
<b>Sub Total Treasury Equalisation</b>	<b>-990,024</b>	0	0	0	<b>-990,024</b>
<b>Sub-Total Redundancy and Pensions</b>	<b>-496,813</b>	0	163,978	0	<b>-332,835</b>
<b>Sub-Total Capital Investment</b>	<b>-648,336</b>	0	0	17,999	<b>-630,337</b>
<b>Sub-Total Priority Investment</b>	<b>-686,751</b>	0	386,751	0	<b>-300,000</b>
<i>Other Earmarked Reserves:</i>					
Museums Acquisitions Reserve	-55,885	0	0	0	-55,885
Elections Reserve	-58,183	-25,000	0	0	-83,183
Grass Routes Buses Reserve	-146,084	-5,000	0	0	-151,084
Youth Offending Team	-248,989	0	98,989	0	-150,000
Building Control trading reserve	-22,254	0	0	0	-22,254
Outdoor Education Centres Trading Reserve	-129,500	0	40,000	0	-89,500
CYP maternity	-142	0	0	0	-142
Plant & Equipment reserve (Highways)	-150,000	0	0	0	-150,000
Homeless Prevention Reserve Fund	-9,536	0	0	0	-9,536
Solar Farm Maintenance & Community Fund	-23,000	-23,000	0	0	-46,000
Rural Development Plan Reserve	-277,665	0	86,471	0	-191,194
<b>Total Earmarked Reserves</b>	<b>-7,373,942</b>	<b>-223,681</b>	1,547,231	17,999	<b>-6,032,393</b>
<b>Total useable revenue reserves</b>	<b>-14,660,245</b>	<b>-223,681</b>	1,547,231	17,999	<b>-13,318,696</b>

3.2 As a useful reminder, with regard to the allocation of bottom line surplus to replenish reserves, the Sc151 officer's considered advice at outturn was

Priority Investment Fund (to extinguish Leisure Trust facilitation costs)	£155k
Capital Receipts Generation Reserve (Capital receipts generation reserve part funds Valuation team's cost, and a top up is necessary to accord with their indicative 2018-19 costs.)	£70k
Balance Invest to Redesign Reserve	£448k
<b>Total</b>	<b>£653k</b>

3.3 Despite those top ups, the current predicted use of the Priority investment reserve means that it will likely expire by the end of 2018-19 as a funding source, as the £300k yearend balance is earmarked/allocated to local development plan purposes. Given the forecast use of earmarked reserves, Cabinet has previously approved a policy on earmarked reserves to ensure that these one off resources are focused on investment in areas where they can achieve most impact hence putting the balance for redistribution into "Invest to Re-design".

### **Schools Reserves**

3.4 The Schools reserve category has received a number of significant changes since last periodic reserve report, which would be helpful to update Audit Committee members with.

3.5 By way of background, each of the Authority's Schools is directly governed by a Board of Governors, which is responsible for managing their school's finances. However, the Authority also holds a key responsibility for monitoring the overall financial performance of schools.

3.6 The net effect of an individual school's annual surplus or deficit is shown in a ring-fence reserve for the particular school. Details of which for each school are included in Appendix 2, together with an indication of any recovery plan targets agreed and how close the Governing Body is in satisfying that responsibility in current year.

3.7 In summary form the anticipated outturn school balances are predicted to be,

	<b>Opening Reserves 2018-19 (surplus)/deficit</b>	<b>In year position at Month 2 (surplus)/deficit</b>	<b>Anticipated Outturn Position (surplus)/deficit</b>
<b>Combined balance</b>	<b>(£175,225)</b>	<b>£797,703</b>	<b>£622,478</b>

3.8 Whilst any extraordinary funding from WG and beneficial revisions to budgeted draw on reserves will sustain the reserve situation for longer than is often predicted, it remains unlikely that the collective level of reserves will sustain the traditional annual draw by schools on reserves in recent years, which will add additional focus by schools to address the need to remain within budget going forward rather than passporting the consequences to their reserves, given that collective flexibility is now pretty much exhausted.

- 3.9 The following table exhibits the net trend in use, indicating collectively schools are using reserves at a considerably faster rate recently than they are replenishing.

Financial Year-end	Net level of School Balances
2011-12	(965)
2012-13	(1,240)
2013-14	(988)
2014-15	(1,140)
2015-16	(1,156)
2016-17	(269)
2017-18	(175)
2018-19 forecast	£622

Our Fairer Funding Regulations adopted by Council and Governing Bodies have traditionally precluded governing bodies from planning for a deficit position. This was changed in 2016-17, (which coincides quite closely with declining net balance above) to allow licensed deficits where a recovery plan is agreed and followed. However this flexibility only extended as far as there being a collective schools reserve surplus.

- 3.10 There are however weaknesses in the forecasting approaches of individual schools, such that the budgeted outturn use of reserves seldom matches the reality.

As an example, during last year's monitoring, schools reported predicted use of reserves initially was £823k, and necessitated at month 2, the Director of CYP prepare a report outlining to Cabinet his strategy for address.

Subsequently whilst an extraordinary Welsh Government grant of £344k in the last quarter of 2017-18 would have had a beneficial effect on balance levels, collectively they only actually used £94k of their reserves for the year, a £900k variation in original forecasting. That sort of volatility potentially makes it very difficult for senior colleagues and Members to predict the necessary action from year to year.

But based on those school predictions, general trends can be extrapolated, so 12 schools started this year in deficit. There is an increasing trend of schools entering deficit, (net further 6 predicted at present by schools), and that position looks particularly acute in 3 out of the 4 secondary schools, and that 4th comprehensive school has had a very close monitoring regime applied to it during its recovery period, building upon the ownership and responsibility of the Governing body supported by headteacher, bursar and management team to end last year with £180k surplus. It is highly questionable whether that level of engagement and interaction would be possible/likely in respect of 18+ scenarios. CYP colleagues will be prioritising the most significant aspects, but

it can be seen from the recovery plan indicators included alongside the reserve position in Appendix 2, that some of the schools starting the year in deficit still had no agreed recovery plan, whilst others showed a perverse agreement to an increasing deficit.

- 3.11 Cabinet reflected upon these observations at their meeting of 25<sup>th</sup> July 2018, and have endorsed revisions in practice and the fairer funding guidelines now read (the emphasis of the change helpfully being underlined),

#### **4.1 Carry Forward of Balances**

*“4.1.1 Schools will be able to carry forward from one financial year to the next any shortfall in expenditure relative to the school’s budget share for the year, plus or minus any balance brought forward from the previous year. Where the periodic monitoring exercise predicts this shortfall would move the school into a net deficit position, the Governing body is required to meet and provide a Recovery Plan consistent with “Planning for Deficit Balances” in para 4.3.1 below, within 6 weeks of the deficit anticipation becoming known.”*

#### **Planning for Deficit Balances**

*“4.3.1 This scheme allows governing bodies to plan for a budget deficit, only where a recovery plan has been prepared and submitted alongside and at the same time as the deficit budget is presented. A Recovery Plan being defined as a Governing Body prepared multi year budget, to be considered and agreed with Cabinet Member Children and Young People, indicating the quantified financial improvement actions to remove the deficit within 3 years, or longer by specific agreement with Cabinet Member Resources.”*

#### **4.4 Obligation to carry forward Deficit Balances**

*“4.4.1 Where a school has a deficit balance at the end of the year, such deficit will be carried forward into the next financial year. The recovery plan will be monitored on a termly basis at minimum, but in material cases this will be monitored monthly. Governing body representatives may be required to report periodically to the Council on the progress of recovery actions. The authority has the right to withdrawn the delegated budget and powers of the governing body should the plan not be followed.*

“4.7.1 The authority will only support licensed deficits where a recovery plan is in place, as detailed in paragraph 4.3.1. The governing body must request a licenced deficit from the Cabinet Member Children and Young People.

3.12 These changes are anticipated to have a twofold benefit in allowing the potential for deficits to be considered in a more timely fashion than at present, and better recognises the accountability for schools financial arrangements rests with Governing Bodies rather their headteachers, who have their financial responsibility delegated to them by Governing Body.

3.13 It also helpfully recognises that the problem is not so much with schools actual use of reserves but more to do with their forecast or budgeted draw. The bringing forward of Recovery Plan submissions, to be consistent with annual budget consideration, is designed to provide a better quality of data/information on which to consider the approval of any deficit budget, and would be reassuring to Members that any annual deficit volatility is accommodated within a multi-year budget strategy.

#### **4 REASONS**

4.1 To comply with best practice regarding the management and review of earmarked reserves and the Financial Procedure Rules within the Authority’s constitution.

#### **5 RESOURCE IMPLICATIONS**

5.1 As a financial planning assumption, the level of Council Fund reserves should be between 4% - 6% of net expenditure. Based on a budgeted net expenditure (excluding Police and Community Council precepts) and before financing totalling £144.2 million, the anticipated outturn Council fund reserve level equates to 5.06%, which is towards the middle of agreed acceptable levels. This reduces to 4.5%, if net year end schools balances position remains as initially predicted in para 3.7.

5.2 There is an immaterial level of earmarked reserve replenishment built into the annual budget, and by necessity Head of Finance considers the replenishment of specific reserves where year-end surpluses allow.

5.4 Earmarked reserves remain at limited levels unlikely to provide any material capacity/headroom to meet unanticipated volatility or significantly facilitate future service re-engineering and design consequential with setting an annual budget that involves generating circa £5million savings annually.

#### **6 EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS**

6.1 The decisions highlighted in this report have no direct equality implications. A sensible and robust reserve usage strategy does however underpin sustainability of the organisation.

#### **7 CONSULTEES**

Strategic Leadership Team



All Cabinet Members  
All Select Committee Chairman  
Head of Legal Services  
Head of Finance

**8 BACKGROUND PAPERS**

None

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**SUBJECT**                    **WAO Study: Levers of Change**

**MEETING:**                **Audit Committee**

**DATE:**                    **13<sup>th</sup> September 2018**

**DIVISION/WARDS AFFECTED: All**

## **1. PURPOSE**

- 1.1 To provide Audit Committee with the context to the Wales Audit Office presentation 'Aligning the Levers of Change'.

## **2. RECOMMENDATIONS**

- 2.1 That members receive the presentation from Wales Audit Office and use it to inform their views of the effectiveness of the authority's governance arrangements.

