

# **MONMOUTHSHIRE COUNTY COUNCIL**

## **ANNUAL ACCOUNTS**

**2016/17**



monmouthshire  
sir fynwy

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## 1 EXPLANATORY FOREWORD

### 1.1 Introduction

Monmouthshire County Council is a Welsh Unitary Authority and was created on 1st April 1996 by virtue of the Local Government (Wales) Act 1994.

Monmouthshire County Council was formed from a transfer of the services, assets and liabilities of the functions of the former Monmouth Borough Council and parts of the former Blaenau Gwent Borough and Gwent County Councils.

The purpose of this explanatory foreword is to offer a guide to the most significant matters appearing in the accounts and to explain the Authority's overall financial position. I hope it assists the reader in understanding the financial statements that follow.

### 1.2 The Accounting Statements

The Authority's accounts for the year 2016/17 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 2017. The notes are sectioned to aid the user of the accounts to navigate the extensive supporting notes.

## **1.3 Code of Practice on Local Authority Accounting**

The accounts have been prepared in accordance with the latest Code of practice applying to local authorities in England and Wales.

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). This is a change in practice from the 2015/16 financial year and as a consequence the comparative year figures are now shown without consolidation of group accounts in both the primary statements and notes to the accounts and therefore will not be comparable to the audited 2015/16 Statement of Accounts.

## **1.4 2016/17 Net Revenue Expenditure**

The details of the Authority's revenue expenditure for the year are set out in the Comprehensive Income and Expenditure Statement and further transfers to and from the Council Fund have taken place within the Movement in Reserves Statement. These statements appear in sections 5 and 6 of the accounts.

The Authority manages against its budget requirement for the year based on its internal management and directorate structure. Schools are reported separately during the financial year and are consolidated as part of the production of the year end accounts.

The Authority is reporting a £2,424,000 deficit for the year, the principal reasons for this being:

- £11,863,000 of depreciation charges on property, plant and equipment assets
- £7,023,000 of pension costs and the change in the value of pension assets & liabilities recognised in the Comprehensive Income & Expenditure Account; offset by:
- £13,431,000 of capital grants applied during the year that are recognised in full in the Comprehensive Income & Expenditure Account
- £3,278,000 of minimum revenue provision made during the year credited to the Comprehensive Income & Expenditure Account

These charges and credits are reversed or replaced in the Movement in Reserves Statement with other statutory charges, together with other adjustments required to move from an accounting basis to a funding basis under regulations. When combined with transfers to and from earmarked reserves the Authority has incurred a deficit on its Council Fund Balance of £887,000. This comprises a balanced position relating to non-school budgets and a £887,000 deficit relating to school budgets.

When compared against the revised budgets set by the Authority and schools respectively, this illustrates how the Authority has performed against budget for the year of account.

The analysis below of outturn against revised budget is based on the internal management reporting of the Authority and not on the classification prescribed by the Code of Practice. Readers will be able to reconcile this position to that reported in the Movement in Reserves Statement by reference to note 11.1 to the accounts and the Authority's revenue outturn report.

The Council fund balance, excluding school balances, has not been impacted during the year due to the balanced revenue outturn position. Earmarked revenue reserves have decreased from £9,269,000 to £7,804,000 during the financial year.

In total, available revenue reserves to the Authority (excluding school balances) have decreased by £1,465,000 from £16,380,000 to £14,915,000.

	Revised Budget £000	Actual £000	Variance £000
<b>Net Expenditure:</b>			
Net cost of services (internal management reporting)	143,142	144,059	917
Attributable costs – Fixed Asset Disposal	75	75	0
Interest and Investment Income	(55)	(88)	(33)
Interest Payable and Similar Charges	3,499	2,923	(576)
Changes to Investment Losses	-	0	0
Charges Required Under Regulation	3,489	3,373	(116)
Capital Expenditure financed from revenue	110	110	-
Earmarked Contributions to Reserves	104	1,288	1,184
Earmarked Contributions from Reserves	(1,665)	(1,967)	(302)
<b>Financed by:</b>			
General government grants	(63,567)	(63,567)	-
Non-domestic rates	(27,981)	(27,981)	-
Council tax	(63,411)	(64,076)	(665)
Council Tax Benefit Support (included in n.c.s)	6,258	5,852	(406)
Contribution to/(from) Council Fund	2	-	(2)
<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>979</b>	<b>887</b>	<b>(92)</b>
<b>Council Fund (surplus)/deficit - Total</b>	<b>979</b>	<b>887</b>	<b>(92)</b>

## 1.5 Reserves

Movements in the Authority's reserves for the year are detailed in the Movement in Reserves Statement and is supported by notes to the Accounts which appear in section 10 of the accounts.

## 1.6 2016/17 Capital Expenditure

Detailed information on capital expenditure incurred in the year appears in note 12.2 to the accounts. Total capital expenditure in 2016/17 was £41,684,000 (£18,845,000 in 2015/16). The main items within this figure are shown below along with an analysis of the capital financing arrangements:

**Monmouthshire County Council: Statement of Accounts 2016-17**

2015/16 £000		2016/17 £000
	<b>Financing</b>	
(7,765)	Capital receipts	(2,949)
(2,952)	Borrowing and Finance Lease Commitments	(23,791)
(7,207)	Grants and Contributions	(14,051)
(920)	Revenue and Reserve Contributions	(894)
<b>(18,845)</b>	<b>Total Financing</b>	<b>(41,684)</b>
	<b>Expenditure</b>	
15,004	Property, plant and equipment	39,507
335	Investment properties	608
196	Intangible assets	74
9	Assets held for sale	0
153	Heritage assets	94
3,149	Revenue Expenditure Funded from Capital under Statute	1,401
<b>18,845</b>	<b>Total Expenditure</b>	<b>41,684</b>

The major capital schemes supported by the Authority during the year comprise:

2015/16 £000		2016/17 £000
10,022	Schools modernisation programme	26,494
3,135	Infrastructure	4,470
2,769	Asset management schemes	2,467
0	Solar Farm - Oak Grove	4,299
1,235	Inclusion schemes	882
181	ICT schemes	491
517	Regeneration schemes	720
986	Vehicles	1,861
<b>18,845</b>	<b>Total</b>	<b>41,684</b>

## 1.7 Loan Debt

The loan debt at 31st March 2017 is outlined below along with the cost of servicing the debt, which the Authority is required to make prudent provision for through its revenue account.

31st March 2016 £000		31st March 2017 £000
95,560	Loan debt outstanding	89,949
(5,486)	Minimum Revenue Provision	(3,278)
(3,267)	Repayment of Interest	(2,852)

## 1.8 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 £217,236,000 (£188,225,000 in 2015/16). 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.

## 1.9 Conclusions

The accounts have been produced to comply with legislative and best practice. Supporting outturn statements on both revenue and capital accounts are separately available and show comparisons of service and project expenditure against budget in a clearer manner, with explanations of variances. These reports, together with the Statement of Accounts are available on the Authority's website.

The under spend for 2016/17, prior to transfers to/from earmarked reserves has largely resulted from under spends on treasury activity and improved recovery on council tax, offset by a net over spend on Directorate services. Following transfers to/from earmarked reserves, this has resulted in a balanced position on the general fund account.

However, the 2017/18 budget is extremely challenging, with continuing pressures in Adult and Children's social services. The Medium Term Financial Plan (MTFP) requires significant changes in service provision in order to meet the challenging financial targets and work has started to look at what the Council needs to do to respond to future challenges whilst still balancing next year's budget.

Indications are that the next 4 year window of the MTFP is going to be as challenging as the last and therefore further scope for savings will need to be assessed. Members and officers will need to ensure that the budget is carefully managed and earmarked reserves carefully directed to maximise their impact in 2017/18 in order to ensure the current stable corporate financial position is maintained.

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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 2017 and its income and expenditure for the year ended 31st March 2017.

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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 21st September 2017 on behalf of Monmouthshire County Council.

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

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**Date**



### 3 ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2017

#### 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.

It is also recognised that there is further work to do. Progress against the 2015/16 action plan is shown at Appendix 1. The main areas for improvement in 2016/17 identified by the Council are:

- improve performance management arrangements and improve strategic planning;
- continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;
- Improve oversight and ongoing implementation of the staff appraisal process 'Check In Check Out'
- Improve the clarity of reports that members receive to ensure they have access to appropriate and timely information
- Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources.

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 2015/16 action plan is shown at Appendix 1. The main areas for improvement in 2016/17 identified by the Council are shown at paragraph 81 and an action plan to address known gaps is shown at Appendix 2.

#### Scope of Responsibility

- 3 Monmouthshire County Council (the Council) 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.

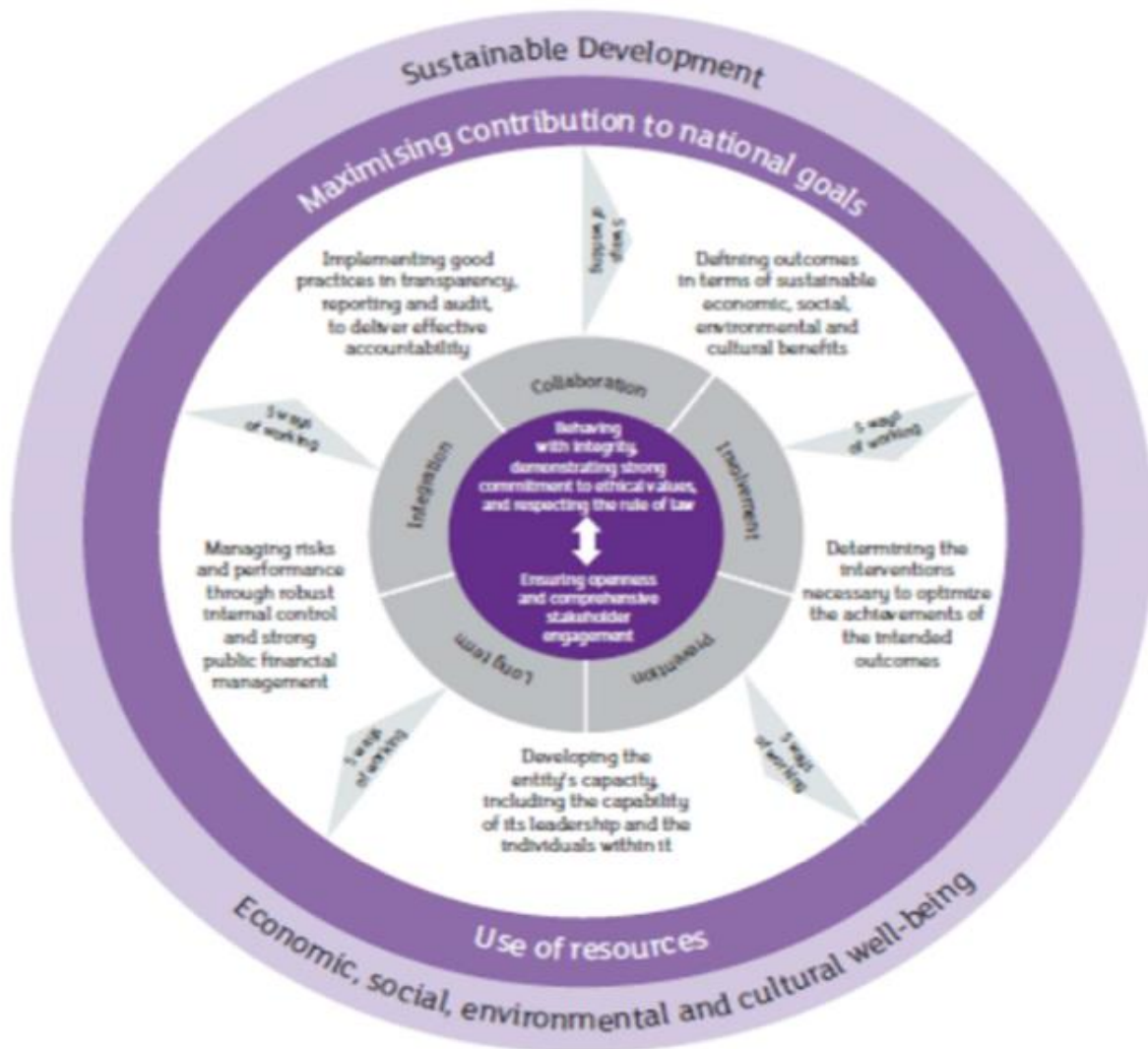
### The Purpose of the Governance Framework

- 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 2017 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 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

- 15 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.

- 16 The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

- 17 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. A new constitution was approved by Council in September 2014;
- 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 2015;
- 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.

- 18 The following paragraphs review the effectiveness of the governance arrangements in Monmouthshire under the 7 principles. A senior officer working group was set up to undertake the initial review; the outcome of that process fed into this statement which then went to the Senior leadership team (SLT) for review before being taken to Audit Committee for a further review.

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

- 19 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.

- 20 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.
- 21 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.
- 22 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures
- 23 There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.
- 24 There were 8 complaints against councillors that were referred to the Public Services Ombudsman for Wales in 2016/17. No further action was required on 7 of them; the Council is awaiting the determination on 1 referral. None were referred to the Standards Committee in 2016/17.
- 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 September 2014 and provides parameters for effective executive and scrutiny relationships.
- 27 The Constitution is updated periodically by the Monitoring Officer; it was reviewed and updated between January 2014 and June 2014, and was approved by Council in September 2014; 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 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.
  - 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 27 Internal Audit opinions were issued in 2016/17; 3 were deemed to be unsatisfactory.
- 34 The overall opinion on the adequacy of the internal control environment for 2016/17 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 2016/17 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 2016/17, as reported to Audit Committee:

	2014-15	2015-16	2016-17
Substantial (Very Good)	1	0	3
Considerable (Good)	9	9	10
Reasonable	12	14	7
Limited (Unsatisfactory)	6	3	7
(Unsound)	0	0	N/A
<b>Total</b>	<b>28</b>	<b>26</b>	<b>27</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; 75% of the 2016/17 plan was achieved, which was a slight improvement on the previous year (74%). 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 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.
- 38 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**

- 39 The agendas are published in advance of all meetings on the Council's website.
- 40 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.
- 41 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.
- 42 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.

- 43 There were several public engagement events undertaken in 2015/16 and 2016/17 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.
- 44 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. Between August and December 2016 staff from a range of PSB partners in Monmouthshire attended over 80 events speaking to more than a thousand people to get their views about what is good about Monmouthshire and what would make it better. Visual displays including maps and future trends postcards were used to help people to think about how they would like Monmouthshire to be in the long term and to frame the questions within a broad context. A conclusions section draws out some of the main messages that the Public Service Board will need to consider.
- 45 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.
- 46 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.
- 47 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.
- 48 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](#)

- 49 The Council has received a number of Freedom of Information Act requests during the year, with no complaints made to the Information Commission Officer. 97% of requests were responded to within the required 20 days:

	2014-15	2015-16	2016-17
No' of FOI requests closed	1023	1057	1055
No' responded to within 20 days	1002	1034	1022
Percentage of FOIs responded to within 20 days	95%	98%	97% [Target of 90%]

- 50 The Medium Term Financial Plan (MTFP) supports the vision for Monmouthshire and extensive public engagement continued in 2016/17 for the 2017/18 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.
- 51 The Improvement Plan, Building Sustainable and Resilient Communities, 2016-17 involved a public consultation which took place between 1st April – 22nd April 2016.
- 52 During 2016/17 the Public Service Board (PSB) terms of reference and action plans were published online on the Our Monmouthshire page of the website to ensure transparency.
- 53 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.
- 54 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**

- 55 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.
- 56 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. The LSB became the Public Service Board (PSB) in April 2016. The PSB is using the evidence in the well-being assessment to develop its well-being plan by March 2018. This plan will replace the Single Integrated Plan. 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.
- 57 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 1 Improvement Plan was presented to Council in May 2016 and was reviewed at six month intervals in November and December 2016 through the Council's four Select committees. A stage 2 Improvement Plan which reviewed Council performance in the previous financial (2015/16) and included an evaluation of how well we delivered against the objectives set by Council in the 2015/16 was approved by Council in September 2016.
- 58 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
- 59 In March 2017 Council endorsed the Council's well-being Objectives and Statement 2017. 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
- 60 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 2016/17 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.
- 61 In June 2016 Wales Audit Office completed a review of the Council's progress in improving its performance management arrangements, including effectively addressing issues raised in the 2015 Corporate Assessment around performance management. The report concluded that "The Council has continued to improve its performance management arrangements and recognises that it has more to do to ensure consistent application of corporate arrangements and to address the requirements of the Well-being of Future Generations (Wales) Act 2015".
- 62 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. Examples of effective scrutiny are: Joint Scrutiny of the Alternative Service Delivery Model (Outline Business Case and ongoing scrutiny of Governance Models); the pre-decision scrutiny of the decision to invest in a Solar Farm ~ specific recommendations to Cabinet; the scrutiny of Broadband Provision in the county which involved holding British Telecom and Welsh Government to account for performance in delivering the Superfast Cymru Programme; scrutiny of the Aneurin Bevan University Health Board's activity in Monmouthshire; scrutiny of a provider of street lighting in the county (demonstrates the internal and external dimensions of scrutiny).
- 63 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 has 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.
- 64 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 2016/17 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.
- 65 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.
- 66 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.
- 67 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 2017 by Council for 2017/18. 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.

- 68 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.
- 69 Based on 2015/16 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 2016/17 will be available in September 2017.
- 70 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/>)
- 71 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.
- 72 The Wales Audit Office (WAO) issued the Council with Certificate of Compliance following an audit of the Council's Improvement Plan 2016 - 2017 which went to Audit Committee in June 2016, confirming the Council had discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and had acted in accordance with Welsh Government guidance sufficiently to discharge its duties.
- 73 The WAO reported on their follow on review from the Governance Corporate Assessment made in 2015, through Audit Committee in June 2016. They 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.
- 74 Also reported to Audit Committee in June 2016 was the Council's response and progress report on the WAO's Corporate Assessment 2015. There were 9 proposals for improvement. The report gave assurances that action had either been taken or was committed to making the necessary improvements.

**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 107 complaints received in 2016/17, 103 were resolved informally [96%]; 2 complaints were referred to the Ombudsman who decided not to investigate. 91% of Stage 1 complaints received were dealt with within 25 working days of receipt.

**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. 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.
- 82 Scrutiny Member Development programme is in place which provides ongoing specific skills based training for Members and includes scrutiny induction.
- 83 In December 2016 Wales Audit Office published a review of the Council's progress in addressing the proposal for improvement relating to human resource management from the 2015 Corporate Assessment. The report concluded The Council has made good progress in planning, managing and engaging its workforce although further work remains to ensure that managers have better baseline workforce data and HR ICT provision and that all staff have their annual appraisal. Work has continued to roll out, increase understanding and maximise completion of the check-in, check-out staff appraisal process.
- 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. Preparations are being made for the introduction of the General Data Protection Regulation in 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 is on-going to clarify 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. 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 will identify shifts and changes needed in

Monmouthshire and position 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**

- 90 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.
- 91 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".
- 92 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.
- 93 The most recent update on the action the Council is taking in response to the proposal were reported to audit Committee in December 2016. 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. 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.
- 94 The anti-fraud and corruption strategy (approved by Cabinet March 2012) provides a deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention; an update was presented to the Audit Committee in March 2017 which was taken to Cabinet in June 2017 for approval. The Council's Council Tax Reduction Anti-Fraud Policy was approved by Cabinet in June 2015.
- 95 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.
- 96 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.
- 97 The Chief Internal Auditor will ensure Internal Audit complies with the Public Sector Internal Audit Standards.
- 98 The Council has an objective and professional relationship with its external auditors and statutory inspectors.
- 99 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**

- 100 The Council's Strategic Risk Management Policy was updated and approved by Cabinet in March 2015. 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.

101 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.

102 The Council's Strategic Risk Assessment for 2016-2017 contains 13 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 is unable to deliver its political priorities in the future because it does not yet have clarity on its future business model or longer term financial plan.	2016/17	Low	Low
		2017/18	Medium	Low
		2018/19	Medium	Low
2	Some services may become financially unsustainable in the short to medium term as a result of reducing budgets and increasing demand	2016/17	Low	Low
		2017/18	Medium	Low
		2018/19	Medium	Low
3a	Potential that the Authority is unable to deliver its new schools capital programme due to capital receipts not generating the required income	2016/17	Medium	Medium
		2017/18	Medium	Medium
3b	Pressure on capital budget from 21 <sup>st</sup> Century schools programme will impact on other areas requiring capital investment.	2018/19	High	Medium
4	Potential that the Council does not make sufficient progress in areas of weakness identified by regulators leading to underperformance	2016/17	low	Low
		2017/18	Medium	Low
		2018/19	Medium	Low

5a	Potential for significant harm to vulnerable children or adults due to factors outside our control.	2016/17	Medium	Medium
		2017/18	Medium	Medium
		2018/19	Medium	Medium
5b	Potential for significant harm to vulnerable children or adults due to failure of services and/or partners to act accountably for safeguarding	2016/17	Medium	Medium
		2017/18	Medium	Medium
		2018/19	Medium	Medium
6	Failure to meet the needs of individual learners may result in them not achieving their full potential.	2016/17	Medium	Low
		2017/18	Medium	Low
		2018/19	Medium	Low
7a	Schools do not have the necessary ICT infrastructure meaning they are unable to maximise their offer to learner's needs.	2016/17	Medium	Medium
		2017/18	Medium	Medium
		2018/19	Medium	Low
7b	Insufficient ICT infrastructure and skills in the county have the potential to lead to social and economic disadvantages	2016/17	Medium	Medium
		2017/18	Medium	Medium
		2018/19	Medium	Medium
8	Reductions in our workforce due to budgetary pressures will impact on our capacity to deliver transformational change and improve performance.	2016/17	Medium	Medium
		2017/18	Medium	Medium
		2018/19	Medium	Low
9a	Not having appropriate governance mechanisms does not make it easy for communities to work with us when we are co- delivering and co-developing services which will impact on our shared ability to deliver sustainable and resilient communities.	2016/17	Medium	Medium
		2017/18	Medium	Medium
		2018/19	Medium	Low
9b	Not having appropriate governance mechanisms when establishing new collaborative or alternative delivery models that are often complex could impact on our shared ability to deliver objectives.	2016/17	Medium	Medium
		2017/18	Medium	Medium
		2018/19	Medium	Low
10	The current configuration of the recycling service becomes unviable because of legislation requirements and financial constraints.	2016/17	Low	Low
		2017/18	Low	Low
		2018/19	Medium	Low
11 new	Political, legislative and financial uncertainty for council services and local businesses as a result of Britain leaving the European Union.	2016/17	High	High
		2017/18	High	High
		2018/19	High	High
12 new	Information security breaches due to mismanagement of information or external parties gaining access to the network. This 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.	2016/17	Medium	Medium
		2017/18	Medium	Low
		2018/19	Medium	Low
13 new	Some businesses in the County are unable to continue trading as a result of increases in business rates due to draft business rate revaluations.	2016/17	Low	Low
		2017/18	Medium	Medium
		2018/19	Medium	Medium

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

- 103** The South East Wales Education Achievement Service (EAS) Business Plan 2016-2019 was presented to Cabinet in April 2016. The plan sets out the priorities, programmes and outcomes to be achieved by the EAS on behalf of the South East Wales Consortium.
- 104** 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.
- 105** 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
- 106** 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.
- 107** 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.
- 108** 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.
- 109** The Whole Authority Report complaints, comments and compliments 2015/16 was presented to Audit Committee in November 2016 which identified the number and types of feedback received and dealt with from 1 April 2015 until 31 March 2016. 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.

**Main areas for Improvement**

- 110** 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:
- improve performance management arrangements and improve strategic planning;
  - continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;
  - Improve oversight and ongoing implementation of the staff appraisal process 'Check In Check Out'
  - Improve the clarity of reports that members receive to ensure they have access to appropriate and timely information
  - Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources.

**Action Plan 2015/16**

- 111** Appendix 1 shows how the 2015/16 Action plan areas for improvement have been addressed during 2016/17.
- 112** An Action Plan for 2016/17 has been developed to capture known gaps in the Council's governance arrangements; the areas for improvement will be reviewed and considered during 2017/18 to further enhance the Council's governance arrangements. This is shown at Appendix 2.