## **3. KEY ISSUES**

- 3.1 Each year Wales Audit Office undertake a Performance Audit work programme with the council. The purpose of the Levers of Change review was to help councils address current challenges with the aim of supporting the development of local action that promotes positive practices and identifying barriers that need to be addressed. These reviews were carried out throughout Wales but the focus of each one was negotiated locally with each authority.
- 3.2 Monmouthshire is facing a number of challenges. While mandatory council mergers are no longer on the table, there are still clear benefits around shared services and regional delivery where these work for Monmouthshire. However we have long contended that form should follow function – the potential of shared services can only achieve its full potential when it is preceded or at the very least delivered alongside a full consideration of the purpose and optimisation of how those services are delivered. One of the greatest challenges for us is maximising the potential of technology and digital to answer the 'How?' question.
- 3.3 The potential exists for technology and automation to play a greater role in our work. We have made some moves towards developing capacity in this area, for example the creation of the Digital Programme Office under the Chief Officer Resources. However making the most of this opportunity calls for the development of knowledge and skills that are not widespread within our sector. The Levers of Change Study is aimed at helping us understand the potential benefits and learn the lessons from recent experiences.
- 3.4 Four focus groups were facilitated by WAO. Feedback from the review is in the form of a slide deck rather than a formal report. WAO have also produced a video to summarise the feedback and this has been shared with officers

who attended the digital day held in July. It can be found via this link:  
<https://www.youtube.com/watch?v=-xGTCu9qO-U&feature=youtu.be>

#### **4. REASONS**

- 4.1 To ensure the authority responds to the Wales Audit Office studies and uses these to deliver improved outcomes and increased efficiency.

#### **5. RESOURCE IMPLICATIONS**

There are no financial implications as a result of this report.

#### **6. AUTHORS**

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# Monmouthshire County Council

## Aligning the Levers of Change – Current Successes and Remaining Challenges

Page 203

Date: June 2018

Authors: Non Jenkins and Dave Wilson

# Overall conclusion

Page 204 The Council is keen to innovate to achieve the potential benefits of shared services and technological approaches, and learn lessons from recent projects and experiences to help it further improve.

# What we did

- Thematic review ‘Aligning the Levers of Change – Current Successes and Remaining Challenges’.
- Agreed with the Chief Executive that in Monmouthshire CC we would focus the work on ‘whether, and if so how the Council should engage with other bodies in shared service arrangements or adopt new technological approaches’.
- Four focus groups:
  - Operational managers
  - Middle managers
  - Wider Corporate Leadership Team
  - Members
- This presentation summarises the views expressed.

# We asked about the Council's track record of entering into shared services

- Shared Resource Service – IT.
- Shared Housing Benefit Service with Torfaen.
- Community Hubs.

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## .....and of adopting new technological approaches

- Online applications – Gov UK.
- Agile working – greater reliance on technology.
- Mobile worker service to report fly tipping and put customers in touch directly with waste operatives.
- Real time recording of waste bins not put out for collection.
- Reporting systems through the 'My Monmouthshire App'.
- Human Resources Team introduced self service pay slips and e-forms.
- Contractor upload photographs of their work.
- Building surveyors work in the field using technology.
- 'Digital day' held to showcase opportunities – apps etc.

# We asked participants what general lessons the Council has learnt from entering into shared services and adopting new technology

The Council needs to:

- clarify the intended benefits and any dis-benefits from the arrangement – due diligence.
- be realistic – don't overpromise – manage expectations.
- agree mechanisms for changes at the outset.
- free up the resources to plan and implement the change.
- recognise that if staff are implementing change, they can't do all of their day job – things might stop or be delayed.
- be mindful of the impact on service users/residents.
- factor in training – sometimes may need to close services for training.
- recognise that shared services and new technology mean that things will be different. Managers need to manage this.

# We asked participants what the Council has learnt from entering into shared services

- Agree clear contact arrangements – ideally single point of contact.
- Shared services can promote wider partnership working.
- Sometimes decisions taken will not suit Monmouthshire CC.
- Partners may receive the same service but may all pay differently.
- Shared services can prevent the Council making cost savings.
- Need to try to get others to buy into changes to keep costs down.
- Culture can be a barrier – SRS has a common platform. Many people are protective of their own systems – reluctant to share. Some feel threatened by partners, and threaten to leave the partnerships if they don't get their own way.

## .....and of adopting new technological approaches

- Check that the technology is affordable.
- Some people won't/can't use technology – how will the Council cater for their needs?
- Don't lose 'people' time by automation.
- Systems will fail – what are the implications and plan 'B's.
- Access to systems can be a problem – need a quick resolution.
- Shared IT systems – one size rarely 'fits all' – modifications can be expensive.
- Too many systems don't talk to each other.
- Use systems soon after training then support if people struggle.
- Issue guides/videos to support users.

# We asked about potential opportunities to test out new approaches to shared services and adopt new technological approaches

- Online payments.
- Voice recognition software.
- Customer services – channel choice, eg Chatbot, Alexa.
- Mobile worker service – app could it be used for potholes etc.
- Could Alexa book leave, inform when the next bus is due or waste is due for collection.
- More use of skype and video conferencing and calls.
- Fingerprint technology for school meals.
- Regional working is encouraged by the Welsh Government and is likely to result in more shared services.

# We asked how the organisation needs to change to get the most from shared services and new technological approaches

- Clarify resources – can the Council afford to invest to save?
- Clarify the Council's attitude to risk – measured or averse?
- Review evidence and data needs to test their robustness.
- Empower staff – some good ideas come from across the organisation and this can increase commitment across the Council.
- Avoid short-term fixes – development costs can be high so use them to best effect.
- Learn – from others and from within the Council.
- Recruit for the future – skills/aptitude/creative problem solving.
- Member caseload management system.
- Chatbot approach to help councillors find out which officers to contact with enquiries.
- Electronic voting and meetings added automatically into calendars.

# We asked about the challenges/potential obstacles to progressing these developments

- Potential weight of failure – because failure costs.
- Organisational changes need to be guided by the Sustainable Development Principle.
- Political cycle is five yearly – how does this affect longer-term planning and commitment.
- Digital literacy of some of the workforce and members – are they ready for and receptive to new technological changes?

## Some concluding questions

- Were you using social media 15 years ago?
- What sort of technologies will you be using in 10 to 15 years?
- How can you create a culture, risk appetite and systems that are open to and maximise the potential of new technology?
- What services were shared 10 to 15 years ago?
- Are shared services working for you now by delivering the intended benefits?
- What services will be shared and what services will Monmouthshire be providing itself in 10 to 15 years?

What will the future hold and how will you get there?





WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Overview and Scrutiny: Fit for the Future? – **Monmouthshire County Council**

Audit year: 2017-18

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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.

The team who delivered the work comprised Allison Rees, Rachel Harries and David Wilson, programme managed by Non Jenkins under the direction of Huw Rees

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# Summary report

## Summary

- 1 This review explored with each of the 22 councils in Wales how ‘fit for the future’ their scrutiny functions are. We considered how councils are responding to current challenges such as the Wellbeing of Future Generations Act 2015 (the WFG Act) in relation to their scrutiny activity and how councils are beginning to undertake scrutiny of Public Service Boards. We also examined how well placed councils are to respond to future challenges, such as continued pressure on public finances and the possible move towards more regional working by local authorities.
- 2 As part of this review, we reviewed the progress that councils have made in addressing the recommendations of our earlier National Improvement Study **Good Scrutiny? Good Question** (May 2014) (see [Appendix 1](#)). We also followed up on the proposals for improvement relevant to scrutiny that we issued in local reports. These reports included our 2016-17 thematic reviews of Savings Planning and Governance Arrangements for Determining Significant Service Changes.
- 3 Our review aimed to:
  - identify approaches to embedding the sustainable development principle into scrutiny processes and practices to inform practice sharing and future work of the Auditor General in relation to the WFG Act;
  - provide assurance that scrutiny functions are well placed to respond to current and future challenges and expectations;
  - help to embed effective scrutiny by elected members from the start of the new electoral cycle; and
  - provide insight into how well councils have responded to the findings of our previous Scrutiny Improvement Study.
- 4 To inform our findings we based our review methodology around the **Outcomes and Characteristics for Effective Local Government Overview and Scrutiny** that scrutiny stakeholders in Wales developed and agreed following our previous National Improvement Study **Good Scrutiny? Good Question** ([Appendix 2](#)).
- 5 During November 2017, we interviewed a small number of key officers and ran focus groups with members to understand their views on Monmouthshire County Council’s (the Council) current scrutiny arrangements and in particular how the Council is approaching and intends to respond to the challenges identified above.
- 6 We observed a sample of scrutiny meetings and reviewed relevant meeting documentation provided to members to support their scrutiny role, such as reports and presentations.
- 7 We conclude that the Council is continually developing its scrutiny function and is aware of future challenges, but support arrangements for the Public Service Board scrutiny committee need to be strengthened. We came to this conclusion because:
  - the Council continues to develop its scrutiny environment and is responsive to member development needs;

- scrutiny activity is generally well planned, and the Council has had some success in engaging the public in scrutiny, but the Public Service Board select committee does not currently comply with the Council's corporate procedures when making meeting papers public; and
- the Council regularly reviews the scrutiny function and has clear actions to continue to improve with officers and members aware of current and future challenges for scrutiny.

## Proposals for improvement

- 8 The table below contains our proposals for ways in which the Council could improve the effectiveness of its overview and scrutiny function to make it better placed to meet current and future challenges.

### Exhibit 1: proposals for improvement

Proposals for improvement	
	The Council's scrutiny function could be strengthened by:
P1	Ensuring that the Public Service Board select committee complies with the Access to Information Procedure Rules within the Council's constitution.
P2	Providing further training on the Well-being of Future Generations Act for scrutiny members to improve their understanding and consideration of the Act when undertaking scrutiny activity.
P3	Reviewing the level, type and resilience of the scrutiny support function to meet future challenges.
P4	Clarifying the role of Cabinet Members when attending select committees to observe.
P5	Assessing the impact of the workshop approach.