**Monitoring & Evaluation**

**113** 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: .....2017  
Leader

Signed: .....2017  
Chief Executive



Appendix 1

Main areas of improvement for 2015/16 addressed

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

Governance Principle		Progress
<p><b>Principle 1:</b></p> <p><b>Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area</b></p>	<p>Undertake actions identified in the Council's action plan to address the Wales Audit Office proposals for improvement from the Corporate Assessment report to "Improve performance management arrangements..." and "Improve strategic planning."</p> <p>Undertake actions identified in the Council's action plan to address the Wales Audit Office next steps identified from the Wellbeing of Future Generations Act preparedness work undertaken.</p> <p>To review the appropriateness of the governance arrangements of the Public Services Board.</p>	<p>Two substantial assessments of need and wellbeing within the county the well-being assessment and population needs assessment have been completed as a consequence of the Wellbeing of Future Generations Act and the Social Services and Well-being Act. This provides a much deeper evidence base of wellbeing in the County and has been used to inform the publication of the Council's well-being objectives and statement 2017 that were approved by Council in March 2017 and form an integral part of the Council's improvement framework. The council has also adopted a new sustainable development policy and incorporated this into its policy framework, which will ensure greater alignment of future programmes to the Well-being of Future Generations Act</p> <p>Future Generations Evaluation assessments are now prepared for reports to Cabinet.</p> <p>In the medium term the development of the PSB's wellbeing plan by March 2018 will require the PSB to allocate and prioritise resources to meet their wellbeing objectives and establish clear delivery plans to achieve this.</p>
<p><b>Principle 2:</b></p> <p><b>Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens</b></p>	<p>Undertake actions identified in the Council's action plan to address the Wales Audit Office proposals for improvement from the Corporate Assessment report to "Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources"</p> <p>Review the governance arrangements in place around</p>	<p>In May 2016 Cabinet agreed to commission a strategic programme of whole-authority work called 'Future Monmouthshire'. Future Monmouthshire will identify shifts and changes needed in Monmouthshire and position the council as the key enabler in bringing them about. It will inform the development of a new business model for the</p>

	<p>all key partnerships the Council is involved with.</p>	<p>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.</p> <p>A community governance review is currently being completed, the aim of the Community Governance review was to improve community engagement, this is important because we know that more cohesive communities are important to the Council being able to deliver its priorities. The outcomes of the review will provide clarity as to when, where and how local people can engage in discussions and influence decisions. It will provide explicit clarification as to the responsibility for decision making in certain arenas and the accountability that flows from those decisions.</p> <p>Council agreed in March 2017 that the ongoing review of community governance and whole place is finalised as early as possible to allow the new Council to reach agreement as to the shape and structure of community engagement; and that the community governance structure designed as a part of member working group is piloted in the Bryn Y Cwm area.</p>
<p><b>Principle 3:</b></p> <p><b>Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;</b></p>	<p>The Internal Audit team will work with the Procurement Team to continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules</p>	<p>Internal Audit have provided training to schools and school governors but further work needs to be undertaken with the procurement team to raise awareness across the whole Council.</p>

<p><b>Principle 4:</b></p> <p><b>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation</b></p>	<p>Undertake actions identified in the Council's action plan to address the Wales Audit Office proposals for improvement from the Corporate Assessment report to "Strengthen the governance and challenge arrangements.."</p>	<p>The Modern Gov system has been used since September 2015, further functionality of the system has continued to be implemented including the documentation of agendas, reports, minutes and decision logs on the Council's website making these more easily accessible for the public and providing a clear and consistent record of decision- making.</p> <p>The implementation of further functionality of modern Gov system will aims to further assist governance and challenge arrangements. The further development of the system will be presented to SLT for approval. before beginning implementation</p> <p>Training on key areas of the council's decision-making including scrutiny and performance management is made available to all new members.</p>
<p><b>Principle 5:</b></p> <p><b>Developing the capacity and capability of members and officers to be effective</b></p>	<p>Undertake actions identified in the Council's action plan to address the Wales Audit Office proposals for improvement from the Corporate Assessment report to "Ensure that the planned revisions and changes made to 'Check In Check Out' deliver a clear process of assessing and improving the performance of all staff and that department, team and individual objective setting is in line with the Council's corporate objectives."</p>	<p>Based on feedback received, the Check in Check out process has been reviewed and rolled out with more robust guidance, video tutorials and supportive training. Work will continue to roll out, increase understanding and maximise completion of the check-in, check-out process.</p> <p>It was recognised that CICO completion rates are likely to be higher than previously reported as the system was not capturing all data in the most effective way. Recognising this, work has been completed to develop a longer term more effective recording module that allows managers to record the CICO directly into an employee's record on the Human Resources system. This allows for all employee data to be stored in one place and enable direct access to reports from the system identifying completion rates, training needs (which would automatically be fed through to the training team) and track progress on any actions agreed. Communication and a guidance video have been established and the new</p>

		<p>system will be launched for managers to use.</p> <p>While this longer term work continued, a basic interim reporting system was in place to monitor completion rates and ensure accountability for completion. The latest data from December 2016 shows of completed returns by Managers 70% of staff that require a CICO have completed a CICO in the required timescales. 20% of those not completed were scheduled for completion.</p>
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Appendix 2

Action Plan 2016/17

The following areas will be reviewed and considered during 2017/18 to further enhance the Council's 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	
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 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'	
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	
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.	

## 4 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONMOUTHSHIRE COUNTY COUNCIL

I have audited the accounting statements and related notes of Monmouthshire County Council for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

Monmouthshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes.

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 2016/17 based on International Financial Reporting Standards (IFRSs).

### Respective responsibilities of Head of Finance (Responsible Financial Officer) and the Independent Auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 6, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Monmouthshire County Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the narrative report to identify material inconsistencies with the audited accounting statements and related notes 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.

### Opinion on the accounting statements of Monmouthshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### Opinion on other matters

In my opinion, the information contained in the narrative report for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

**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 accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from 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 Code of Audit Practice issued by the Auditor General for Wales.

**Signature** \_\_\_\_\_

**Date** \_\_\_\_\_

**For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ**

Monmouthshire County Council: Statement of Accounts 2016-17

Movement In Reserves Statement for the Year Ended 31st March 2017							
	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 2015		8,132	10,980	17,629	36,741	2,974	39,715
<b>Movement in reserves during 2015/16</b>							
Total Comprehensive Income and Expenditure		(6,432)	-	-	(6,432)	1,606	(4,827)
Adjustments between accounting basis & funding basis under regulations	10.2	4,855		(12,206)	(7,351)	7,350	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(1,577)	-	(12,206)	(13,783)	8,956	(4,827)
Transfers to/(from) Earmarked Reserves	10.4	1,712	(1,712)		-		-
Increase/(Decrease) in 2015/16		136	(1,712)	(12,206)	(13,783)	8,956	(4,827)
Balance at 31st March 2016 carried forward		8,267	9,269	5,423	22,959	11,930	34,889
<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	13,801	(13,801)	0
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		(887)	(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



Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2017							
2015/16 (Restated)					2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
64,704	(12,926)	51,778	Children & Young People		69,020	(11,122)	57,898
53,336	(8,344)	44,991	Social Care & Health		59,045	(15,310)	43,735
15,185	(5,364)	9,821	Enterprise		14,300	(8,262)	6,038
43,953	(17,465)	26,488	Chief Executives Unit		55,361	(27,680)	27,682
37,932	(29,049)	8,883	Resources		37,439	(25,269)	12,170
1,540	(650)	890	Corporate		2,162	(250)	1,912
<b>216,650</b>	<b>(73,798)</b>	<b>142,852</b>	<b>Cost of Services</b>	11.1	<b>237,328</b>	<b>(87,894)</b>	<b>149,434</b>
			<b>Other operating expenditure:</b>				
			<i>Precepts &amp; Levies:</i>				
9,430		9,430	Gwent Police Authority		9,925		9,925
4,188		4,188	South Wales Fire & Rescue Authority		4,209		4,209
1,870		1,870	Community and Town Councils		2,150		2,150
112		112	National Parks		106		106
100		100	Internal Drainage Boards		98		98
1,476	(1,215)	262	Gains/losses on the disposal of non-current assets		17,420	(20,511)	(3,091)
		<b>15,962</b>	<b>Total Other operating expenditure</b>				<b>13,397</b>
24,873	(15,683)	9,190	Financing and investment income and expenditure	11.3	15,956	(7,309)	8,647
			<b>Taxation &amp; non-specific grant income:</b>				
	(61,004)	(61,004)	Council Tax	11.5		(64,076)	(64,076)
	(26,737)	(26,737)	Non-domestic rates redistribution	11.6		(27,981)	(27,981)
	(73,832)	(73,832)	General government grants	11.7		(76,998)	(76,998)
		<b>6,432</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>2,424</b>
			<b>Other Comprehensive Income and Expenditure:</b>				
		(16,255)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(7,200)
		14,649	(Gains)/losses on remeasurement of pension assets / liabilities	14.3			21,988
		<b>(1,606)</b>	<b>Total Other Comprehensive Income and Expenditure</b>				<b>14,788</b>
		<b>4,825</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>17,213</b>

**Monmouthshire County Council: Statement of Accounts 2016-17**

<b>Balance Sheet as at 31st March 2017</b>			
<b>31st March 2016</b>		<b>Note</b>	<b>31st March 2017</b>
<b>£000s</b>			<b>£000s</b>
171,547	Other land and buildings	12.1	173,547
3,608	Vehicles, plant, furniture and equipment	12.1	4,786
60,648	Infrastructure	12.1	61,417
3,944	Community assets	12.1	4,021
10,079	Assets under construction	12.1	40,724
-	- Surplus assets not held for sale	12.1	360
4,795	Heritage Assets	12.12	4,882
41,099	Investment Property	12.7	41,932
754	Intangible Assets		647
40	Long-Term Investments	13.1	40
312	Long Term Debtors	13.5	4,240
<b>296,825</b>	<b>Long term assets</b>		<b>336,595</b>
3,999	Short Term Investments	13.1	-
413	Inventories		349
19,543	Short Term Debtors	13.5	19,937
7,621	Cash and Cash Equivalents	15.3	6,498
20,683	Assets Held for Sale	12.8	2,933
<b>52,259</b>	<b>Current Assets</b>		<b>29,717</b>
(1,025)	Cash and Cash Equivalents	15.3	(30)
(29,852)	Short Term Borrowing	13.1	(20,267)
(22,244)	Short Term Creditors	13.6	(28,437)
(2,124)	Provisions	13.7	(3,598)
<b>(55,245)</b>	<b>Current Liabilities</b>		<b>(52,332)</b>
(188,225)	Liability related to defined benefit pension scheme	14.4	(217,236)
(132)	Provisions	13.7	(353)
(65,708)	Long Term Borrowing	13.1	(69,682)
(1,236)	Other Long Term Liabilities	13.1	(1,755)
(1,830)	Capital Grants Receipts in Advance	11.7(b)	(5,286)
(1,819)	Revenue Grants Receipts in Advance		(1,992)
<b>(258,950)</b>	<b>Long Term Liabilities</b>		<b>(296,304)</b>
<b>34,889</b>	<b>Net Assets</b>		<b>17,676</b>
8,267	Council Fund Balance	10.3	7,381
9,269	Earmarked Reserves	10.4	7,804
5,423	Capital Receipts Reserve	10.6	19,152
<b>22,959</b>	<b>Usable Reserves</b>		<b>34,337</b>
47,671	Revaluation Reserve	10.7	48,771
(188,225)	Pensions Reserve	10.9	(217,236)
155,410	Capital Adjustment Account	10.8	151,889
-	- Deferred Capital Receipts Reserve	10.11	4,000
(934)	Financial Instrument Adjustment Account		(839)
(1,992)	Accumulating Absence Adjustment Account	10.10	(3,245)
<b>11,930</b>	<b>Unusable Reserves</b>		<b>(16,660)</b>
<b>34,889</b>	<b>Total Reserves</b>		<b>17,676</b>

**Monmouthshire County Council: Statement of Accounts 2016-17**

<b>Cash Flow Statement for the Year Ended 31st March 2017</b>			
<b>31st March 2016 £000</b>		<b>Note</b>	<b>31st March 2017 £000</b>
6,432	Net (surplus) or deficit on the provision of services	15.1	2,424
(13,497)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	15.1	(29,565)
75	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15.1	29,327
<b>(6,990)</b>	<b>Net cash flows from Operating Activities</b>	<b>15.1</b>	<b>2,187</b>
15,137	Purchase of property, plant and equipment, investment property and intangible assets		34,512
16,000	Purchase of short-term and long-term investments		14,000
2,132	Other payments for investing activities		781
(1,809)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(16,677)
(16,073)	Proceeds from short-term and long-term investments		(17,999)
(509)	Other receipts from investing activities		(21,653)
<b>14,876</b>	<b>Net Cash (Inflow)/Outflow from Investing Activities</b>		<b>(7,036)</b>
	<b>Financing Activities</b>		
40,842	Repayments of short- and long-term borrowing		37,938
30	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		30
(35,054)	Cash receipts of short- and long-term borrowing		(32,455)
(161)	Other receipts from financing activities		(536)
<b>5,656</b>	<b>Net Cash (Inflow)/Outflow from Financing Activities</b>		<b>4,977</b>
<b>13,542</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>		<b>128</b>
20,138	Cash and cash equivalents at the beginning of the reporting period		6,596
<b>6,596</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>15.3</b>	<b>6,468</b>

**Notes to the Accounts  
for the Year Ended  
31st March 2017**

**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 2015 £000	Movement in Reserve £000	Balance at 31st March 2016 £000	Movement in Reserve £000	Balance at 31st March 2017 £000
<b>Usable Reserves:</b>						
Council Fund balance: Authority	10.3	6,991	119	7,111	0	7,111
Council Fund balance: LMS School Balances	10.5	1,140	16	1,156	(887)	269
Earmarked reserves	10.4	10,980	(1,712)	9,268	(1,464)	7,804
Capital Receipts Reserve	10.6	17,629	(12,206)	5,423	13,729	19,152
<b>Total Usable Reserves</b>		<b>36,740</b>	<b>(13,782)</b>	<b>22,959</b>	<b>11,378</b>	<b>34,336</b>
<b>Unusable Reserves:</b>						
Revaluation Reserve	10.7	33,753	13,918	47,671	1,100	48,771
Capital Adjustment Account	10.8	140,531	14,879	155,410	(3,521)	151,889
Financial Instruments Adjustment Account		(1,015)	81	(934)	95	(839)
Pension Reserve	10.9	(167,414)	(20,811)	(188,225)	(29,011)	(217,236)
Deferred Capital Receipts Reserve		2	(2)	0	4,000	4,000
Accumulated Absences Adjustment Account	10.10	(2,884)	892	(1,992)	(1,253)	(3,245)
<b>Total Unusable Reserves</b>		<b>2,973</b>	<b>8,957</b>	<b>11,930</b>	<b>(28,590)</b>	<b>(16,660)</b>
<b>Total Authority Reserves</b>		<b>39,713</b>	<b>(4,825)</b>	<b>34,889</b>	<b>(17,212)</b>	<b>17,676</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 2016/17:	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	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)	-	3,278
Capital expenditure charged against the Council Fund	(894)	-	894