# Detailed report

## The Council is continually developing its scrutiny function and is aware of future challenges, but support arrangements for the Public Service Board scrutiny committee need to be strengthened

### The Council continues to develop its scrutiny environment and is responsive to member development needs

- 9 During our review, members and officers described select committees<sup>1</sup> as constructive in their approach. Cabinet members noted that they viewed the scrutiny function as a fundamental part of the governance and improvement arrangements in the Council.
- 10 The Council provided induction training for all members promptly after the May 2017 local elections. During our review, members were concerned about the timeliness of the induction programme. Members recognised the Council was seeking to give new members information through early induction, but some members stated there was too much information in a short time frame. Other members said that not all training was accessible due to the timing of sessions.
- 11 Some scrutiny members felt that reports containing financial and performance information do not always convey important information clearly enough to help them fulfil their roles. The Council's Scrutiny Member Development Programme offered 'financial scrutiny and performance management' training to new members as part of their formal induction. However, some members told us that they found performance and statistical data in officer reports difficult to understand, and that officers use too much jargon in their reports. Some members were concerned they had not received enough training on how to scrutinise budgets and performance effectively.
- 12 The Council has offered training for members on the sustainable development principle and associated 'five ways of working'<sup>2</sup> as set out in the WFG Act, but member attendance has been low. Only five members had attended training at the time of our review in November 2017 and therefore the Council's Scrutiny Member Development Programme for early 2018 included a repeat of this training.
- 13 The WFG Act does not yet have significant prominence in scrutiny discussions. During our fieldwork, officers and members stated that consideration of the five

<sup>1</sup> Scrutiny committees are referred to as Select Committees in Monmouthshire County Council.

<sup>2</sup> Integration, Involvement, Prevention, Long Term and Collaboration.

ways of working is still new within the Council, and not yet embedded within its decision-making process. However, the Council has amended its officer report template to include a Future Generations Assessment by combining the requirements of the Equalities Act 2010 for Equalities Impact Assessments with the requirements of the Well-being Future Generations Act. The Council has also delivered Well-being of Future Generations Act training specifically for officers who prepare reports for select committees. However, some members told us during our review that the Future Generations Assessments need to be more prominent in reports, and suggested moving them from the back to the front of each report. Some members stated it would 'bring the focus alive', and encourage members to better consider the information when scrutinising the issues, and make relevant recommendations.

- 14 The Council is committed to further improving its scrutiny arrangements. It has reflected on the member training, development and induction it undertook in 2017, and has tailored further member training and development during 2018 to respond to members' development needs and induction feedback. This includes 'The role of the Modern Councillor', and member training on safeguarding. The Council's scrutiny support service plan 2017-18 also clearly includes the learning it took from its peer review of scrutiny during March and April 2017. During our review, members positively suggested to us some other areas of learning they would value. For example, equalities training, training on livestreaming of meetings and public speaking.
- 15 Dedicated scrutiny support in the Council is limited, and Members expressed concerns about the level and capacity of this support going forward. The Council has one dedicated scrutiny manager whom members hold in high esteem, citing excellent support. During our review, some members and officers said that while there may currently be enough support for scrutiny, there is likely to be limited capacity to support scrutiny in the future, particularly, with the development of joint regional scrutiny, such as for the Cardiff Capital Regional City Deal and regional partnership or service collaborations. Other members were concerned that when the scrutiny manager is absent, this can affect the level and quality of scrutiny support available for members.

**Scrutiny activity is generally well planned, and the Council has had some success in engaging the public in scrutiny, but the Public Service Board select committee does not currently comply with the Council's corporate procedures when making meeting papers public**

- 16 The Council's select committees have had some success in engaging the public where there have been local issues of particular interest. For example, members of the Gypsy and Traveller community and key stakeholders formed part of a steering group to consider a Gypsy and Traveller accommodation assessment in 2016.

- 17 In March 2017, the Joint Adult and Children and Young People Select Committee considered the Council's Young Carers Strategy 2017-2020. The Council engaged with young carers when drafting the strategy, and invited them to attend the select committee meeting when the strategy was discussed.
- 18 The Council also positively promotes a 'Public Open Forum' at every select committee where members of the public in attendance are offered the opportunity to speak.
- 19 While these are good examples of public engagement and involvement in scrutiny committees, the Council plans for the public to become more engaged, as set out in its quarter two scrutiny support service plan 2017-18 which included the following actions;
- scrutiny members to engage more proactively with the public through roadshows or by holding specific meetings with residents and communities on particular topics;
  - to raise awareness of scrutiny via social media such as Twitter; and
  - the Scrutiny Chairs Group developing a scrutiny newsletter to raise the profile of the scrutiny function and improve the visibility and interest of the scrutiny website.

The Council has confirmed that the Twitter account for scrutiny went live in May 2017.

- 20 Through its dedicated webpage for 'Scrutiny in Monmouthshire', the Council enables the public to suggest items for scrutiny. There are some examples when the public have taken up this option, such as for speed management and broadband provision. These issues have subsequently been included on the relevant select committees' forward work programme.
- 21 Scrutiny Task and Finish groups have been an important part of the scrutiny process at the Council for several years, although the Council is now considering alternatives. While members enjoy and value taking part in Task and Finish groups, members and officers recognise that the work of these groups can take a long time to complete, which in turn can lead to a delay in Cabinet making decisions. Therefore, during the autumn of 2017, as a possible replacement to Task and Finish groups, the Council piloted a workshop approach considering what the Monmouthshire economy might look like in 2030. Members involved received an outline of the issue before the workshop, and were encouraged to consider a few key questions before attending.
- 22 Members and officers involved in the workshop stated the approach addressed the issue of timeliness associated with Task and Finish groups. It was however, too early to assess the impact of this approach on the work of scrutiny and the decision making process.
- 23 The Council has sought to improve the effectiveness of its scrutiny meetings. To ensure committee meetings have a focus, each select committee holds a pre-meeting 30 minutes before the meeting is due to start. Members are encouraged to



attend to develop questioning strategies for the main meeting for each agenda item. Chairs and select committee members have access to guidance on the role of pre-meetings and generic questions which members may wish to ask to scrutinise and challenge performance or policy. During our fieldwork, most members considered that pre-meetings were well run with a clear focus, although some members commented that pre-meetings were ineffective at times because they did not result in an agreed set of questions or questioning strategy. They felt that this resulted in the main select committee meeting lacking focus and taking too long.

- 24 The Council has arrangements to support the effective operation of the select committees in line with its 'rules of procedures'. However, we found that the Council's rules of procedures are not yet fully applied to the PSB select committee.
- 25 We observed four select committee meetings during this review, via webcast. These were:
- 18 October 2017 – Public Service Board select committee;
  - 30 October 2017 – Adult select committee;
  - 7 December 2017 – Children and Young People (CYP) select committee; and
  - 22 January 2018 – Public Service Board select committee.
- 26 At the Public Service Board select committee on 18 October 2017, two out of the four main agenda items were oral updates with no supporting information publicly available for these two items. At the meeting on 22 January 2018, there were two main agenda items. One agenda item did not have information publicly available on the website before the meeting. At both meetings, officer covering reports or supplementary information were not available for all agenda items. Therefore, it was unclear what the select committee was scrutinising or how members were expected to do so in the absence of reports.
- 27 When officers prepare for the Public Services Board select committee, members need detailed, quality information in a timely manner to make well-informed recommendations. For officers to support members in fulfilling their scrutiny role, information to the Public Service Board select committee should be available well in advance of the select committee meeting and should be publicly available to comply with the Council's constitution. The Council should ensure the Public Service Board select committee complies with the Access to Information Procedure Rules within the Council's constitution<sup>3</sup>, which states:
- 'these rules apply to all meetings of the Council, the executive, select committees, area committees, the Standards Committee and regulatory committees' and that: 'The Council will make copies of the agenda and

<sup>3</sup> Council constitution, Part 4, Rules of Procedure – Access to Information Procedure rules, point 1 Scope and point 5 Access to agendas and reports before meetings.

reports open to the public available for inspection at the designated office at least five clear days before the meeting.'

- 28 The Public Service Board select committee needs to be more rigorous in its approach to reviewing the decisions and governance of the Public Service Board. Members currently question Council officers but no other Public Service Board partners were present at either of the Public Services Select Committee meetings we observed. A review of the minutes of previous meetings shows that partners attended only one previous Public Service Board select committee.
- 29 At the Adults, and the Children and Young People Select committees, all members had the opportunity to speak and most members contributed. The detailed questions showed that, in general, members had read the papers and understood the issues. Discussions between members and officers were respectful and questions were clear and relevant. The Chairs ensured that each item reached a conclusion with recommendations for each item discussed and approved.
- 30 The work of select committees is generally well planned. Each select committee has an annual forward work programme. Members have input into, and endorse the draft annual forward work programmes and have ownership of them.
- 31 The select committee forward work programmes remain up to date and relevant. Each select committee reviews the forward work programme at every meeting. Council and Cabinet forward work programmes are also available to select committee members at each meeting to help them shape future topics for consideration.
- 32 Select committee agendas are well informed by Cabinet meeting agendas. The Cabinet forward work programme is updated regularly as priorities and issues for Cabinet change. The Scrutiny Manager and members of select committees receive an e-mail every Friday with the updated Cabinet forward work programme (the Friday email). The onus is on members, the Chairs of the select committees and the Scrutiny Manager to review and identify any changes and possible topics for inclusion for the select committees' forward work programme. These arrangements improve the links between Cabinet and select committee work with members of select committees and the Scrutiny Manager alert to any changes in Cabinet business.
- 33 The Council's scrutiny and executive protocol briefly sets out the expectations for when officers and Cabinet members should attend select committees. Cabinet members are not required to attend all select committee meetings, and only attend if invited by individual select committees.
- 34 However, Cabinet members sometimes attend select committees to observe and, on occasions, the Chair of the committee may ask the Cabinet member to speak without prior notice or invitation. The role of the Cabinet member in these instances is unclear. The protocol does not give clear guidance about the role of Cabinet members in such instances. As all select committees are livestreamed, Cabinet members could observe meetings without attending in person. This would provide

clarity over the purpose of cabinet members' attendance, ie to be held to account by scrutiny committees, or to provide evidence or information.

- 35 The Council is pro-active in considering the potential opportunities for technology to support its business. On 23 October and 9 November 2017, the Democratic Services Committee and full Council respectively considered a report on Remote Attendance at Council meetings. On 4 October 2017, Cabinet tested remote attendance. A Cabinet member and an expert witness accessed the meeting by video conferencing. Providing the technology is available, and meets the requirements of section 4 of Local Government (Wales) Measure 2011, 'Remote attendance at meetings' remote attendance can allow members, invited witnesses and possibly members of the public to take part in meetings that otherwise they may be unable to attend.

### The Council regularly reviews the scrutiny function and has clear actions to continue to improve with officers and members aware of current and future challenges for scrutiny

- 36 The Council is pro-active in reviewing its scrutiny function. Following the Wales Audit Office review **Good Scrutiny: Good Question**, published in May 2014, the Council has undertaken further internal reviews of scrutiny as part of its corporate performance planning framework. The Scrutiny Manager prepares a constructive annual scrutiny support service plan, which doubles as the Council's scrutiny improvement action plan. This plan contains an evaluation of previous years' performance, areas for future focus, objectives for the scrutiny function, key actions, outcomes and quarterly progress updates, a balanced scorecard, and key risks. Quarterly updates are publicly available on the 'Scrutiny in Monmouthshire' section of the Council website.
- 37 The Council also comprehensively self-evaluates its scrutiny arrangements. During March to May 2017, 76 officers and members (64 officers, six scrutiny members and four unidentified respondents) completed self-evaluation questionnaires. The self-evaluation asked for views on issues such as the role and value of scrutiny in the Council's improvement arrangements, level of support for scrutiny, training and development for members, whether scrutiny is well planned, and to what extent is it member led. The actions to improve scrutiny arising from this self-evaluation form part of the scrutiny support service plan for 2017-18.
- 38 The Council has a scrutiny improvement action plan, designed to highlight and oversee improvements. This action plan is also the Scrutiny Manager's annual service plan and is used to inform, plan and report on progress on further improving the scrutiny function.
- 39 During our fieldwork, members and officers clearly articulated future scrutiny challenges. Officers and members stated there are internal challenges that the Council could plan for, as well as external challenges that the Council may need to react to. Members viewed continuing austerity as a significant challenge. All

scrutiny members receive financial information and have the opportunity to question and challenge.

- 40 Officers and members described some of the challenges that the Council faces in respect of scrutiny in the future. These include further upskilling of members and extra member support for regional and collaborative scrutiny, to ensure member input is meaningful and has an impact. A challenge for the new Council is to ensure working members can take part in the democratic process, for example, by seeking to ensure the timings of meetings and training result in good attendance.

# Appendix 1

## Recommendations from the report of the Auditor General's National Improvement Study 'Good Scrutiny? Good Question' (May 2014)

Exhibit 2: 'Good Scrutiny? Good Question' recommendations

Recommendation	Responsible Partners
R1 Clarify the role of executive members and senior officers in contributing to scrutiny.	Councils, Welsh Government, Welsh Local Government Association
R2 Ensure that scrutiny members, and specifically scrutiny chairs, receive training and support to fully equip them with the skills required to undertake effective scrutiny.	Councils, Welsh Government, Welsh Local Government Association
R3 Further develop scrutiny forward work programming to : <ul style="list-style-type: none"> <li>• provide a clear rationale for topic selection;</li> <li>• be more outcome focussed;</li> <li>• ensure that the method of scrutiny is best suited to the topic area and the outcome desired; and</li> <li>• align scrutiny programmes with the council's performance management, self-evaluation and improvement arrangements.</li> </ul>	Councils
R4 Ensure that scrutiny draws effectively on the work of audit, inspection and regulation and that its activities are complementary with the work of external review bodies.	Councils, Staff of the Wales Audit Office, CSSIW, Estyn
R5 Ensure that external review bodies take account of scrutiny work programmes and the outputs of scrutiny activity, where appropriate, in planning and delivering their work.	Staff of the Wales Audit Office, CSSIW, Estyn
R6 Ensure that the impact of scrutiny is properly evaluated and acted upon to improve the function's effectiveness; including following up on proposed actions and examining outcomes.	Councils, Welsh Government, Welsh Local Government Association
R7 Undertake regular self-evaluation of scrutiny utilising the 'outcomes and characteristics of effective local	Council

Recommendation	Responsible Partners
government overview and scrutiny' developed by the Wales Overview and Scrutiny Officers' Network.	
R8 Implement scrutiny improvement action plans developed from the Wales Audit Office improvement study.	Councils
R9 Adopt Participation Cymru's 10 Principles for Public Engagement in improving the way scrutiny engages with the public and stakeholders.	Councils

# Appendix 2

## Outcomes and characteristics for effective local government overview and scrutiny

Exhibit 3: outcomes and characteristics

Outcomes	Characteristics
<p><b>What does good scrutiny seek to achieve?</b></p>	<p><b>What would it look like? How could we recognise it?</b></p>
<p><b>1. Democratic accountability drives improvement in public services. 'Better Services'</b></p>	<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>i) Scrutiny has a clearly defined and valued role in the council's improvement arrangements.</li> <li>ii) Scrutiny has the dedicated officer support it needs from officers who are able to undertake independent research effectively, and provide Scrutiny members with high-quality analysis, advice and training.</li> </ul> <p><b>Practice</b></p> <ul style="list-style-type: none"> <li>iii) Overview and Scrutiny inquiries are non-political, methodologically sound and incorporate a wide range of evidence and perspectives.</li> </ul> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>iv) Overview and scrutiny regularly engages in evidence based challenge of decision makers and service providers.</li> <li>v) Scrutiny provides viable and well evidenced solutions to recognised problems.</li> </ul>
<p><b>2. Democratic decision making is accountable, inclusive and robust. 'Better decisions'</b></p>	<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>i) Scrutiny councillors have the training and development opportunities they need to undertake their role effectively.</li> <li>ii) The process receives effective support from the Council's Corporate Management Team which ensures that information provided to scrutiny is of high quality and is provided in a timely and consistent manner.</li> </ul> <p><b>Practice</b></p> <ul style="list-style-type: none"> <li>iii) Scrutiny is Member led and has 'ownership' of its work programme taking into account the views of the public, partners and regulators whilst balancing between prioritising community concerns against issues of strategic risk and importance.</li> <li>iv) Stakeholders have the ability to contribute to the development and delivery of scrutiny forward work programmes.</li> <li>v) Overview and scrutiny meetings and activities are well-planned, chaired effectively and make best use of the resources available to it.</li> </ul> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>vi) Non-executive Members provide an evidence based check and balance to Executive decision making.</li> <li>vii) Decision makers give public account for themselves at scrutiny committees for their portfolio responsibilities.</li> </ul>

Outcomes	Characteristics
<p><b>What does good scrutiny seek to achieve?</b></p>	<p><b>What would it look like? How could we recognise it?</b></p>
<p><b>3. The public is engaged in democratic debate about the current and future delivery of public services.</b></p>	<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>i) Scrutiny is recognised by the Executive and Corporate Management team as an important council mechanism for community engagement.</li> </ul> <p><b>Practice</b></p> <ul style="list-style-type: none"> <li>ii) Scrutiny is characterised by effective communication to raise awareness of, and encourage participation in democratic accountability.</li> <li>iii) Scrutiny operates non-politically and deals effectively with sensitive political issues, tension and conflict.</li> <li>iv) Scrutiny builds trust and good relationships with a wide variety of internal and external stakeholders.</li> </ul> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>v) Overview and scrutiny enables the ‘voice’ of local people and communities across the area to be heard as part of decision and policy-making processes.</li> </ul>





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## Management response

**Report title:** Overview and Scrutiny: Fit for the future? – Monmouth County Council

**Completion date:** August 2018

**Document reference:** 639A2018-19

### Proposals for improvement

Ref	Proposal for improvement	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
	The Council's scrutiny function could be strengthened by:						
P1	Ensuring that the Public Service Board select committee complies with the Access to Information Procedure Rules within the Council's constitution.	More effective scrutiny and challenge.	Y	Yes	<p>We always seek to work within the council's constitution and it is good practise to put written reports before members so that they have as much information as possible to properly scrutinise.</p> <p>The authority's monitoring officer has confirmed that if no report is available it does not constitute a breach of our access to information procedure rules.</p> <p>There will always be occasions when a report is not required and the officer</p>	September 2018	Head of Policy & Governance

Ref	Proposal for improvement	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
					attending will give a verbal update. Members can still ask questions of the officer and the details will be available via the live stream and pertinent points captured subsequently in the printed minutes.		
P2	Providing further training on the Well-being of Future Generations Act for scrutiny members to improve their understanding and consideration of the Act when undertaking scrutiny activity.	Better challenge in meetings around whether the Council is complying with the Well-being of Future Generations Act.	Y	Yes	<p>A range of training has been provided to members since the introduction of the Well-being of Future Generations Act. This includes training for members on the new Public Service Board Select Committee which has been in place since summer 2017.</p> <p>A new training module on the Future Generations act has been developed through the corporate training service and this is being made available to members to inform their role.</p>	December 2018	Head of Policy & Governance
P3	Reviewing the level, type and resilience of the scrutiny support function to meet future challenges.	Assurance that scrutiny is able to meet future challenges.	Y	Yes	An Interim Scrutiny Officer has been appointed from August 2018. Proposals are being developed to provide a	December 2018	Head of Policy & Governance

Ref	Proposal for improvement	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
					sustainable and permanent solution which will increase the resilience of the scrutiny function.		
P4	Clarifying the role of Cabinet Members when attending select committees to observe.	Clarity over the role of Cabinet Members when attending Select Committee meetings uninvited.	N	Yes	<p>Cabinet members' role in the scrutiny process for accountability is clear and they are welcome to observe any scrutiny meetings in line with the council's code of conduct which states that:</p> <p>“Members of the Council are entitled to attend any formal meeting of the Council, its committees or sub-committees or the Cabinet...Where they are not a Member of that body, their attendance and right to speak is at the discretion of the Chair of the body.”</p> <p>To clarify our process, an update will be made to the scrutiny protocol on the role of Cabinet Members when attending select committees to observe with the option to</p>	October 2018	Head of Policy & governance

Ref	Proposal for improvement	Intended outcome/ benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
					contribute being at the discretion of the chair.		
P5	Assessing the impact of the workshop approach.	Evaluation of the workshop approach as a future form of scrutiny.	N	Yes	The workshop approach will be evaluated as part of the scrutiny service business plan 2018/21. The workshop approach is an identified area of activity in the plan.	March 2019	Scrutiny Manager