**Monmouthshire County Council: Statement of Accounts 2016-17**

<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	-	(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>

<b>Movements in 2015/16:</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><i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>			
Charges for depreciation and impairment of Property, Plant and Equipment assets	5,752	-	(5,752)
Charges for impairment of Heritage Assets	5	-	(5)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	2,516	-	(2,516)
Revaluation movements on Assets Held for Sale (charged to SDPS)	245	-	(245)
Movements in the market value of Investment Properties	1,515	-	(1,515)
Amortisation and impairment of intangible assets	111	-	(111)
Capital grants and contributions applied	(6,190)	-	6,190
Revenue expenditure funded from capital under statute	2,132	-	(2,132)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,793	-	(1,793)
<b><i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>			
Statutory provision for the financing of capital investment (MRP)	(5,486)	0	5,486
Capital expenditure charged against the Council Fund	(920)	-	920
<b>Adjustments involving the Capital Receipts Reserve:</b>			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(1,808)	1,808	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(7,765)	7,765
Set aside of capital receipts	-	(6,250)	6,250
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	2	(2)
<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	(80)	-	80
<b>Adjustments involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	16,633	-	(16,633)

Employer's pensions contributions and direct payments to pensioners payable in the year	(10,471)	-	10,471
<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	(892)	-	892
<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>4,855</b>	<b>(12,206)</b>	<b>7,351</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 £269,000 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 2015 £000	In Year Movement £000	At 31st March 2016 £000	In Year Movement £000	At 31st March 2017 £000
Amount of Council Fund Balance held by Schools under Local Management Schemes	1,140	16	1,156	(887)	269
Amount of Council Fund Balance generally available for new expenditure	6,991	120	7,111	0	7,111
Total Council Fund Balance	8,132	137	8,267	(887)	7,381
Earmarked Revenue Reserves	10,980	(1,711)	9,269	(1,465)	7,804
<b>Total Usable Reserves available for Revenue Purposes</b>	<b>19,112</b>	<b>(1,575)</b>	<b>17,536</b>	<b>(2,352)</b>	<b>15,184</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 2016/17 can be summarised as follows:

	At 1st April 2015 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2016 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2017 £000
Invest to Redesign	1,483	399	(585)	1,298	75	(412)	961
Priority Investment	1,973	63	(916)	1,120	593	(713)	1,000
Insurance and risk management	2,250	30	(1,044)	1,236	-	(153)	1,083
IT Transformation	640	359	(172)	827	147	(246)	728
Treasury equalisation	990	-	-	990	-	-	990
Capital Investment	1,621	16	(372)	1,265	-	(489)	776
Redundancy and Pensions	600	1,000	(325)	1,274	114	(593)	795
Capital Receipt Generation	460	-	(138)	322	100	(75)	348
I Learn Wales	49	-	(49)	0	-	-	0
<b>Other reserves</b>							
Elections	83	25	-	108	25	-	133
Museums acquisition	60	-	(3)	57	-	-	57
Chairman's	37	-	(37)	0	-	-	0
<b>Service Reserves:</b>							
Grass Routes to Schools	161	5	(26)	140	54	(9)	184
Schools sickness & maternity cover	0	104	-	104	-	(10)	94
<b>Trading Accounts:</b>							
Youth Offending Team	382	-	(57)	325	-	(51)	274
Outdoor education centres	190	-	-	190	-	-	190
Building Control	-	12	-	12	14	-	25
Rural Development Plan	-	-	-	0	86	-	86
Highways Plant & Equipment Replacement	-	-	-	0	75	-	75
Homeless Prevention	-	-	-	0	5	-	5
<b>Total</b>	<b>10,980</b>	<b>2,012</b>	<b>(3,723)</b>	<b>9,268</b>	<b>1,287</b>	<b>(2,751)</b>	<b>7,804</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.

**I Learn Wales reserve** - Created for future (i) learning education projects in schools.

**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 £268,787 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 2015	In Year Movement	At 31st March 2016	In Year Movement	At 31st March 2017
	£	£	£	£	£
<b>Comprehensives</b>					
Caldicot	81,368	127,492	208,860	(175,124)	33,736
Chepstow	(388,688)	(25,379)	(414,066)	332,999	(81,068)
King Henry VIII	42,966	64,403	107,368	(246,723)	(139,355)
Monmouth	109,851	(64,079)	45,772	(146,345)	(100,573)
<b>Sub Total Comprehensives</b>	<b>(154,504)</b>	<b>102,437</b>	<b>(52,067)</b>	<b>(235,193)</b>	<b>(287,259)</b>
<b>Primaries</b>					
Archbishop R Williams	37,847	46,641	84,489	(34,832)	49,657
Cantref	54,403	(12,416)	41,987	10,779	52,766
Castle Park	(39,729)	18,282	(21,446)	(24,669)	(46,115)
Chepstow Alliance	28,092	(28,092)	0	0	-
Cross Ash	65,890	(14,621)	51,269	(5,648)	45,620
Deri View	21,762	64,292	86,054	(58,757)	27,297
Dewstow	126,594	(13,997)	112,598	(22,473)	90,125
Durand	53,761	6,759	60,520	(6,589)	53,931
Gilwern	38,913	2,385	41,298	(1,662)	39,636
Goytre Fawr	28,832	25,088	53,920	(28,549)	25,371
Kymin View	44,634	(25,860)	18,774	(8,480)	10,294
Llandogo	(12,346)	900	(11,446)	1,710	(9,736)
Llanfair Kilgeddin CV	11,922	54,902	66,824	(66,824)	0
Llanfoist	74,267	19,523	93,789	(25,734)	68,056
Llantilio Pertholey	47,225	(10,049)	37,176	(16,209)	20,967
Llanvihangel Crucorney	(15,040)	(8,565)	(23,605)	20,488	(3,117)
Magor Vol Aided	36,462	19,546	56,008	(20,828)	35,179

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New Pembroke Primary	33,549	2,652	36,201	(27,375)	8,826
Osbaston Church in Wales	55,997	(18,653)	37,344	(18,774)	18,570
Our Lady's & St Michael's Catholic Primary	40,813	(10,159)	30,654	14,851	45,505
Overmonnow	326	(19,427)	(19,101)	23,060	3,959
Raglan	62,747	(44,378)	18,369	(130,346)	(111,977)
Rogiet	69,879	(10,265)	59,613	(25,429)	34,184
Shirenewton	78,279	3,281	81,560	5,809	87,369
St Mary's (Chepstow)	18,509	6,877	25,385	(38,577)	(13,192)
The Dell	83,210	(32,944)	50,266	(4,172)	46,094
Thornwell	48,997	(46,745)	2,253	(22,787)	(20,534)
Trellech	72,889	13,392	86,281	(519)	85,762
Undy	41,679	(25,038)	16,641	(66,677)	(50,037)
Usk CV	23,815	47,480	71,295	(15,187)	56,108
Ysgol Gymraeg Y Fenni	66,203	(7,462)	58,741	(9,774)	48,966
Ysgol Gymraeg Ffin	18,152	(4,984)	13,168	(80,578)	(67,410)
<b>Sub Total Primaries</b>	<b>1,318,530</b>	<b>(1,655)</b>	<b>1,316,875</b>	<b>(684,754)</b>	<b>632,122</b>
<b>Special</b>					
Mounton House	(25,953)	(128,901)	(154,854)	12,437	(142,417)
Pupil Referral Unit	1,958	44,250	46,208	20,132	66,340
<b>Sub Total Special</b>	<b>(23,994)</b>	<b>(84,651)</b>	<b>(108,646)</b>	<b>32,569</b>	<b>(76,076)</b>
<b>Total</b>	<b>1,140,033</b>	<b>16,130</b>	<b>1,156,163</b>	<b>(887,377)</b>	<b>268,787</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.

2015/16 £000		2016/17 £000
17,629	Balance as at 1st April	5,423
1,808	Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	16,670
2	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	7
(7,765)	Less: use of the Capital Receipts Reserve to finance new capital expenditure	(2,949)
(6,250)	Set aside of capital receipts	0
<b>5,423</b>	<b>Balance as at 31st March</b>	<b>19,152</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.

2015/16 £000		2016/17 £000
33,753	Balance at 1 April	47,671
16,620	Upward revaluation of assets	7,955
(365)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(755)
(1,516)	Difference between fair value depreciation and historical cost depreciation	(2,731)
(782)	Accumulated gains on assets sold or scrapped	(3,368)
(39)	Write off Investment property balance	0
<b>47,671</b>	<b>Balance at 31 March</b>	<b>48,771</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.

2015/16 £000		2016/17 £000
140,531	Balance at 1 April	155,410
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(5,752)	Charges for depreciation and impairment of property, plant and equipment assets	(11,940)
-	Revaluation movements on heritage assets	-
(5)	Charges for impairment of heritage assets	(8)
(2,516)	Revaluation movements on Property, Plant and Equipment	(28)
(245)	Revaluation movements on Assets Held for Sale	-
(111)	Amortisation & impairment of intangible assets	(181)
(2,132)	Revenue expenditure funded from capital under statute	(781)
(1,011)	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	(13,999)
1,555	Adjusting amounts written out of the Revaluation Reserve	2,731
	<b>Capital financing applied in the year:</b>	

7,765	Use of the Capital Receipts Reserve to finance new capital expenditure	2,949
6,250	Set aside of Capital receipts	-
6,190	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,431
5,486	Statutory provision for the financing of capital investment charged against the Council Fund	3,278
920	Capital expenditure charged against the Council Fund	894
(1,515)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	133
<b>155,410</b>	<b>Balance at 31 March</b>	<b>151,889</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.

2015/16 £000		2016/17 £000
(167,414)	Balance at 1 April	(188,225)
(13,032)	Remeasurement gains or (losses) on pension assets and liabilities	(21,988)
(16,633)	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	(17,774)
(1,617)	Effect of business combinations and disposals	0
10,471	Employer's pensions contributions and direct payments to pensioners payable in the year	10,751
<b>(188,225)</b>	<b>Balance at 31 March</b>	<b>(217,236)</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.

2015/16 £000		2016/17 £000
(2,884)	Balance at 1 April	(1,992)
2,884	Settlement or cancellation of accrual made at the end of the preceding year	1,992
(1,992)	Amounts accrued at the end of the current year	(3,245)
<b>(1,992)</b>	<b>Balance at 31 March</b>	<b>(3,245)</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.

2015/16 £000		2016/17 £000
0	Balance at 1 April	0
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,000
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
<b>0</b>	<b>Balance at 31 March</b>	<b>4,000</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).

2015/16				2016/17		
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
50,552	1,227	51,778	Children & Young People	49,798	8,100	57,898
41,063	3,928	44,991	Social Care & Health	42,752	983	43,735
5,209	4,612	9,821	Enterprise	5,376	662	6,038
21,053	5,436	26,488	Chief Executives Unit	21,328	6,353	27,682
5,417	3,466	8,883	Resources	5,268	6,902	12,170
18,021	(17,130)	890	Corporate	19,537	(17,625)	1,912
141,315	1,537	142,852	<b>Cost of Services</b>	144,059	5,375	149,434
(141,435)	5,014	(136,421)	<b>Other Income &amp; Expenditure</b>	(144,059)	(2,951)	(147,010)
(120)	6,552	6,432	<b>Surplus or Deficit</b>	0	2,424	2,424
(6,991)			Opening General Fund Balance	(7,111)		
(120)			Surplus or Deficit on General Fund	0		
(7,111)			<b>Closing General Fund Balance</b>	(7,111)		

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

2015/16					2016/17			
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
813	(120)	534	1,227	Children & Young People	6,938	(83)	1,244	8,100
281	455	3,192	3,928	Social Care & Health	641	482	(141)	983
2,256	224	2,131	4,612	Enterprise	320	221	121	662
5,837	376	(777)	5,436	Chief Executives Unit	4,720	436	1,198	6,353
1,575	105	1,786	3,466	Resources	311	109	6,482	6,902
0	(412)	(16,719)	(17,130)	Corporate	0	(733)	(16,892)	(17,625)
10,762	628	(9,852)	1,537	<b>Cost of Services</b>	12,931	432	(7,988)	5,375
124	0	15,700	15,824	Other operating expenditure	(3,166)	0	16,488	13,322
(5,837)	5,534	1,590	1,287	Financing and investment income and expenditure	(3,483)	6,591	(97)	3,011

(6,190)	0	(5,906)	(12,096)	Taxation and non-specific grant income and expenditure	(13,431)	0	(5,852)	(19,283)
(11,904)	5,534	11,384	5,014	Other Income & Expenditure	(20,080)	6,591	10,538	(2,951)
(1,142)	6,162	1,532	6,552	Adjustments between the Funding & Accounting Basis	(7,149)	7,023	2,550	2,424

## 11.2 Expenditure & Income analysed by nature

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

2015/16 £000		2016/17 £000
107,516	Employee benefits expenses	109,848
116,927	Other services expenses	120,776
(2,343)	Support service recharges	5,721
16,500	Depreciation, amortisation and impairment	14,008
15,700	Precepts & levies	16,488
3,287	Interest payments	2,932
1,476	Gain/loss on disposal of non-current assets	17,420
<b>259,064</b>	<b>Total Expenditure</b>	<b>287,192</b>
(47,174)	Fees, charges & other service income	(57,829)
(196)	Interest and investment income	(111)
(87,507)	Income from council tax & NNDR	(91,884)
(116,542)	External grants and contributions	(114,434)
(1,214)	Gain/loss on disposal of non-current assets	(20,510)
<b>(252,632)</b>	<b>Total Income</b>	<b>(284,768)</b>
<b>6,432</b>	<b>Surplus or Deficit on the Provision of Services</b>	<b>2,424</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 2016			Note	31st March 2017		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,289	(9)	3,280	Interest payable and similar charges	2,931	(9)	2,922
5,534	-	5,534	Pensions interest cost and expected return on pensions assets	6,591	-	6,591
-	(151)	(151)	Interest receivable and similar income	-	(70)	(70)
4,948	(3,899)	1,049	Income and expenditure in relation to investment properties and changes in their fair value	667	(1,274)	(607)
11,102	(11,610)	(508)	(Surpluses)/deficits on trading undertakings not included in the Net Cost of Services	5,768	(5,937)	(169)
0	(14)	(14)	Other investment income	-	(20)	(20)
<b>24,873</b>	<b>(15,683)</b>	<b>9,190</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>15,957</b>	<b>(7,310)</b>	<b>8,647</b>

## 11.4 Significant Trading Operations

The Council has established various trading units where the service manager is required to operate in a commercial environment by generating income from other parts of the Authority, other organisations or the public in order to either match expenditure incurred or, in certain instances, operate within an approved level of subsidy.

The income generation aspects of most of these services are included within the Council's annual fees and charges policy that are approved by Cabinet.

In line with the latest Code of Practice on Local Authority Accounting, only those services that are carried out on a commercial basis are included in this note.

### 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 maximise the opportunities available to ensure the most efficient service possible and also to deliver benefits of a clean and green environment for MCC residents. The unit competes successfully in the private sector carrying out work that includes play areas, horticulture and fencing.

2015/16				2016/17		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
(2,577)	(1,168)	(3,745)	Turnover	(2,480)	(1,225)	(3,705)
2,573	1,113	3,686	Expenditure	2,481	1,167	3,648
(4)	(55)	(59)	(Surplus)/Deficit	1	(58)	(57)

### Building Cleaning

The Building Cleaning function was awarded in-house work after a competitive tender process. The unit provides cleaning services to council offices, schools and public toilets. The trading objective is to recover costs whilst ensuring value for money.

2015/16				2016/17		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
(775)	-	(775)	Turnover	(862)	-	(862)
774	-	774	Expenditure	862	-	862
(1)	0	(1)	(Surplus)/Deficit	0	-	0

### 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 surplus of £14,000 (£12,000 surplus in 2015/16). The building control trading account reserve has a £26,000 surplus as at 31st March 2017. 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.

2015/16				2016/17		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
-	(342)	(342)	Turnover	-	(373)	(373)
-	(342)	(342)	- Chargeable	-	(373)	(373)
-	-	-	- Non-Chargeable	-	-	-
-	489	489	Expenditure	-	503	503
-	330	330	- Chargeable	-	359	359
-	159	159	- Non-Chargeable	-	144	144
-	147	147	(Surplus)/Deficit	-	130	130
-	(12)	(12)	- Chargeable	-	(14)	(14)
-	159	159	- Non-Chargeable	-	144	144

### 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.

2015/16				2016/17		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
-	(327)	(327)	Turnover	-	(349)	(349)
-	396	396	Expenditure	-	348	348
-	69	69	(Surplus)/Deficit	-	(1)	(1)

### 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.

2015/16				2016/17		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
-	(63)	(63)	Turnover	-	(191)	(191)
-	69	69	Expenditure	-	112	112
-	-	-	Movement in asset value	-	-	-
-	6	6	(Surplus)/Deficit	-	(79)	(79)

### Highways External Clients

In April 2016 the main client contract with WG changed to a cost recovery only model so no surplus/deficit was made in the 2016/17 financial year.

2015/16				2016/17		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
-	(5,894)	(5,894)	Turnover	-	-	-
-	5,370	5,370	Expenditure	-	-	-
-	(524)	(524)	(Surplus)/Deficit	-	-	-

### Trade Refuse

The Authority offers a residual waste collection to local businesses. Financial performance has improved in the last year mainly due to cheaper disposal costs resulting in an increase in surplus.

2015/16				2016/17		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
-	(469)	(469)	Turnover	-	(456)	(456)
-	318	318	Expenditure	-	294	294
-	(151)	(151)	(Surplus)/Deficit	-	(162)	(162)

### 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.

2015/16 £000		2016/17 £000
(513)	Net (Surplus)/Deficit On Trading Operations	(169)
-	Services to the Public included in Expenditure of Continuing Operations	-
5	Support Services recharged to Expenditure of Continuing Operations	(1)
<b>(508)</b>	<b>Net (Surplus)/Deficit taken to financing and investment income and expenditure</b>	<b>(170)</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 45,102 for 2016/17 (44,561 for 2015/16).

This average basic amount for a Band D property, £1,405.95 (£1,348.56 in 2015/16), 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	501	3159	6668	8406	6909	7224	5083	1696	654
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:

2015/16 £000		2016/17 £000
(61,004)	Council tax collectable	(63,903)
(232)	Provision for non-payment of council tax	(172)
<b>(61,235)</b>	<b>Total Council Tax proceeds</b>	<b>(64,076)</b>

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

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate, 0.486p per £ in 2016/17 (0.482p per £ in 2015/16) 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 £20,066,000 (£21,060,000 for 2015/16) was based on an average rateable value of £56,274,091 (£56,515,324 for 2015/16).

2015/16 £000		2016/17 £000
21,204	Non-domestic rates collectable	20,249
(174)	Cost of collection allowance	(174)
30	(Increase)/Decrease in provision for bad debts	(9)
<b>21,060</b>	<b>Payments into national pool</b>	<b>20,066</b>
<b>(26,737)</b>	<b>Redistribution from national pool</b>	<b>(27,981)</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:

2015/16 £000		2016/17 £000
(66,819)	Revenue support grant	(63,567)
(822)	Outcome Agreement grant	0
(6,190)	Capital grants and contributions	(13,431)
<b>(73,832)</b>	<b>Total</b>	<b>(76,998)</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 2016/17:

2015/16 £000		2016/17 £000
1,462	WAG General Capital Grant	1,461
379	Section 106 Developer Contributions	713
5,195	WAG Grants	11,869
171	Other Contributions	8
<b>7,208</b>	<b>Total</b>	<b>14,051</b>
	<b><i>Credited to the Comprehensive Income and Expenditure Statement:</i></b>	
(1,018)	Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute	(619)
(6,190)	Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income	(13,431)
<b>(7,208)</b>	<b>Total</b>	<b>(14,051)</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:

2015/16 £000		2016/17 £000
	<b><i>Capital Grants Receipts in Advance:</i></b>	
0	Welsh Government	3,692
	<b><i>Developer Contributions held in Advance:</i></b>	
1,830	S106 Developer contributions	1,593
<b>1,830</b>	<b>Total</b>	<b>5,285</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:

2015/16 £000		2016/17 £000
	<b><i>Central Government:</i></b>	
22,435	Housing benefit subsidy	21,610
	<b><i>Welsh Assembly Government:</i></b>	
3,266	Sixth Form Funding (DCELLS)	3,264
2,820	SEG / WEG (PDG)	4,062
2,244	Supporting People	2,136
2,080	Early Years / Foundation Phase	-
1,751	Sustainable Waste Management	1,898
218	Rural Development Plan	251
1,172	Flying Start Grant	1,160
717	Concessionary Fares (PTSG)	697
727	Families First	651
3,184	Other WAG grants	3,268
	<b><i>Home Office:</i></b>	
210	Afghan / Syrian Relocation Programme (Main Project)	172
119	Police and Crime Commissioner	145
4,763	<b><i>Other Grants &amp; Contributions</i></b>	2,068
<b>45,708</b>	<b>Revenue Grants and Contributions Receivable</b>	<b>41,382</b>

## 12 NON-CURRENT ASSET & CAPITAL FINANCING NOTES

### 12.1 Property, Plant and Equipment

#### Revaluations

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 2016/17 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 2017. The valuations carried out during 2016/17 primarily included the leisure centres, community hubs, offices & depots and some other land & buildings.

	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	66	4,786	61,417	4,021	360	40,724	111,374
<b>Valued at fair value as at:</b>							
31 March 2017	87,480	-	-	-	-	-	87,480
31 March 2016	61,586	-	-	-	-	-	61,586
31 March 2015	15,456	-	-	-	-	-	15,456
31 March 2014	8,548	-	-	-	-	-	8,548
31 March 2013	411	-	-	-	-	-	411
<b>Total Cost or Valuation</b>	<b>173,547</b>	<b>4,786</b>	<b>61,417</b>	<b>4,021</b>	<b>360</b>	<b>40,724</b>	<b>284,855</b>

#### 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 2017 and 31st March 2016.

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*
<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>

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<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>0</b>	<b>0</b>	<b>0</b>	<b>(40,345)</b>	<b>(139)</b>
<b>Net Book Value:</b>								
At 31st March 2017	173,548	4,786	61,417	4,021	360	40,724	284,855	1,171
At 1st April 2016	171,547	3,608	60,649	3,944	0	10,079	249,826	1,216

<b>Movements in 2015/16</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>	<b>PFI Assets Included in Property, Plant and Equipment*</b> £000
<b>Cost or Valuation:</b>								
At 1st April 2015	172,844	11,097	83,090	3,887	4	1,141	272,063	1,245
Additions	2,673	867	3,126	95	-	8,242	15,003	0
Revaluation movements taken to RRA	9,989	-	-	-	-	-	9,989	65
Revaluation movements taken to SDPS	(3,287)	-	-	-	-	-	(3,287)	-
Impairment movements taken to SDPS	3,713	-	(2,599)	(41)	-	-	1,073	-
Reclassified (to)/from Held for Sale	(194)	-	-	(1)	-	-	(195)	-
Other reclassifications	(692)	-	-	4	(4)	696	4	-
<b>At 31st March 2016</b>	<b>185,046</b>	<b>11,964</b>	<b>83,617</b>	<b>3,944</b>	<b>(0)</b>	<b>10,079</b>	<b>294,650</b>	<b>1,310</b>
<b>Accumulated Depreciation:</b>								
At 1st April 2015	(16,553)	(7,017)	(21,477)	-	-	-	(45,046)	(49)
Depreciation charge	(6,079)	(1,339)	(1,492)	-	-	-	(8,910)	(45)
Depreciation written out on revaluation to RRA	6,266	-	-	-	-	-	6,266	-
Depreciation written out on revaluation to SDPS	771	-	-	-	-	-	771	-
Depreciation written out on impairment to SDPS	2,085	-	-	-	-	-	2,085	-
Other reclassifications	11	0	-	-	-	-	11	-
<b>At 31st March 2016</b>	<b>(13,500)</b>	<b>(8,356)</b>	<b>(22,969)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,824)</b>	<b>(94)</b>
<b>Net Book Value:</b>								
At 31st March 2016	171,547	3,608	60,649	3,944	0	10,079	249,826	1,216
At 1st April 2015	156,291	4,080	61,613	3,887	4	1,141	227,017	1,196

**Information on Assets Held**

Plant, property and equipment assets owned by the Council as at 31st March 2017 include the following:

31st March 2016		31st March 2017
Number (Restated)		Number
22	Primary Schools	22
4	Comprehensive Schools	4
1	Special Schools	1
3	Land Parcels	3
4	Nurseries	5
1	Playgroups	1
44	Associations and Clubs	43
353	Parks Open, Spaces, & Recreational Grounds	353
5	Libraries	5
1	Historic Sites	1
5	Museums and Theatres	5
4	Leisure Centres	4
2	Youth Centres	2
2	Outdoor Education Centres	2
1	Learning and Resource Centres	1
4	Residential Homes	4
3	Sheltered Housing Units	3
8	Community Centres	8
2	Day Centres	1
6	Industrial Units	6
78	Land Parcels	79
5	Allotments	5
39	Car Parks	39
31	Offices & Depots	27
18	Public Conveniences	17
2	District Shops & Restaurants	2
15	Cemeteries & Crematoria	14
5	Waste Disposal Sites	5
11	Sewerage Treatment Plants	11
2	Markets	2
1	Bus Stations	1
156	Vehicles	193
63	Plant and Machinery	74
19	Infrastructure	19
1	Arts and Antiquities	1
26	IT Equipment	27
0	Surplus Assets not Held for Sale	3

**12.2 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.

2015/16 £000		2016/17 £000
	<b>Enhancing value:</b>	
11,633	Property, plant and equipment	37,048
127	Investment properties	244
196	Intangible assets	46

0	Assets held for sale	-
148	Heritage assets	87
	<b>Not enhancing value:</b>	
3,371	Property, plant and equipment	2,459
208	Investment properties	364
0	Intangible assets	28
9	Assets held for sale	0
5	Heritage assets	8
3,149	Revenue Expenditure Funded from Capital under Statute	1,401
<b>18,845</b>	<b>Total Capital Expenditure</b>	<b>41,684</b>

### 12.3 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 2016 £000		31st March 2017 £000
122,860	Opening Capital Financing Requirement	114,076
	<b>Capital investment:</b>	
15,003	Property, Plant and Equipment	39,507
335	Investment Properties	608
9	Assets held for sale	0
153	Heritage Assets	95
196	Intangible Assets	74
3,149	Revenue Expenditure Funded from Capital under Statute	1,401
	<b>Sources of finance:</b>	
(7,765)	Capital receipts	(2,949)
(7,208)	Government grants and other contributions	(14,051)
(920)	Direct revenue contributions	(894)
	<b>Other:</b>	
(5,486)	Minimum revenue provision	(3,278)
(6,250)	Capital receipt set aside	0
<b>114,076</b>	<b>Closing Capital Financing Requirement</b>	<b>134,588</b>
	<b>Explanation of movements in year:</b>	
2,420	Increase in underlying need to borrowing - supported by Government financial assistance	2,400
532	Increase in underlying need to borrowing - unsupported by Government financial assistance	21,391
(5,486)	Less: Minimum revenue provision	(3,278)
(6,250)	Less: Capital receipt set aside	0
<b>(8,784)</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>20,512</b>

### 12.4 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".

Council approved an MRP policy in March 2016 applying to the 2016/17 financial year which included the revision to the MRP policy which was approved by Cabinet in December 2015 to allow a recalculation of the MRP charge for unsupported borrowing undertaken since 2008/09 under the annuity method. This resulted in a significant reduction in the charge for 2016/17.