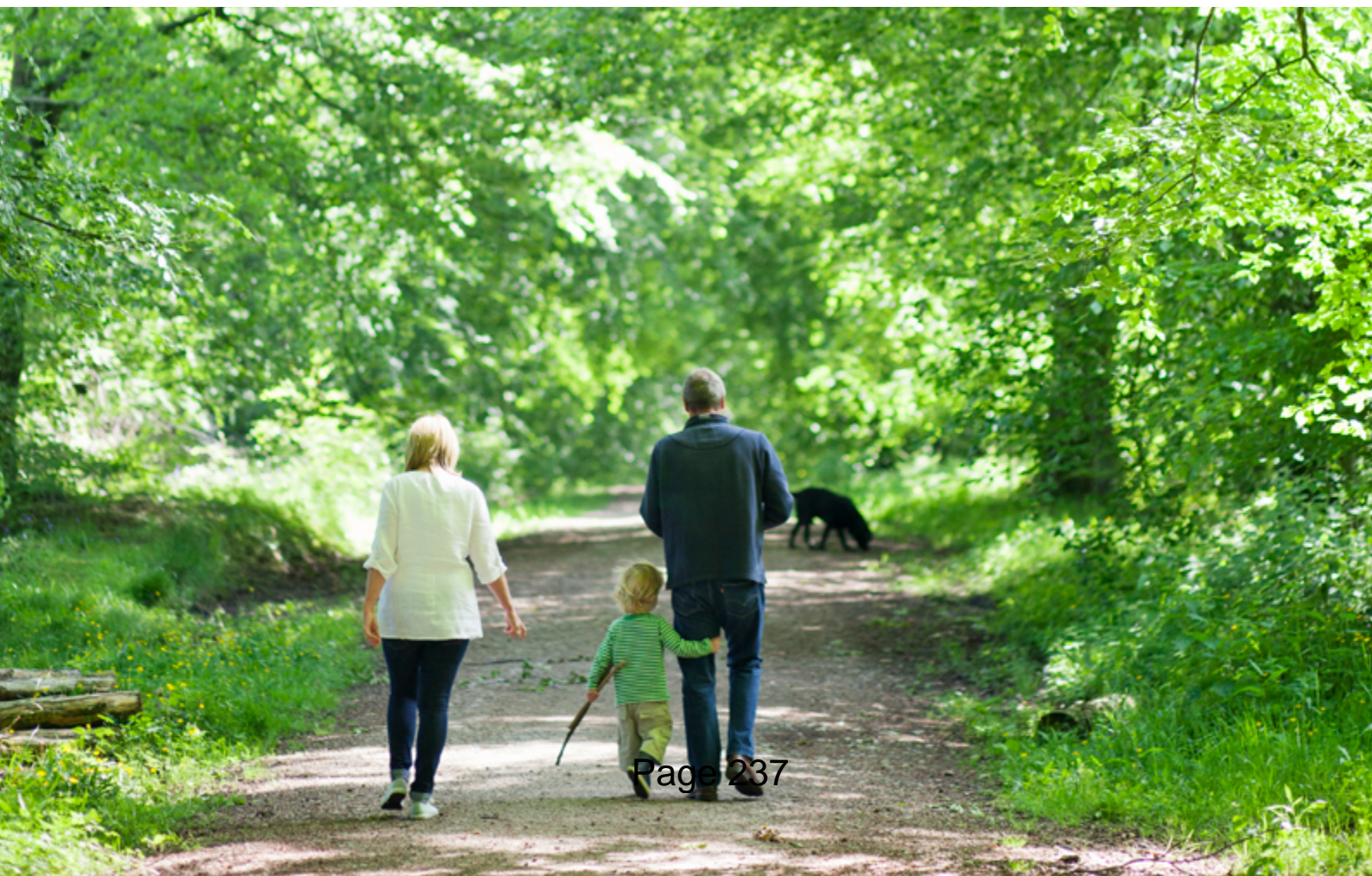
WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report 2017-18

## Monmouthshire County Council

Issued: August 2018

Document reference: 743A2018-19



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Non Jenkins and David Wilson under the direction of Huw Rees.

**Adrian Crompton  
Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
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The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office Board, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

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

This document is also available in Welsh.



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# Summary report

## 2017-18 performance audit work

- 1 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including Monmouthshire County Council's (the Council) own mechanisms for review and evaluation. For 2017-18, we undertook improvement assessment work at all councils. We also undertook work at all councils in relation to the Wellbeing of Future Generations Act, a service-user-perspective themed review and a review of overview and scrutiny arrangements. At some councils, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2017-18.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the relevant regulators, is set out in [Exhibit 2](#).

## The Council is meeting its statutory requirements in relation to continuous improvement

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2018-19.

## Recommendations and proposals for improvement

- 4 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
- make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
  - make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
  - conduct a special inspection, and publish a report and make recommendations; and
  - recommend to ministers of the Welsh Government that they intervene in some way.
- 5 Formal recommendations the Auditor General has made during the course of the year are set out below. Authorities must prepare a response within 30 working days of receiving them. We have made a number of proposals for improvement, which we repeat in this report. We will monitor progress against the Auditor General's recommendations, proposals for improvement, and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

## Audit, regulatory and inspection work reported during 2017-18

### Exhibit 1: audit, regulatory and inspection work reported during 2017-18

Description of the work carried out since the last AIR, including that of the relevant regulators, where relevant.

Issue date	Brief description	Conclusions	Proposals for improvement
<p><b>February 2018</b></p> <p>A video summarising this work is available at the following link: <a href="#">Monmouthshire Presentation Video</a></p>	<p><b>Aligning the Levers of Change – Current Successes and Remaining Challenges</b></p> <p>The purpose of this review is to help councils address current challenges with the aim of supporting the development of local action that promotes positive practices and identifying barriers that need to be addressed.</p>	<p>The Council is keen to innovate to achieve the potential benefits of shared services and technological approaches, and learn lessons from recent projects and experiences to help it further improve.</p>	<p>None</p>

Issue date	Brief description	Conclusions	Proposals for improvement
August 2018	<p><b>‘Scrutiny: Fit for the Future?’ Review</b></p> <p>Review of how well-placed Councils’ overview and scrutiny functions are to respond to current and future challenges.</p>	<p>The Council is continually developing its scrutiny function and is aware of future challenges, but support arrangements for the Public Service Board scrutiny committee need to be strengthened.</p> <ul style="list-style-type: none"> <li>• The Council continues to develop its scrutiny environment and is responsive to member development needs.</li> <li>• Scrutiny activity is generally well planned, and the Council has had some success in engaging the public in scrutiny, but the Public Service Board select committee does not currently comply with the Council’s corporate procedures when making meeting papers public.</li> <li>• The Council regularly reviews the scrutiny function and has clear actions to continue to improve with officers and members aware of current and future challenges for scrutiny.</li> </ul>	<p>The Council’s scrutiny function could be strengthened by:</p> <p>P1 Ensuring that the Public Service Board select committee complies with the Access to Information Procedure Rules within the Council’s constitution.</p> <p>P2 Providing further training on the Well-being of Future Generations Act for scrutiny members to improve their understanding and consideration of the Act when undertaking scrutiny activity.</p> <p>P3 Reviewing the level, type and resilience of the scrutiny support function to meet future challenges.</p> <p>P4 Clarifying the role of Cabinet Members when attending select committees to observe.</p> <p>P5 Assessing the impact of the workshop approach.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
November 2017	<p><b>Review of Asset Management</b></p> <p>This follow-up review assessed the progress the Council had made to improve its asset management since our corporate assessment in 2015.</p>	<p>The Council has a good understanding of its assets, however it lacks a strategic approach and effective information technology to support the management of its assets.</p> <ul style="list-style-type: none"> <li>• The Council has an Asset Management Plan but this is not time bound and focuses on the short-term.</li> <li>• The Council can show improved use of some assets but asset management arrangements are not well co-ordinated or supported by effective IT systems.</li> <li>• The Council reviews its ongoing use of assets but the Asset Management Plan remains unchanged since 2014.</li> </ul>	<p>P1 The Council's asset management arrangements could be strengthened by developing and delivering a long-term sustainable strategy for its assets based on a thorough assessment of needs, costs and benefits supported by:</p> <ul style="list-style-type: none"> <li>• short, medium and long-term performance indicators;</li> <li>• embedded governance arrangements to support the strategic management of assets;</li> <li>• IT asset management systems which integrate more effectively with other systems to facilitate better information capture and use; and</li> <li>• utilising information arising from stakeholder consultation and engagement including what the Council has learnt about its experience of its community asset transfers to better inform its decision-making.</li> </ul>

Issue date	Brief description	Conclusions	Proposals for improvement
December 2017	<p><b>Information Management</b></p> <p>This follow-up review assessed the progress the Council had made to improve its information management arrangements since our corporate assessment in 2015.</p>	<p>The Council has information management arrangements that could support improvement, but these need strengthening before their benefits can be fully realised.</p> <ul style="list-style-type: none"> <li>The Council shows commitment to information management and recently reconstituted its Information Governance Group, but its leadership and remit do not match best practice.</li> <li>The Council's information assets are, for the most part, easily and appropriately accessible to the public, members and staff, although the ongoing failure to meet Public Sector Network standards presents a significant risk to both information security and business activity.</li> </ul>	<p><b>Information strategy</b></p> <p>P1 The Council should finalise and agree its updated Management Information Strategy. The Strategy should include:</p> <ul style="list-style-type: none"> <li>an outline of the broad approach the Council plans to take, emphasising how Information will be used to support its strategic aims; and</li> <li>a schedule of annual review and update so that developments can be responded to in a relatively short time.</li> </ul> <p><b>Policy</b></p> <p>P2 The Council should review, clarify and rationalise its information management policy documents ensuring that:</p> <ul style="list-style-type: none"> <li>its policy decisions and guidance follow on clearly from the overall strategy; and</li> <li>its documents conform to a standard format, and are subject to regular planned reviews.</li> </ul> <p><b>Role and profile of Senior Information Risk Owner</b></p> <p>P3 The Council should assure itself that the role of SIRO has sufficient profile, authority and accountability, with the seniority to challenge decisions made at Senior Leadership Team.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
December 2017	<b>Information Management</b> (Contd.)		<p><b>Information Governance Group</b></p> <p>P4 The Council should revise the Terms of Reference for the Information Governance Group to explicitly include the task of overall scrutiny of all the factors affecting the environment within which data and information reside.</p> <p><b>PSN Accreditation</b></p> <p>P5 The Council should pursue PSN accreditation as a matter of urgency within the current financial year, bringing in external resources to achieve this if necessary.</p>