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 not impacted 2016/17 but there will be a reduction of the MRP charge required in 2017/18.

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

The amount of revenue provision made by the Authority in 2016/17 was £3,278,000 (£5,486,000 in 2015/16).

## 12.5 Capital Commitments

At 31st March 2017, the Authority has entered into major contracts (i.e. those individually above £200,000) for the construction of Property, Plant and Equipment in 2017/18 and later years budgeted to cost £14,168,000 (£2,392,000 at 31st March 2016).

## 12.6 Financing Capital Expenditure

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

2015/16 £000		2016/17 £000
2,420	Supported Borrowing	2,400
532	Unsupported Borrowing	21,391
1,462	General Capital Grant	1,461
5,366	Capital grants and contributions	11,877
7,688	Council Fund Capital Receipts	2,949
77	Low Cost Home ownership receipts	0
	<b>Revenue Contribution:</b>	
648	Earmarked Reserves	784
272	Council Fund	110
379	S106 contributions	713
<b>18,845</b>		<b>41,684</b>

## 12.7 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:

2015/16 £000		2016/17 £000
(495)	Rental income from investment property	(529)
174	Direct operating expenses arising from investment property	124
<b>(321)</b>	<b>Net (gain)/loss</b>	<b>(405)</b>

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

2015/16 £000		2016/17 £000
42,716	Balance at start of the year	41,098
335	Additions	608

(434)	Disposals	(5)
(1,515)	Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure	133
(4)	Transfers (to)/from Property, Plant and Equipment	98
<b>41,098</b>	<b>Balance at end of the year</b>	<b>41,932</b>

Capital receipts totalling £160,000 were credited to the Capital receipts reserve during 2016/17 in relation to investment properties (553,500 in 2015/16).

### Fair Value Hierarchy

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

2015/16				Type of Property	2016/17			
Quoted Prices in active markets for identical assets	Other Observable inputs	Significant Unobservable inputs	Total		Quoted Prices in active markets for identical assets	Other Observable inputs	Significant Unobservable inputs	Total
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
£000	£000	£000	£000		£000	£000	£000	£000
0		101	101	Freehold Reversions	0		90	90
0	39,258		39,258	Agricultural Properties	0	40,072		40,072
0		489	489	Retail Units	0		518	518
0		1,250	1,250	Industrial Properties	0		1,252	1,252
<b>0</b>	<b>39,258</b>	<b>1,840</b>	<b>41,098</b>		<b>0</b>	<b>40,072</b>	<b>1,860</b>	<b>41,932</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:

2015/16 £000		2016/17 £000
1,812	Balance at start of the year	1,840
0	Transfers (to)/from Level 3	0
4	Additions	51
0	Disposals	0
25	Net gains/(losses) from fair value adjustments included in Surplus or Deficit on the Provision of Services	(31)
<b>1,840</b>	<b>Balance at end of the year</b>	<b>1,860</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%	

**12.8 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 2017 are shown below:

2015/16 £000		2016/17 £000
22,095	Balance outstanding at start of year	20,684
9	Additions	-
184	Assets newly classified as held for sale: From PPE	1,034
-	Assets declassified as held for sale: To PPE	(1,423)
-	Revaluation gains	-
(236)	Revaluation losses	-
(9)	Impairment losses	-
(1,359)	Assets sold	(17,362)
<b>20,684</b>	<b>Balance outstanding at year-end</b>	<b>2,933</b>

**12.9 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(b).

**12.10 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 £386,000 (£410,000 in 2015/16).

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

2015/16 £000		2016/17 £000
398	Not later than one year	225
516	Later than one year and not later than five years	390
634	Later than five years	68
<b>1,548</b>		<b>683</b>

## 12.11 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 £568,000 of minimum lease payments were receivable by the Authority (£592,000 in 2015/16).

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

2015/16 £000 (Restated)		2016/17 £000
584	Not later than one year	441
1,244	Later than one year and not later than five years	1,071
3,749	Later than five years	3,200
<b>5,577</b>		<b>4,712</b>

### Finance Leases

During the year, the Authority has granted a finance lease to an external lessee. A lease premium of £13,750,000 was received in year, with a further £4,000,000 being receivable over 25 years. The lease duration is for 125 years. In accordance with the Accounting code of practice for finance leases, the income from this lease has been and will be treated as Capital receipts by the Authority.

2015/16			2016/17	
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	
0	0	Not later than one year	160	160
0	0	Later than one year and not later than five years	640	640
0	0	Later than five years	3,200	3,200
<b>0</b>	<b>0</b>		<b>4,000</b>	<b>4,000</b>

## 12.12 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 2015	3	4,464	180	4,647
Additions	153	-	-	153
Revaluation increases/ (decreases) recognised in the SDPS	-	-	-	0
Impairment losses/(reversals) recognised in the SDPS	(5)	-	-	(5)
<b>31st March 2016</b>	<b>151</b>	<b>4,464</b>	<b>180</b>	<b>4,795</b>
<b>Cost or Valuation:</b>				
Additions	95	-	-	95
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>

### 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 during 2011/12 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.

### 12.13 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 2017, shown in the Authority's balance sheet, is £140,402,511 (£117,585,000 (Restated) as at 31st March 2016).

**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 2017:

Long-Term 31st March 2016 £000	Short-Term 31st March 2016 £000		Note	Long-Term 31st March 2017 £000	Short-Term 31st March 2017 £000
		<b>Investments</b>			
-	3,999	Loans & receivables	13.4	-	-
40	-	Unquoted equity investments	13.4	40	-
-	7,621	Cash & cash equivalents	15.3	-	6,498
<b>40</b>	<b>11,620</b>	<b>Total Investments</b>		<b>40</b>	<b>6,498</b>
		<b>Debtors</b>			
312	19,855	Receivables	13.5	4,240	24,177
<b>312</b>	<b>19,855</b>	<b>Total Debtors</b>		<b>4,240</b>	<b>24,177</b>
		<b>Borrowings</b>			
(65,708)	(29,852)	Financial liabilities at amortised cost	13.4	(69,682)	(20,267)
-	(1,025)	Cash & cash equivalents	15.3	-	(30)
<b>(65,708)</b>	<b>(30,877)</b>	<b>Total Borrowings</b>		<b>(69,682)</b>	<b>(20,297)</b>
		<b>Other Long Term Liabilities</b>			
(833)	0	PFI and finance lease liabilities		(803)	0
(404)	0	Other Long Term Liabilities		(952)	0
<b>(1,237)</b>	<b>0</b>	<b>Total Other Long Term Liabilities</b>		<b>(1,754)</b>	<b>0</b>
		<b>Creditors</b>			
0	(22,244)	Payables	13.6	0	(28,437)
<b>0</b>	<b>(22,244)</b>	<b>Total Creditors</b>		<b>0</b>	<b>(28,437)</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:

2015/16 £000		2016/17 £000
	<b>Financial Liabilities measured at amortised cost:</b>	
3,264	Interest payable on external debt	2,904
(9)	Debt reimbursement from third parties	(9)
3	Interest payable to trust funds	5
23	Interest payable on finance leases	22
<b>3,281</b>	<b>Total Interest payable and similar charges</b>	<b>2,922</b>
	<b>Financial assets - loans and receivables:</b>	
(103)	Interest income	(70)
-	Interest income accrued on impaired financial assets	0

(48)	Investment Losses / (Gains)	0
(14)	Other interest and investment income	(20)
(165)	Total Interest Income	(90)
3,116	Net (gain)/loss for the year	2,832

### 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	Fair Value		Carrying Amount	Fair Value
31st March 2016	31st March 2016		31st March 2017	31st March 2017
£000	£000		£000	£000
(95,560)	(131,483)	Financial liabilities at amortised cost	(89,949)	(114,134)

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 as interest rates

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 2017.

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 2016 £000		31st March 2017 £000
53,203	Public Works Loan Board	52,223
13,813	Market Loans	13,818
2,458	Welsh Government	4,973
26,086	Other local authorities	18,935
<b>95,560</b>	<b>Total</b>	<b>89,949</b>
	<b>The Loans Mature as follows:-</b>	
29,852	Less than one year	20,267
3,108	Between one and two years	1,537
16,876	Between two and five years	24,027
8,150	Between five and ten years	9,860
37,573	More than ten years	34,257
<b>95,560</b>	<b>Total</b>	<b>89,949</b>

The financial liabilities with Welsh Government are interest free loans:- Salix loans that have been provided to fund capital schemes targeted towards energy efficiencies initiatives; a loan of £433,000 for Street Lighting upgrades and a loan of £4,455,000 which has funded the Oak Grove solar farm construction. Accounting requirements require financial liabilities in the form of loans to be carried at amortised cost. However, 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 liabilities borrowings 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 2017 (£nil at 31st March 2016).

The Authority has a number of strategies for managing interest rate risk. The 2017/18 Treasury strategy includes monetary limits for net variable Interest rate exposure, which is 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 2017, 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 £9,823,403 (£25,177,000 reduction in 2015/16).
- 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 2017, 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:

31st March 2016					31st March 2017			
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	6,110	0	6,110	Welsh Government	0	4,958	0	4,958
0	407	0	407	HM Customs & Excise	0	2,376	0	2,376
0	1,812	0	1,812	NNDR Debtor	0	1,265	0	1,265
0	365	0	365	Council Tax and Housing Benefit Subsidy	0	0	0	0
0	14	0	14	Other	0	8	0	8



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				<b>Other entities and individuals:</b>				
0	4,144	0	4,144	Other Local Authorities	0	4,128	46	4,174
0	0	0	0	Deferred Capital receipts	4,000	0	0	4,000
0	528	(67)	461	Revenue debtors	0	2,500	(62)	2,438
0	2,706	(1,970)	736	Council tax arrears	0	2,481	(1,798)	683
0	3,566	(322)	3,244	Corporate sundry debtors	0	1,464	(260)	1,204
0	1,429	(608)	821	Housing benefit overpayments	0	1,333	(582)	751
0	344	0	344	NHS Bodies	0	1,313	(13)	1,300
0	505	(87)	418	Social Services debtors	0	626	(110)	517
0	185	(135)	50	Rent arrears	0	215	(168)	47
0	616	0	616	Capital debtors	0	216	0	216
217	0	0	217	Housing Advances	214	0	0	214
95	0	0	95	Other	26	0	0	26
<b>312</b>	<b>22,732</b>	<b>(3,189)</b>	<b>19,855</b>	<b>Total Debtors</b>	<b>4,240</b>	<b>22,883</b>	<b>(2,947)</b>	<b>24,177</b>

The aged analysis of the debtors outstanding as at 31st March 2017 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	4,958	0	0	0	0	<b>4,958</b>
HM Customs & Excise	2,376	0	0	0	0	<b>2,376</b>
NNDR Debtor	801	0	375	80	9	<b>1,265</b>
Council Tax and Housing Benefit Subsidy	0	0	0	0	0	<b>0</b>
Other	8	0	0	0	0	<b>8</b>
<b>Other entities and individuals:</b>						
Other Local Authorities	3,496	474	65	92	2	<b>4,128</b>
Deferred Capital receipts	0	0	160	160	3,680	<b>4,000</b>
Revenue debtors	2,438	0	0	37	25	<b>2,500</b>
Council tax arrears	0	0	1,066	411	1,004	<b>2,481</b>
Corporate sundry debtors	651	198	237	133	244	<b>1,464</b>
Housing benefit overpayments	83	148	270	224	607	<b>1,333</b>
NHS Bodies	1,085	175	39	0	13	<b>1,313</b>
Social Services sundry debtors	111	134	204	86	91	<b>626</b>
Capital debtors	216	0	0	0	0	<b>217</b>
Rent arrears	29	8	26	16	135	<b>215</b>
Housing Advances	0	0	0	214	0	<b>214</b>
Other	0	0	0	26	0	<b>26</b>
<b>Total</b>	<b>16,253</b>	<b>1,138</b>	<b>2,442</b>	<b>1,480</b>	<b>5,810</b>	<b>27,123</b>

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2017 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)	49	(1)	(1)	<b>46</b>
NHS Bodies	0	0	0	0	(13)	<b>(13)</b>
Revenue debtors	0	0	0	(37)	(25)	<b>(62)</b>
Council Tax Arrears	0	0	(407)	(387)	(1,004)	<b>(1,798)</b>
Social Services sundry debtors	(4)	(20)	(27)	(16)	(43)	<b>(110)</b>

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Corporate sundry debtors	0	(4)	(67)	(52)	(138)	(260)
Rent arrears	0	(3)	(14)	(16)	(135)	(168)
Housing benefit overpayments	0	0	(96)	(53)	(433)	(582)
<b>Total</b>	<b>(4)</b>	<b>(28)</b>	<b>(562)</b>	<b>(562)</b>	<b>(1,791)</b>	<b>(2,947)</b>

### 13.6 Creditors

It is the Authority's policy to pay creditors promptly, without undue delay and within mutually agreed terms. 97% of payments were paid within a 30 day target settlement date (95% in 2015/16).

The nature and value of payments due to be made by the Council in the year but not actually made as at 31st March 2017 is summarised below:

31st March 2016 £000		31st March 2017 £000
1,531	Central Government Bodies	6,370
2,592	Other Local Authorities	5,309
140	NHS Bodies	557
4,611	Capital Creditors	4,114
13,369	Other entities & individuals	12,087
<b>22,244</b>	<b>Total</b>	<b>28,437</b>

### 13.7 Provisions and Contingent Liabilities

The value of provisions as at 31st March 2017, together with their movement for the year, is summarised below:

	Note	As at 1st April 2016 £000	Additional Provisions Made £000	Amounts Used £000	Unused Amounts Reversed £000	As at 31st March 2017 £000
Insurance Claims	13.8a	258	594	(38)	(139)	675
Insurance Claims - MMI	13.8b	7	24	0	0	31
Accumulating Compensated Absences	13.8c	1,992	3,245	(1,992)	0	3,245
<b>Total</b>		<b>2,256</b>	<b>3,863</b>	<b>(2,030)</b>	<b>(139)</b>	<b>3,951</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 2016 £000	Long Term 31st March 2016 £000		Current 31st March 2017 £000	Long Term 31st March 2017 £000
129	129	Insurance Claims	338	338
4	3	Insurance Claims - MMI	16	16
1,992	0	Accumulating Compensated Absences	3,245	0
<b>2,124</b>	<b>132</b>	<b>Total</b>	<b>3,598</b>	<b>353</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 2017. 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 2017 was £675,000 (£258,000 at 31st March 2016) and the balance on the insurance and risk management reserve as at 31st March 2017 was £1,053,000 (£1,206,000 as at 31st March 2016). 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 2017 was 181 (205 open claims as at 31st March 2016).

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

2015/16 £000		2016/17 £000
199	Public Liability	292
27	Employer's Liability	383
32	Property	0
258	Total	675

#### 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 2017, 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 2017 was £3,245,000 (£1,992,000 at 31st March 2016).

#### 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. 6 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 £6.184 million as updated by RPI (£6.003 million as at 31st March 2016) , 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 2017) is £73,572 (previously £60,503 for the period 21st January 2008 to 31st March 2016).

### 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	Repayment to WG	Total
	£000s	£000s	£000s	£000s	£000s
Home Improvement Loans	1,250	10	(91)	(1,159)	10
Vibrant and Viable Places Loans	621	3	(49)	0	575
<b>Total</b>	<b>1,871</b>	<b>13</b>	<b>(140)</b>	<b>(1,159)</b>	<b>585</b>

The gross amount owed to Welsh Government is £725,000. The amounts owed by Loan recipients to Monmouthshire County Council is £140,000. The net, £585,000, 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 fair value of future pension liabilities that have been incurred, 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 scheme liability is £271,633 million as at the 31 March 2016 (£275,445 million at 31 March 2015). 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).

In 2016/17 the Authority paid £3,916,000 (£3,725,000 in 2015/16) to the scheme in respect of teachers' retirement benefits, representing 16.48% of teachers' pensionable pay (15.5% for 2015/16).

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 £324,000 of contributions remaining payable to the scheme at the year end (£332,000 at 31st March 2016).

#### *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 final salary 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.
- 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 2017 is split as follows:

2015/16			2016/17	
£000's	%		£000's	%
196,509	46%	Active	243,098	46%
60,739	14%	Deferred	94,898	18%
174,097	40%	Pensioners	188,068	36%
<b>431,345</b>	<b>100%</b>	<b>Total</b>	<b>526,064</b>	<b>100%</b>

A breakdown of the investments held by the Greater Gwent pension fund, quoted and unquoted is given in 14.9 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
2015/16 £000's	2015/16 £000's		2016/17 £000's	2016/17 £000's
		<b>Comprehensive Income and Expenditure Account</b>		
		<b>Net Cost of Services:</b>		
10,813	0	current service cost	11,106	0
286	0	past service cost / (gain) including curtailments	77	0
0	0	settlement gain	0	0
0	0	administration expenses of plan assets *	0	0
<b>11,099</b>	<b>0</b>	<b>Total Net Cost of Services</b>	<b>11,183</b>	<b>0</b>
		<b>Financing and Investment Income and Expenditure:</b>		
13,986	147	interest cost on pension liabilities	15,286	199
(8,599)	0	interest income on plan assets	(8,894)	0
0	0	Impact of asset ceiling on net interest	0	0
<b>16,486</b>	<b>147</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>17,575</b>	<b>199</b>
		<b>Other Comprehensive Income and Expenditure:</b>		
11,754	1,278	(Gains) and losses on remeasurement	22,200	(212)
1,617	0	Effect of business combinations and disposals	0	0
<b>13,371</b>	<b>1,278</b>	<b>Total Other Comprehensive Income and Expenditure</b>	<b>22,200</b>	<b>(212)</b>
<b>29,857</b>	<b>1,425</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>39,775</b>	<b>(13)</b>
		<b>Movement in Reserves Statement</b>		
(16,486)	(147)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(17,575)	(199)
		<b>Actual amount charged against the Council Fund for pensions in the year:</b>		
9,954	517	employers' contributions payable to scheme	10,270	481

\* For 2016/17, the administration expenses are included in the current service cost

#### 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 2018 is £9,373,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2018 are £486,000.

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 2017	31st March 2016	31st March 2015	31st March 2017	31st March 2016	31st March 2015
Rate of increase in salaries	2.8%	3.7%	3.5%	-	-	-
Rate of increase in pensions (inline with CPI)	2.4%	2.2%	2.0%	2.4%	2.2%	2.0%
Rate for discounting scheme liabilities	2.6%	3.5%	3.3%	2.6%	3.5%	3.1%
<b>Life Expectancy:</b>						
Current male pensioner aged 65 (years)	21.5	23.0	23.0	21.5	23.0	23.0
Current female pensioner aged 65 (years)	23.9	25.4	25.5	23.9	25.4	25.5
Future male pensioner aged 65 in 20 years' time (years)	23.6	25.2	25.3	-	-	-
Future female pensioner aged 65 in 20 years' time (years)	26.1	27.8	27.9	-	-	-

The discount rate used to value fund liabilities is based on market yields on high quality corporate bonds, estimated using 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 2017	Approximate % increase to Employer	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	52,735
0.5% increase in the Salary Increase Rate	2%	9,047
0.5% increase in the Pension Increase Rate	8%	42,854

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 2016		Category	Quoted in Active markets	31st March 2017	
£000	%			£000	%
49,063	19.3%	Equities	Yes	60,314	18.9%
		<b>Investment funds &amp; Unit Trusts</b>			
148,020	58.2%	Equities	No	184,311	57.7%
39,278	15.4%	Bonds	No	56,545	17.7%
8,555	3.4%	Other	No	8,467	2.7%
7,493	2.9%	Property	No	8,113	2.5%
1,863	0.7%	Cash accounts	No	1,582	0.5%
0	0.1%	Alternatives	No	0	0.0%
<b>254,271</b>	<b>100.0%</b>	<b>Total</b>		<b>319,332</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	
2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000	
259,755	0	As at 1st April	254,271	0	
0	0	Settlement costs	0	0	
8,599	0	Interest on plan assets	8,894	0	
9,954	517	Employers contributions	10,270	481	
2,760	0	Contributions by scheme participants	2,836	0	
(15,710)	0	Gains / (losses) on remeasurement of assets	56,125	0	
0	0	Administration expenses of plan assets	0	0	
(11,087)	(517)	Benefits paid	(13,063)	(481)	
254,271	0	As at 31st March	319,333	0	
The Movement in Fund Liability					
(422,166)	(5,003)	As at 1st April	(436,585)	(5,911)	
(10,813)	0	Current service cost	(11,106)	0	
(286)	0	Past service (cost) / gain (including curtailments)	(77)	0	
0	0	Settlement gains	0	0	
0	0	Curtailment costs	0	0	
(13,986)	(147)	Interest on pension liabilities	(15,286)	(199)	
(2,760)	0	Contributions by scheme participants	(2,836)	0	
3,956	(1,278)	Gains / (losses) on remeasurement of liabs	(78,326)	212	
11,087	517	Benefits paid	13,063	481	
(1,617)	-	Effect of business combinations & disposals	0	-	
(436,585)	(5,911)	As at 31st March	(531,153)	(5,417)	
There were £1,039,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2016 £1,051,000 was payable) and £1,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£15,000 at 31 March 2016).					
Of the £531,000,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2017, there are £5,087,000 of unfunded liabilities (£5,240,000 as at 31st March 2016). £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:					
	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
<b>Local Government Pension Scheme</b>					
Present value of scheme liabilities	(358,822)	(349,554)	(422,166)	(436,585)	(531,152)
Fair value of scheme assets	219,030	232,758	259,755	254,271	319,333
<b>Surplus / (deficit) in the scheme</b>	<b>(139,792)</b>	<b>(116,796)</b>	<b>(162,411)</b>	<b>(182,314)</b>	<b>(211,819)</b>
<b>Teachers Unfunded Discretionary Benefits</b>					
Present value of scheme liabilities	(5,194)	(5,082)	(5,003)	(5,911)	(5,417)
Fair value of scheme assets	-	-	-	-	-
<b>Surplus / (deficit) in the scheme</b>	<b>(5,194)</b>	<b>(5,082)</b>	<b>(5,003)</b>	<b>(5,911)</b>	<b>(5,417)</b>
<b>Total</b>					
Present value of scheme liabilities	(364,016)	(354,636)	(427,169)	(442,496)	(536,569)
Fair value of scheme assets	219,030	232,758	259,755	254,271	319,333
<b>Surplus / (deficit) in the scheme</b>	<b>(144,986)</b>	<b>(121,878)</b>	<b>(167,414)</b>	<b>(188,225)</b>	<b>(217,236)</b>

Year on year increase in net liability (or deficit)					(29,011)
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The increase in combined net liability of £29.0 million from 1 April 2016 to 31 March 2017 is mainly due to a remeasurement of pension liabilities (£78m) offset by a remeasurement of assets (£56m) plus net interest cost of £6.5m. The predominant driver for the change in pension liability is the changes in financial assumptions. The main one being the discount rate used to calculate the present value of future liabilities has fallen from 3.5% to 2.6%.

## 15 NOTES TO THE CASH FLOW STATEMENT

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

2015/16 (Restated) £000		2016/17 £000
6,432	Net (surplus) or deficit on the provision of services	2,424
	<b>Non-cash transactions:</b>	
(8,911)	Depreciation of non-current assets	(11,864)
391	Impairment and downward valuations	(141)
(111)	Amortisation of intangible non-current assets	(153)
215	Increase/decrease in impairment for provision for bad debts	234
(11)	Increase/(decrease) in inventories	(64)
6,109	Increase/(decrease) in debtors	9,629
(2,785)	(Increase)/decrease in creditors	(1,255)
1,075	(Increase)/decrease in provisions	(1,695)
(6,162)	Pension liability	(7,023)
(1,793)	Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised	(17,367)
(1,515)	Movement in the value of investment properties	133
	<b>Items classified in another classification in the cash flow statement</b>	
(2,132)	Other payments for investing activities	(781)
399	Other receipts from investing activities	13,431
1,808	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	16,677
<b>(6,990)</b>	<b>Net cash flows from Operating Activities</b>	<b>2,186</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:

2015/16 £000		2016/17 £000
	<b>Returns on Investments received:</b>	
(91)	Interest received	(72)
(14)	Other interest and investment income	(19)
	<b>Servicing of Finance paid:</b>	
3,237	Interest paid	3,029
23	Interest element of finance lease rental payments	22
<b>3,155</b>		<b>2,960</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 2016	In Year Movement	At 31st March 2017
	£000	£000	£000
<b>Current Assets</b>			
Cash held by the Authority	212	9	221
Bank current accounts	1	1,819	1,820
Short-term call account deposits	7,408	(2,951)	4,457
<b>Current Liabilities</b>			
Bank current account overdrafts	(1,025)	995	(30)
<b>Total</b>	<b>6,596</b>	<b>(128)</b>	<b>6,468</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:

2015/16 £000		2016/17 £000
575	Basic allowance	578
197	Special responsibility allowance	182
31	Travel allowance	36
3	Subsistence allowance	4
<b>806</b>	<b>Total</b>	<b>800</b>

### 16.2 Audit Costs

The Authority has incurred the following costs during 2016/17 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:

2015/16 £000		2016/17 £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
48	Fees payable to the appointed auditor for certification of grant claims & returns	50
<b>327</b>	<b>Total</b>	<b>329</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 has entered into a pooled budget arrangement with the Aneurin Bevan Local Health Board for the provision of a Rehabilitation Scheme at Mardy Park. Under the arrangement funds are pooled under Section 33 of the NHS (Wales) Act 2006. This agreement came into effect from the 1st April 2004 and the Authority is the host for the partnership.