Issue date	Brief description	Conclusions	Proposals for improvement
August 2018	<b>Whole Authority review of children's safeguarding</b>	<p>Children's safeguarding policy and procedures have recently improved, but there are shortcomings in some critical areas of policy and operation.</p> <ul style="list-style-type: none"> <li>• The Council's framework and arrangements for safeguarding children have recently improved: <ul style="list-style-type: none"> <li>– leadership, strategic direction and accountability arrangements have improved for safeguarding children, particularly in education and social services;</li> <li>– the Council has made progress in responding to recommendations made by the Wales Audit Office in relation to the Kerbcraft service, and in responding to ESTYN and CIW reports;</li> <li>– the Council's safeguarding policy is comprehensive and is supported by Directorate Safeguarding Leads and arrangements;</li> <li>– safe recruitment of staff and volunteers is improving and increasing resilience through additional controls and awareness raising;</li> </ul> </li> </ul>	<p>P1 Integrate safeguarding across the Council's policy framework. In particular:</p> <ul style="list-style-type: none"> <li>a produce a 'project plan' identifying the underpinning work required and associated timescales to fully incorporate the Council's approach to integrating child and adult safeguarding;</li> <li>b re-frame the strategic risk register, to enable a SMART-er approach to measuring impact of actions taken in mitigation of identified risk;</li> <li>c strengthen safeguarding policy and guidance in the areas identified in this report. Including: <ul style="list-style-type: none"> <li>– data protection arrangements and guidance linked to safeguarding;</li> <li>– embed whistleblowing policy arrangements through training and awareness raising; and</li> <li>– revise taxi licensing arrangements strengthening health and safety requirements.</li> </ul> </li> </ul> <p>P2 Embed all aspects of safe recruitment, induction and training consistently. In particular:</p> <ul style="list-style-type: none"> <li>a improve training records on safeguarding to show why the person received that particular level of training, when the training was received, and when it needs to be reviewed;</li> <li>b ensure all people who have a specific role in safeguarding undertake appropriate training; and</li> <li>c clarify when enhanced DBS checks are required and ensure these are obtained in line with guidance.</li> </ul>

Issue date	Brief description	Conclusions	Proposals for improvement
August 2018	<b>Whole Authority review of children's safeguarding</b> (Contd.)	<ul style="list-style-type: none"> <li>- the Council engages effectively with external partners and the regional safeguarding board; and</li> <li>- arrangements to monitor, scrutinise and manage performance and risk are generally sound.</li> <li>• There are shortcomings in some critical areas of policy and operation. <ul style="list-style-type: none"> <li>- safeguarding policy is not yet sufficiently integrated across the Council's policy framework;</li> <li>- not all aspects of safe recruitment, induction and training are consistently embedded;</li> <li>- control arrangements are inconsistently applied, exposing some gaps in accountability; and</li> <li>- weaknesses exist in the Council's commissioning and contracting arrangements in relation to safeguarding children.</li> </ul> </li> </ul>	<p>P3 Ensure control arrangements are consistently applied and improve performance monitoring arrangements around safeguarding to include all areas of service operation to address all gaps in accountability. This should include issuing clear guidance to managers on information on safeguarding that should be included in reports to Members.</p> <p>P4 Improve the Council's commissioning and contracting arrangements in relation to safeguarding children by finalising guidance on commissioning, contracting and volunteering from a safeguarding perspective.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
30 November 2017	<p><b>Annual audit letter 2016-17</b></p> <p>Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in <a href="#">Appendix 2</a> of this report.</p>	<ul style="list-style-type: none"> <li>• The Council complied with its responsibilities relating to financial reporting and use of resources;</li> <li>• the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and</li> <li>• our work to date on certification of grant claims and returns had not identified any significant issues that would impact on the 2015-16 accounts or key financial systems.</li> </ul>	None
<p><b>Outstanding Performance Audit work in 2017-18 audit outline still in progress to be reported in the next Annual Improvement Report</b></p>			
It is anticipated that this review will be concluded by November 2018.	<p><b>Thematic Review:</b></p> <p><b>Service-user perspective review</b></p> <p><b>Customer contact</b></p>	<ul style="list-style-type: none"> <li>• This user-focussed review will focus on the ways that members of the public can enquire about local services and compliment, complain or provide comments on council services.</li> </ul>	

Issue date	Brief description	Conclusions	Proposals for improvement
May 2017	<p><b>Wales Audit Office annual improvement plan audit</b></p> <p>Review of the Council's published plans for delivering on improvement objectives.</p>	<p>The Council has complied with its statutory improvement planning duties.</p>	<p>None</p>
October 2017	<p><b>Wales Audit Office annual assessment of performance audit</b></p> <p>Review of the Council's published performance assessment.</p>	<p>The Council has complied with its statutory improvement reporting duties.</p>	<p>None</p>
<p><b>Reviews by inspection and regulation bodies</b></p>			
<p>No other reviews by inspection and regulation bodies have taken place during the time period covered in this report.</p>			

# Appendices

## Appendix 1 – Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement. The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General's duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

## Appendix 2 – Annual Audit Letter

Councillor Peter Fox  
Council Leader  
Monmouthshire County Council  
County Hall  
Rhadyr  
Usk  
Monmouthshire  
NP15 1GA

**Reference:** 295A2017-18

**Date issued:** 30 November 2017

Dear Councillor Fox

### Annual Audit Letter – Monmouthshire County Council 2016-17

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

#### The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

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

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

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 25 September 2017 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members at the Council Meeting on 21 September 2017, in my Audit of Financial Statements report.

Whilst there were a few areas to report in relation to the accounts, these were mainly presentational and were not significant. Overall, the statement of accounts and associated working papers provided for audit were of a good standard and officers were very helpful and supplied us with all the information we requested. This year the Council was able to produce its accounts three weeks ahead of the 30 June deadline. Undertaking the production and audit of the accounts earlier this year has identified a number of learning points for both the finance team and ourselves. Together with Council officers, we have considered these learning points in a detailed post project learning session to ensure they are captured and built into processes for future years. The challenge now is to build on this progress and continue to bring forward the accounts production and audit process so that the Council is well placed to meet the earlier deadlines that apply in 2020-21.

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

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report. We will also shortly be issuing a report on the Council's financial resilience which will consider whether the Council's financial savings planning arrangements support financial resilience.

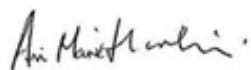
**I issued a certificate confirming that the audit of the accounts has been completed on 29 September 2017**

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

My ongoing work on the certification of grants claims and returns has not identified any significant issues to date in relation to the accounts or the Council's key financial systems. Once this year's programme is completed, we will provide feedback to the Council to allow any lessons learnt to be built into processes and procedures for the next round of claims.

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

Yours sincerely



**Ann-Marie Harkin**

**For and on behalf of the Auditor General for Wales**

cc. Paul Matthews, Chief Executive

Joy Robson, Head of Finance



## Appendix 3 – National report recommendations 2017-18

### Exhibit 2: national report recommendations 2017-18

Summary of proposals for improvement relevant to local government, included in national reports published by the Wales Audit Office, since publication of the last AIR.

Date of report	Title of review	Recommendation
June 2017	<a href="#"><u>Savings Planning in Councils in Wales</u></a>	The report did not include any recommendations or proposals for improvement, although proposals for improvement were included in local reports issued to each Council.
October 2017	<a href="#"><u>Public Procurement in Wales</u></a>	The report contained seven recommendations. Six of the recommendations were for the Welsh Government, one of the recommendations was for public bodies: R3 It was clear from our sampling that some procurement strategies are out of date and there has also been a mixed response to new policy and legislation, such as the Well-being of Future Generations (Wales) Act 2015. We recommend that public bodies review their procurement strategies and policies during 2017-18 and on an annual basis thereafter to ensure that they reflect wider policy and legislative changes and support continuous improvement.
October 2017	<a href="#"><u>Good governance when determining significant service changes – National Summary</u></a>	The report did not include any recommendations or proposals for improvement, although proposals for improvement were included in local reports issued to each Council. The report was designed primarily to provide insight, share existing practice and prompt further conversations and discussions between councils and other organisations.
December 2017	<a href="#"><u>Local Government Financial Reporting 2016-17</u></a>	The report did not include any recommendations or proposals for improvement.

Date of report	Title of review	Recommendation
January 2018	<a href="#">How Local Government manages demand – Homelessness</a>	<p>R1 Implementing the Housing (Wales) Act 2014 requires local authorities to develop services which are focussed on preventing homelessness and reducing demand. These are very different to traditional casework led homelessness services, and prevention work requires new skills and early interaction with users and potential users. We found local authorities' progress in revising and strengthening services is variable (paragraphs 1.12 to 1.20). <b>We recommend that local authorities:</b></p> <ul style="list-style-type: none"> <li>• ensure their staff are sufficiently skilled to deal with the new demands of mediating, problem solving, negotiating and influencing with homeless people; and</li> <li>• review and reconfigure their services to engage more effectively with homeless and potentially homeless people to prevent homelessness.</li> </ul> <p>R2 The Welsh Government provided funding to support local authorities to implement the Housing (Wales) Act 2014 and this funding has been critical in enabling new preventative services to be developed. The funding is in place until 2019-20 but authorities need to ensure they use headspace provided by these resources to revise their services to deliver their responsibilities in the future (paragraphs 1.21 to 1.28). <b>We recommend that local authorities review their funding of homelessness services to ensure that they can continue to provide the widest possible preventative approach needed. Reviews should consider use of Supporting People as well as General Council fund monies to support delivery of the authority's homelessness duties.</b></p> <p>R3 How services are configured and managed at the first point of contact can significantly influence how effective local authorities are in managing and reducing demand. Easy to access services which maximise usage, avoid gate keeping and focus on early solutions can significantly improve the prospects for successful homelessness prevention. We found that some authority point of entry systems are poorly designed which reduces the authority's prospects for early intervention to prevent homelessness from occurring (paragraphs 2.4 to 2.11). <b>We recommend that local authorities:</b></p> <ul style="list-style-type: none"> <li>• design services to ensure there is early contact with service users;</li> <li>• use 'triage' approaches to identify and filter individuals seeking help to determine the most appropriate response to address their needs; and</li> <li>• test the effectiveness of first point of contact services to ensure they are fit for purpose.</li> </ul>

Date of report	Title of review	Recommendation
January 2018	<a href="#">How Local Government manages demand – Homelessness</a>	<p>R4 Establishing clear standards of service that set out what the authority provides and is responsible for is critical to ensuring people know what they are entitled to receive and what they need to resolve themselves. We found that authorities are not always providing clear, concise and good quality information to help guide people to find the right advice quickly and efficiently (paragraphs 2.12 to 2.17). <b>We recommend that local authorities publish service standards that clearly set out what their responsibilities are and how they will provide services to ensure people know what they are entitled to receive and what they must do for themselves. Service standards should:</b></p> <ul style="list-style-type: none"> <li>• be written in plain accessible language.</li> <li>• be precise about what applicants can and cannot expect, and when they can expect resolution.</li> <li>• clearly set out the applicant’s role in the process and how they can help the process go more smoothly and quickly.</li> <li>• be produced collaboratively with subject experts and include the involvement of people who use the service(s).</li> <li>• effectively integrate with the single assessment process.</li> <li>• offer viable alternatives to the authority’s services.</li> <li>• set out the appeals and complaints processes. These should be based on fairness and equity for all involved and available to all.</li> </ul> <p>R5 Local authorities need to design services to engage with service users effectively and efficiently, but current standards are too variable to ensure service users are getting access to the advice they need (paragraphs 2.18 to 2.24). <b>To improve current performance we recommend that local authorities make better use of their websites to help manage demand by:</b></p> <ul style="list-style-type: none"> <li>• <b>testing the usability and effectiveness of current website information using our lines of enquiry set out in Appendix 5;</b></li> <li>• <b>increasing and improving the range, quality and coverage of web based information; making better use of online applications; and</b></li> <li>• <b>linking more effectively to information from specialist providers and advice specialists, such as Citizens Advice.</b></li> </ul> <p>R6 The Housing (Wales) Act 2014 introduces a new duty on social services and housing associations to collaborate with local authority homelessness services in preventing homelessness. We found that these arrangements are not operating effectively and service responses to prevent homelessness and assist homeless people are not always being provided, nor are they consistently effective (paragraphs 3.13 to 3.25). <b>We recommend that local authorities set out and agree their expectations of partners identifying how they will work together to alleviate homelessness. The agreement should be reviewed regularly and all partners’ performance reviewed to identify areas for improvement.</b></p>

Date of report	Title of review	Recommendation
January 2018	<a href="#"><u>How Local Government manages demand – Homelessness</u></a>	<p>R7 Local authorities monitoring systems and evaluation approaches to ensure compliance with their responsibility under the Equality Act 2010 and the Public Sector Equality Duty are not working as well as they should (paragraph 3.35 to 3.39). <b>We recommend that local authorities address weaknesses in their equalities monitoring, and ensure that their homelessness service accurately records and evaluates appropriate data to demonstrate equality of access for all service users that the local authority has a duty towards.</b></p> <p>R8 Managing demand can be challenging for local authorities. There are some clear lessons to be learnt with regard to the implementation of the Housing (Wales) Act 2014 and homelessness prevention duties that can be applied to managing demand in other services (paragraphs 4.24 to 4.27). <b>We recommend that local authorities use the checklist set out in Appendix 10 to undertake a self-assessment on services, to help identify options to improve how they can help manage demand.</b></p>

Date of report	Title of review	Recommendation
February 2018	<a href="#">Housing Adaptations</a>	<p>The report contained nine recommendations. One of the recommendations was for the Welsh Government, eight of the recommendations were for local authorities and/or delivery organisations:</p> <p>R1 There are many sources of funding and policies for adaptations, which results in disabled and older people receiving very different standards of service (paragraphs 1.5 to 1.9). To address these discrepancies <b>we recommend that the Welsh Government set standards for all adaptations to ensure disabled and older people receive the same standard of service irrespective of where they live, who their landlord is and whether they own their own home.</b></p> <p>R2 Most public bodies are clear on how their work on adaptations can positively impact on disabled and older people, and have set suitable aims that provide focus for action. For adaptations, having the right strategic goals also establishes a clear basis for decision-making on who should be prioritised for services and how and where to use resources. However, we found that current policy arrangements have a number of deficiencies and public bodies are not maximising the benefit of their investment (paragraphs 3.8 to 3.15). <b>We recommend that local authorities work with partner agencies (health bodies, housing associations and Care and Repair) to strengthen their strategic focus for the provision of adaptations by:</b></p> <ul style="list-style-type: none"> <li>• setting appropriate strategic objectives for adaptations that focus on wellbeing and independence;</li> <li>• improving the quality of information on the demand for adaptations by using a wide range of data to assess need including drawing on and using information from partners who work in the local-authority area; and</li> <li>• linking the system for managing and delivering adaptations with adapted housing policies and registers to make best use of already adapted homes.</li> </ul> <p>R3 Ensuring that all those who might need an adaptation have all the information they need in order to apply for and receive an adaptation is important. Good-quality and accessible information is therefore essential for delivery organisations to demonstrate fair access and transparency. However, we identified weaknesses in the quality and coverage of public information relating to housing adaptations (paragraphs 2.6 to 2.15). <b>We recommend that delivery organisations provide information on housing adaptations in both Welsh and English, and accessible formats including braille, large fonts, audio versions and other languages. Information should be promoted widely via a range of media including social media, websites and published information, and also through key partners. Preferably, information should be produced jointly and policies aligned between delivery bodies to improve coverage and usage.</b></p>

Date of report	Title of review	Recommendation
February 2018	<a href="#">Housing Adaptations</a>	<p>R4 Given the wide number of routes into services, delivery organisations need to ensure they have robust systems to deal effectively and quickly with applications. However, we found that the processes used by delivery organisations vary widely and often create difficulties for disabled and older people seeking assistance (paragraphs 2.16 to 2.19). <b>We recommend that delivery organisations streamline applications by creating single comprehensive application forms covering all organisations within a local-authority area that are available via partners and online.</b></p> <p>R5 Delivery of adaptations can be delayed by a variety of factors (paragraphs 2.20 to 2.33). To improve timeliness in delivery <b>we recommend that:</b></p> <ul style="list-style-type: none"> <li>• the Welsh Government reviews whether local authorities should continue to use the means test for Disabled Facilities Grants (DFGs);</li> <li>• local authorities provide or use home improvement agency services to support disabled and older people to progress their DFG applications efficiently;</li> <li>• delivery organisations work with planning authorities to fast track and streamline adaptations that require approvals;</li> <li>• delivery organisations use Trusted Assessors to undertake less complex adaptation assessments; and</li> <li>• the Welsh Government streamlines its approval processes for Physical Adaptation Grants (PAGs).</li> </ul>

Date of report	Title of review	Recommendation
February 2018	<a href="#">Housing Adaptations</a>	<p>R6 Most local authorities, housing associations and Care and Repair agencies have established processes to appoint, oversee and manage builder and/or contractor performance. However, we found wide variations in how delivery organisations arrange, contract and deliver building works (paragraphs 2.37 to 2.44). <b>We recommend that delivery organisations:</b></p> <ul style="list-style-type: none"> <li>• <b>introduce formal systems for accrediting contractors to undertake adaptations. These should include:</b> <ul style="list-style-type: none"> <li>– standards of customer care such as keeping to appointments, keeping the site tidy, controlling noise etc;</li> <li>– vetting of financial standing, tax and VAT status;</li> <li>– promoting good health and safety practices;</li> <li>– requiring the use of warranty schemes;</li> <li>– ensuring that adequate insurance is held; and</li> <li>– requiring references.</li> </ul> </li> <li>• <b>use framework agreements and partnered contracts to deliver adaptations;</b></li> <li>• <b>address weaknesses in the contracting of adaptations, updating Schedule of Rates used to tender work and undertaking competitive tendering to support value for money in contracting;</b></li> <li>• <b>develop effective systems to manage and evaluate contractor performance by:</b> <ul style="list-style-type: none"> <li>– setting an appropriate range of information to judge performance and delivery of works covering timeliness of work; quality of work; applicant/tenant feedback; cost of work (including variations); health and safety record; and customer feedback;</li> <li>– regularly reporting and evaluating performance to identify opportunities to improve services; and</li> <li>– providing formal feedback to contractors on their performance covering key issues such as client satisfaction, level and acceptability of variations, right first-time work, post-inspection assessment and completion within budget and on time.</li> </ul> </li> </ul>

Date of report	Title of review	Recommendation
February 2018	<a href="#">Housing Adaptations</a>	<p>R7 Maximising impact and value for money in provision of adaptations requires effective joint working between housing organisations and health and social care services to ensure the needs of often very vulnerable people can be met, and their quality of life improved. However, our findings highlight that delivery organisations continue to have a limited strategic focus on adaptations, concentrating on organisational specific responses rather than how best collectively to meet the needs of disabled or older people (paragraphs 3.16 to 3.21). <b>We recommend that local authorities work with partner agencies (health bodies, housing associations and Care and Repair) to develop and improve joint working to maximise both take-up and the benefits of adaptations in supporting independence by pooling of resources, co-locating staff and creating integrated delivery teams</b></p> <p>R8 Most public bodies recognise the value of adaptations in reducing the risk of falls, preventing hospital admissions and speeding up discharge from hospital. However, the importance of adaptations is not always reflected in local partnership arrangements and outside of Occupational Therapists, health professionals noted that the different local-authority and housing-association systems for administering, approving and delivering adaptations are difficult to navigate (paragraphs 3.22 to 3.24). To enhance take-up and usage of adaptations with health bodies <b>we recommend that delivery organisations jointly agree and publish joint service standards for delivery of adaptations within each local-authority area. The service standards should clearly set out how each agency approaches delivery of adaptations and how they will provide services to ensure people know what they are entitled to receive. Service Standards should:</b></p> <ul style="list-style-type: none"> <li>• be written in plain accessible language;</li> <li>• be precise about what people can and cannot expect to receive;</li> <li>• be produced collaboratively to cover all adaptations services within an area;</li> <li>• set out the eligibility for the different funding streams, application and assessment processes, timescales and review processes; and</li> <li>• offer the viable options and alternatives for adaptations including linking with adapted housing registers to maximise use of already adapted homes.</li> </ul>