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

If at the end of any financial year or upon termination of the Agreement there is an overspend the Partners shall identify the reasons for the 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 of the circumstances of and reasons for the overspend and the Partners shall make such payments to the Pooled Fund as shall be required to reflect this allocation.

The income and expenditure for the pooled fund arrangements for the financial year ended 31st March 2017 was:

2015/16 £000		2016/17 £000
	<b>Funding</b>	
(216)	Monmouthshire County Council	(209)
(163)	Monmouthshire Local Health Board	(157)
<b>(379)</b>	<b>Total Funding</b>	<b>(366)</b>
	<b>Expenditure</b>	
310	Employee related	235
27	Premises related	46
10	Supplies & Services	21
10	Agency & Contracted	46
15	Central and Support services recharges	15
20	Capital Financing	15
<b>392</b>	<b>Total Expenditure</b>	<b>378</b>
<b>13</b>	<b>Net (Under)/over spend</b>	<b>12</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 £3,216,000 (£2,681,000 for 2015/16) and gross income of £3,216,000 (£2,681,000 for 2015/16) for the financial year ended 31st March 2017. Monmouthshire County Council's contribution for the year was £286,000 (£350,000 for 2015/16).

#### c) 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. Further information is contained in note 12.10 to the accounts.

Aneurin Bevan Health Board is the host for the Partnership, who recorded gross expenditure of £3,317,000 (£3,119,000 for 2015/16) and gross income of £3,253,000 (£3,119,000 for 2015/16) for the financial year ended 31st March 2017. Monmouthshire County Council's total contribution for the year was £989,000 (£997,000 for 2015/16).

#### 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 £14,982,000 (£14,479,000 for 2015/16) and gross income of £15,439,000 (£14,269,000 for 2015/16) for the financial year ended 31st March 2017. Monmouthshire County Council's total contribution for the year was £1,291,000 (£949,000 for 2015/16).

## 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 11.6 and 11.7 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 2016/17 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, Head of Democracy & Regulatory Services, and Head of Policy & Engagement have no pecuniary interests.

The Chief Executive was the Acting Returning Officer and Electoral Registration Officer for Monmouthshire during 2016/17 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

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

- Co-Chair of the Innovation Advisory Council for Wales
- Director to SRS Business Solutions Ltd.

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

- Is an independent Member of Aneurin Bevan Unitary Health Board

The Chief Officer for Resources held the following position during the year:

- Director to SRS Public

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:

2015/16 Debtors £000	2015/16 Creditors £000		2016/17 Debtors £000	2016/17 Creditors £000
0	187	Dragon Waste Limited	0	194
0	0	SRS Business Solutions Limited	0	0

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

2015/16 Payments £000	2015/16 Receipts £000		2016/17 Payments £000	2016/17 Receipts £000
2,405	35	Dragon Waste Limited	1,383	36
1	0	SRS Business Solutions Limited	1	0

**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 2017:

	Income £000	Expend £000	Assets £000	Liabilities £000
<b>Welsh Church Act Fund</b>	(441)	187	5,638	(167)
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>	(8)	8	93	(26)
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>	(6)	12	2	(8)
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>	(50)	30	731	(6)
<b>Appointeeship - Personal Monies</b>	(762)	797	502	(537)
<b>Appointeeship - Independent Living Fund Monies</b>	(126)	133	25	(32)

**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 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 2016		31st March 2017
£000 Final		£000 Draft
(1,483)	Net Assets/(Liabilities)	(1,203)
(146)	Profit/(Loss) before Taxation	(87)
(121)	Profit/(Loss) after Taxation	(87)
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 £1,378,740 were made to Dragon Waste Limited during 2016/17 (£1,508,515 during 2015/16).

The Authority owed £194,383 to Dragon Waste Limited at the 31st March 2017 (£231,811 owed to Dragon Waste as at 31st March 2016) 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, 2 additional Councils 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 core contribution during 2016/17 included in the Council's Accounts totalled £2.18 million.

SRS activities for 2016/17 involved a combined gross expenditure budget of £10.5 million, and the entity held reserves totalling £750,000 at year end, £61,000 of which is earmarked as generated through MCC activities and requires Council endorsement in its future use.

The Authority owed £44,526 to SRS Public at the 31st March 2017 (£0 owed as at 31st March 2016).

**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 2017.

31st March 2016		31st March 2017
£000 (Restated)		£000 Draft
90	Net Assets/(Liabilities)	104
30	Profit/(Loss) before Taxation	20
30	Profit/(Loss) after Taxation	16
0	Dividends	0

There were no transactions between Monmouthshire County Council and SRS (BS) during 2016/17 (nil in 2015/16).

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.

**Community Interest Company (CMC<sup>2</sup>)**

In July 2011 the Authority established CMC<sup>2</sup>, a community interest company wholly owned by the Authority. The company aimed to drive growth in emerging green and digital technologies and generate new income streams with which to reinvest in community projects and priorities. CMC<sup>2</sup> was a company limited by guarantee and liability was therefore limited to £1 for its members.

The Authority did not receive any profit distribution. No assets or liabilities of the Company were reflected in the Consolidated Balance Sheet. The Authority acted as a guarantor for the company's overdraft arrangements such as to allow the company to manage day-to-day cash flow requirements.

At Cabinet meeting of 7th December 2016, the Executive approved the dissolution of CMC<sup>2</sup> and the transfer of any outstanding liabilities/responsibilities to the Council, at the same time as passporting the part ownership of Y Prentis from CMC<sup>2</sup> to the Council. The dissolution of CMC<sup>2</sup> has resulted in no net revenue effect in 2016/17, but has involved transfer of circa £90k cost and the novation of a debtor for a similar amount.

**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 2016.

The company is exempt from audit under section 477 of the companies act 2006 for the financial year ending September 2016.

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30th Sept 2015 £000 Final		30th Sept 2016 £000 Draft
201	Total Assets/(Liabilities)	262
175	Profit/(Loss) before Taxation	75
140	Profit/(Loss) after Taxation	60
0	Dividends	0

There were no transactions between Monmouthshire County Council and Y Prentis during 2016/17 (nil in 2015/16).

**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 2017.

31st March 2016 £000 Final		31st March 2017 £000 Draft
231	Total Assets/(Liabilities)	308
102	Profit/(Loss) before Taxation	105
102	Profit/(Loss) after Taxation	105
0	Dividends	0

Payments of £589,189 were made to the EAS during 2016/17 (£768,541 during 2015/16).

There were no balances owing to/from the EAS at 31st March 2017 (nil at 31st March 2016).

**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 2017.

31st March 2016 £000 Final		31st March 2017 £000 Draft
244	Total Assets/(Liabilities)	293
57	Profit/(Loss) before Taxation	49
57	Profit/(Loss) after Taxation	49
0	Dividends	0

Payments of £182,244 were made to Gwent Archives during 2016/17 (£182,244 during 2015/16).

There were no balances owing to/from Gwent Archives at 31st March 2017 (nil at 31st March 2016).

**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 2017.

31st March 2016		31st March 2017
£000 Final		£000 Draft
2,573	Total Assets/(Liabilities)	3,205
129	Profit/(Loss) before Taxation	632
129	Profit/(Loss) after Taxation	632
0	Dividends	0

Payments of £138,375 were received from Gwent Crematorium during 2016/17 (£138,375 during 2015/16).

There were no balances owing to/from Gwent Crematorium at 31st March 2017 (nil at 31st March 2016).

#### 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 2017.

31st March 2016		31st March 2017
£000 Final		£000 Draft
305	Total Assets/(Liabilities)	328
115	Profit/(Loss) before Taxation	24
115	Profit/(Loss) after Taxation	24
0	Dividends	0

Payments of £32,000 were made to Project Gwyrdd during 2016/17 (£48,800 during 2015/16).

There were no balances owing to/from Project Gwyrdd at 31st March 2017 (nil at 31st March 2016).

#### 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.

### 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.

In the 2015/16 financial statements these accounting requirements resulted in the consolidation of the transactions and balances of subsidiaries and of interests in associates and joint ventures. In a change in treatment from 2015/16, for 2016/17 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 for 2016/17 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). The prior year information has been restated where necessary to ensure consistency in approach.

**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 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>

Year ended 31st March 2016						
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	110,000	0	0	<b>110,000</b>	23,210	<b>133,210</b>
Chief Officer - Children and Young People	80,784	0	0	<b>80,784</b>	17,129	<b>97,913</b>
Chief Officer - Enterprise	81,180	0	0	<b>81,180</b>	17,129	<b>98,309</b>
Chief Officer - Social Care and Health (Apr-Aug)	28,448	0	0	<b>28,448</b>	6,003	<b>34,451</b>
Chief Officer - Social Care and Health (Nov-March)	33,436	0	0	<b>33,436</b>	7,055	<b>40,491</b>
Head of Operations	69,104	0	0	<b>69,104</b>	14,654	<b>83,758</b>

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Head of Finance and Section 151 Officer	71,033	0	0	<b>71,033</b>	14,988	<b>86,020</b>
Head of Democracy and Regulatory Services	64,515	0	0	<b>64,515</b>	13,679	<b>78,194</b>
Head of Legal Services (also acting Monitoring Officer)	70,351	0	0	<b>70,351</b>	14,844	<b>85,195</b>
Head of Strategic Partnerships	60,027	0	0	<b>60,027</b>	12,728	<b>72,755</b>
<b>Total</b>	<b>668,877</b>	<b>0</b>	<b>0</b>	<b>668,877</b>	<b>141,419</b>	<b>810,296</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 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 2015/16). Expense allowances are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2016/17 (Nil in 2015/16).

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 2016/17, the median employee position has been 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

In 2015/16, the median employee position was calculated as £20,253, equating to spinal point 22 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5.43:1

**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 2017, was:

2015/16		Remuneration Band	2016/17	
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
1	1	£105,000 - £109,999	2	1
1	1	£100,000 - £104,999	2	1
2	1	£95,000 - £99,999	0	0
0	0	£90,000 - £94,999	0	0
1	1	£85,000 - £89,999	2	1
4	2	£80,000 - £84,999	4	2
2	1	£75,000 - £79,999	1	1
6	2	£70,000 - £74,999	9	3
6	5	£65,000 - £69,999	10	6
15	7	£60,000 - £64,999	8	5
<b>39</b>	<b>21</b>	<b>Total</b>	<b>39</b>	<b>20</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 2015/16) and 16.4% of pensionable pay for staff within the Teachers' Pension Scheme (16.4% in 2015/16).

For the purposes of reporting remuneration, voluntary aided schools employees have been included in the remuneration notes 16.9 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.

2015/16			Exit package Cost band	2016/17		
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
62	1	463	£0 - £20,000	38	3	331
29	1	785	£20,001 - £40,000	11	3	391
6	1	274	£40,001 - £60,000	1	0	43
1	0	67	£60,001 - £80,000	0	1	65
0	0	0	£80,001 - £100,000	0	0	0
1	0	102	£100,001 - £150,000	1	0	119
<b>99</b>	<b>3</b>	<b>1,691</b>	<b>Total</b>	<b>51</b>	<b>7</b>	<b>949</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 2016/17 financial year and its position at the year-end of 31st March 2017.

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 2016/17 and the Service Reporting Code of Practice 2016/17, 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.

### 17.2 Accounting Standards issued not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of accounting changes that will be required by a new standard that has been issued but not yet adopted. None of the new or amended standards in the 2017/18 Code are expected to have a material impact on the information provided in the financial statements. However CIPFA has determined that there will be a change in the presentation of the narrative report so that the content adheres to specific key principles.

### 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.

### 17.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 24 hours or less from the date of acquisition and that are readily convertible 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 2016/17 was 16% (25% for 2015/16).

## 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 2017 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 31 March 2017. 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 2017 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 31 March 2017, the Authority had a balance of £6.2m (£8.4m as at 31 March 2016) 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 £2.9m (£3.1m as at 31 March 2016) 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.
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## 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.

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 charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP).

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

### **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.