Date of report	Title of review	Recommendation
February 2018	<a href="#">Housing Adaptations</a>	<p>R9 Having the right performance indicators and regularly reporting performance against these are important for public bodies to manage operational performance, identify areas of improvement and evaluating the positive impact of services. We found that the current range of performance indicator data is extremely limited and not sufficient to enable a full evaluation of performance (paragraphs 4.5 to 4.20). To effectively manage performance and be able to judge the impact of adaptations, <b>we recommend that the Welsh Government and delivery organisations:</b></p> <ul style="list-style-type: none"> <li>• set appropriate measures to judge both the effectiveness and efficiency of the different systems for delivering adaptations and the impact on wellbeing and independence of those who receive adaptations;</li> <li>• ensure delivery organisations report against their responsibilities in respect of the Equalities Act 2010;</li> <li>• ensure performance information captures the work of all delivery organisations – local authorities, housing associations and Care and Repair agencies; and</li> <li>• annually publish performance for all delivery organisations to enable a whole systems view of delivery and impact to support improvement to be taken.</li> </ul>

Date of report	Title of review	Recommendation
April 2018	<a href="#"><u>Speak my language: Overcoming language and communication barriers in public services</u></a>	<p>Ensuring that people who face language and communication barriers can access public services</p> <p>R1 Public bodies are required to ensure that people can access the services they need. To take account of the requirements of the 2010 Equality Act and other legislation, we recommend that public bodies regularly review the accessibility of their services to people who do not speak English or Welsh as a main language including Deaf people who use sign language. This assessment can include using our checklist.</p> <p>Developing interpretation and translation services in Wales</p> <p>R2 Our work with public bodies, interpretation and translation service providers and service users has identified some challenges for interpretation and translation services. <b>We recommend that the Welsh Government work with public bodies, representative groups and other interested parties to make sure that:</b></p> <ul style="list-style-type: none"> <li>• the supply of interpreters is sufficient especially for languages in high demand such as BSL and Arabic;</li> <li>• interpreters with specialist training are available to work in mental health services and with people who have experienced trauma or violence; and</li> <li>• quality assurance and safeguarding procedures are in place.</li> </ul>
May 2018	<a href="#"><u>Reflecting on Year One: How Have Public Bodies Responded to the Well-being of Future Generations</u></a>	<p>The report did not include any recommendations or proposals for improvement.</p>

Date of report	Title of review	Recommendation
May 2018	<a href="#"><u>Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities</u></a>	<p>R1 People with a learning disability have a right to live independently. The last 50 years have seen significant changes in the provision of accommodation and support. Service provision has moved to a model that enables people to live in the community in ordinary houses throughout Wales (paragraphs 1.3 to 1.10). <b>We recommend that local authorities continue to focus on preventing people becoming dependent on more expensive placements in care homes by providing effective support at home and a range of step up accommodation by:</b></p> <ul style="list-style-type: none"> <li>• improving the evaluation of prevention activity so local authorities understand what works well and why.</li> <li>• utilising the mapping of prevention services under the Social Services and Well-being (Wales) Act 2014 that covers other agencies and service providers.</li> <li>• improving the signposting of additional help so carers and support networks can be more resilient and self-reliant. This should include encouraging carers to make long-term plans for care to maintain and protect their dependants' wellbeing.</li> <li>• sharing risk analysis and long-term planning data with other local authorities, service providers, and partners to agree a shared understanding of the range of options.</li> </ul> <p>R2 Population projections show that the number of people with a learning disability will increase in the future, and those aged over 65 and those with a moderate or severe learning disability will rise significantly (paragraphs 1.3 to 1.10). <b>We recommend that local authorities improve their approach to planning services for people with learning disabilities by building on the Regional Partnership Boards' population assessments for people with learning disabilities and agreeing future priorities.</b></p>

Date of report	Title of review	Recommendation
May 2018	<a href="#"><u>Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities</u></a>	<p>R3 The Welsh Government produced guidance to local authorities, entitled 'developing a commissioning strategy for people with a learning disability' to support authorities in producing strategic plans for the commissioning of learning disability services. In conjunction with codes of practice developed following the Social Services and Well-being (Wales) Act 2014, the Welsh Government requires local authorities to develop integrated commissioning options with Local Health Board services. The aim is to provide a joined-up and cost-effective approach to the commissioning of services but our review highlighted weaknesses in current arrangements (paragraph 2.4 to 2.12). <b>We recommend that local authorities do more to integrate commissioning arrangements with partners and providers and take account of the work of the National Commissioning Board by:</b></p> <ul style="list-style-type: none"> <li>• understanding the barriers that exist in stopping or hindering further integration;</li> <li>• improving the quality of joint strategic plans for learning disability services (see also paragraphs 3.11 to 3.14);</li> <li>• establishing investment models and sustainable financial structures, joint workforce planning and multi-year budgeting; and</li> <li>• developing appropriate governance and data sharing frameworks with key local partners that include a clear process for managing risk and failure.</li> </ul> <p>R4 Local authorities' engagement with people with learning disabilities and their carers is variable. Whilst many authority services have positive relationships with advocacy groups, some are less successful in involving these groups and carers in evaluating the quality of services (paragraph 2.18 to 2.20). <b>We recommend that local authorities do more to involve people with learning disabilities and their carers in care planning and agreeing pathways to further independence by:</b></p> <ul style="list-style-type: none"> <li>• consistently including people with learning disabilities and their carers in the writing, monitoring and development of care plans;</li> <li>• systematically involving carers and advocacy groups in evaluating the quality of services;</li> <li>• involving people with learning disabilities in procurement processes; and</li> <li>• ensuring communications are written in accessible and appropriate language to improve the understanding and impact of guidance and information.</li> </ul>

Date of report	Title of review	Recommendation
May 2018	<a href="#"><u>Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities</u></a>	<p>R5 Local Authorities could do more to involve service providers in commissioning and make the tendering process more effective by making it easier to navigate and more outcome focused. However, providers are not as effectively engaged as they should be (paragraphs 2.28 to 2.38). We recommend that local authorities collaborate with providers, the third sector and suppliers in understanding challenges, sharing data, and pooling expertise by:</p> <ul style="list-style-type: none"> <li>• improving the quality, range, and accessibility of tendering information; and</li> <li>• working with providers to shape local markets by coming to a common understanding of the opportunities, risks, and future priorities in providing learning disabilities services.</li> </ul> <p>R6 Most local authorities do not have effective arrangements to monitor and evaluate their commissioning of learning disability services (paragraphs 3.3 to 3.15). We recommend that local authorities develop a more appropriate set of performance indicators and measures of success that make it easier to monitor and demonstrate the impact of service activity by:</p> <ul style="list-style-type: none"> <li>• co-designing measures, service and contract performance indicators with service providers, people with learning disabilities and their carers;</li> <li>• ensure commissioners have sufficient cost and qualitative information on the full range of placement and care options available;</li> <li>• equipping commissioners with data to demonstrate the long-term financial benefits of commissioning choices, this includes having the right systems and technology;</li> <li>• integrating the outcomes and learning from reviews of care plans into performance measures;</li> <li>• evaluating and then learning from different types of interventions and placements; and</li> <li>• including learning disability services in local authority scrutiny reviews to challenge performance and identify improvements.</li> </ul>

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## AUDIT COMMITTEE WORKPLAN 2018/19

### 13TH SEPTEMBER 2018

<b><i>Deadline for finalised reports to Cheryl – 3rd Sept</i></b>	
<b><i>Finalised reports to Committee Section - 4th Sept</i></b>	
Audited Statement of Accounts	Mark Howcroft
ISA 260 response to accounts	WAO/Mark Howcroft
Internal Audit Progress report 2018/19 quarter 1	Andrew Wathan
Review of Reserves Period 1	Mark Howcroft
Annual Improvement report 2017-18	WAO
Aligning the Levers of Change	WAO
Overview & Scrutiny: Fit for the Future	WAO

### 8TH NOVEMBER 2018

<b><i>Deadline for finalised reports to Cheryl -</i></b>	
<b><i>Finalised reports to Committee Section-</i></b>	
CPR Exemptions 6 monthly update	Andrew Wathan
Half Yearly Treasury Compliance Monitoring	Jon Davies/Lesley Russell
Internal Audit Progress report 2018-19 - quarter 2	Andrew Wathan
Overview of Performance Management arrangements	Richard Jones
WAO Proposals for Improvement Progress report	Richard Jones

### 20TH DECEMBER 2018

<b><i>Deadline for finalised reports to Cheryl</i></b>	
<b><i>Finalised reports to Committee Section</i></b>	

### 31ST JANUARY 2018

<b><i>Deadline for finalised reports to Cheryl –</i></b>	
<b><i>Finalised reports to Committee Section</i></b>	
Annual Whole Authority complaints	Annette Evans
Audited Trust funds accounts (Welsh Church Funds & Mon Farms)	Dave Jarrett/Nikki Wellington

ISA 260 or equivalent for Trust Funds	WAO
Treasury Strategy 2019-20	Jon Davies/Lesley Russell
Unsatisfactory Internal Audit Opinions	Andrew Wathan
Strategic Risk Assessment	Richard Jones
Review of Reserves - period 2	Mark Howcroft
<b>14TH MARCH 2019</b>	
<b><i>Deadline for finalised reports to Cheryl –</i></b>	
<b><i>Finalised reports to Committee Section –</i></b>	
Joint Progress report - Statement of Accounts Refinements	Mark Howcroft & WAO
Internal Audit Progress report 2018/19 quarter 3	Andrew Wathan
Internal Audit Draft Plan 2019/20	Andrew Wathan
<b>2ND MAY 2019</b>	
<b><i>Deadline for finalised reports to Cheryl –</i></b>	
<b><i>Finalised reports to Committee Section -</i></b>	
Draft Annual Governance Statement 2018/19	Andrew Wathan
Implementation of Audit Recommendations	Andrew Wathan
CPR Exemptions 6 monthly	Andrew Wathan
<b>Jun-19</b>	
<b><i>Deadline for finalised reports to Cheryl –</i></b>	
<b><i>Finalised reports to Committee Section</i></b>	
Review of Reserves outturn	Mark Howcroft