

MONMOUTHSHIRE COUNTY COUNCIL

ANNUAL ACCOUNTS

2018/19

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1 NARRATIVE REPORT

1.1 Introduction

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

Key facts about Monmouthshire



Monmouthshire is the most South Eastern County in Wales covering the area from the towns of Abergavenny & Monmouth in the North to Chepstow & Caldicot in the South. It is a predominantly rural County covering an area of 880sq miles and serving a resident population of around 93,000.

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

Political and management structure

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

There are 43 locally elected councillors representing 42 wards who sit on the various committees of the Council, the current political make-up (at 31st March 2019) of the Council is 25 Conservative, 10 Labour, 5 Independent and 3 Liberal Democrat Councillors.

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

Social Care & Health

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

Children & Young People

Schools and Early Years provision, Standards and Resources.

Chief Executive's Unit

Monitoring (Legal & land charges) and Governance, Democracy & Support.

Resources

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

Enterprise

Business growth & enterprise, Tourism life & culture, Planning & housing and Operations (including waste, recycling, street cleansing, highways maintenance & street lighting).

Corporate

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

1.2 The Council's corporate aims and objectives

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

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

The Corporate plan re-states the council's purpose of building sustainable and resilient communities and has used a range of evidence to set out the direction the Council will take to deliver services now and plan for the long term future of Monmouthshire.

The plan sets five priority goals and includes a number of programmes of work, twenty-two in total, which the Council is committed to between now and 2022. The five goals are:

- best possible start in life;
- thriving and connected communities;
- natural and built environment;
- lifelong well-being;
- future-focused council

Further details of the Corporate Plan can be found at: <https://www.monmouthshire.gov.uk/improvement>

1.3 Financial Performance for the Year

Revenue Budget for 2018/19

The net revenue budget of £157.8m was financed from council tax, government grants, business rates & fees and supplemented by charges for services. The Council has a good track record of managing within approved budgets and has carefully managed its services during the year to achieve a balanced outturn position.

The revenue outturn produced an underspend position of £50,000 against the approved budget and this was transferred to Earmarked reserves to support future service provision, resulting in a balanced outturn position. Further details on the outturn position are provided in the June Cabinet report.

| | Revised Budget | Actual | Variance |
|--|----------------|------------|--------------|
| | £000 | £000 | £000 |
| Net Expenditure: | | | |
| Net cost of services (internal management reporting) | 150,271 | 150,391 | 120 |
| Attributable costs – Fixed Asset Disposal | 118 | 118 | 0 |
| Interest and Investment Income | (56) | (243) | (187) |
| Interest Payable and Similar Charges | 3,448 | 3,531 | 83 |
| Charges Required Under Regulation | 4,562 | 4,533 | (29) |
| Earmarked Contributions to/(from) Reserves | (531) | (480) | 51 |
| Financed by: | | | |
| General government grants | (63,091) | (63,091) | - |
| Non-domestic rates | (30,177) | (30,177) | - |
| Council tax | (70,838) | (70,740) | 98 |
| Council Tax Benefit Support (included in NCS) | 6,294 | 6,158 | (136) |
| Council Fund (surplus)/deficit - Non-Schools | 0 | 0 | 0 |
| Council Fund (surplus)/deficit - Schools | 643 | 408 | (235) |
| Council Fund (surplus)/deficit - Total | 643 | 408 | (235) |

The net cost of services in the table above of £150.39m is reported on a management accounting basis, i.e. the same basis as the budget reports used for internal reporting during the year. The figure for the net cost of services in the Comprehensive Income and Expenditure (CIES) of £173.85m is different because it is prepared on a financial accounting basis, which is specified by accounting guidelines.

Note 11.1 to the accounts shows how the figures reconcile.

Level of general and specific reserves/balances

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

| Reserves & balances | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 |
|--|-----------------|-----------------|-----------------|
| Council Fund Balance | 7,111 | 7,110 | 7,111 |
| School Balances | 269 | 175 | (232) |
| Earmarked Reserves | 6,870 | 6,390 | 5,549 |
| Service Reserves | 278 | 147 | 403 |
| Trading Accounts | 655 | 837 | 661 |
| Total Usable Reserves & balances available for Revenue Purposes | 15,184 | 14,660 | 13,491 |

Capital expenditure & financing

In addition to revenue spending the Council also spent £70.3m on its assets which is detailed below along with the corresponding finance streams:

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| | Expenditure | |
| 35,306 | Schools modernisation programme | 21,522 |
| 4,471 | Infrastructure | 10,391 |
| 2,839 | Asset management schemes | 34,360 |
| 436 | Other | 519 |
| 1,027 | Inclusion schemes | 1,256 |
| 65 | ICT schemes | 560 |
| 2,632 | Regeneration schemes | 1,284 |
| 1,356 | Vehicles | 420 |
| 48,132 | Total Expenditure | 70,311 |
| | Financing | |
| (17,325) | Capital receipts | (8,510) |
| (15,445) | Borrowing and Finance Lease Commitments | (44,625) |
| (15,099) | Grants and Contributions | (16,895) |
| (264) | Revenue and Reserve Contributions | (281) |
| (48,132) | Total Financing | (70,311) |

Significant capital receipts

The most significant capital receipts received in 2018/19 were £5.7m for Rockfield Farm (Undy) and £2.7m for Crick Road. All other receipts totalled £0.9m. The Council currently ring fences all capital receipts to support the Schools modernisation programme.

Revaluation and disposals of non-current assets

The Council has a policy of revaluing all Land & Building assets every five years on a rolling programme. During 2018/19 the valuations included Primary Schools, Recreational Spaces, Oak Grove Solar Farm, Castlegate Business Park, Newport Leisure Park, Abergavenny Youth & Community Centre and Drybridge House.. The programme for subsequent years is as follows:

- 2019/20 – Comprehensive schools, Car parks, Community centres, Associations & clubs
- 2020/21 – Leisure centres, Public conveniences, Hubs, Refuse tips, Residential homes & Sheltered housing

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

During the year the value of our assets has increased from £362.5m to £392.3m, arising from recognising the in-year asset enhancing spend of £68m; the rolling programme of revaluations decreasing their held value by £16.9m; depreciation of £11m and the sale of assets valued at £10.3m. Further details of these movements are outlined in note 12.1.

Borrowing arrangements and sources of funds

The Council's overall borrowing, on a principal valuation basis, totalled £179.4m as at 31st March 2019 (£129.9m as at 31st March 2018), comprising of the following:

| 31st March 2018 £000 | | 31st March 2019 £000 |
|-------------------------------|---------------------------|-------------------------------|
| 52,415 | Public Works Loan Board | 86,483 |
| 14,816 | Market Loans & Bank loans | 13,815 |
| 5,210 | Welsh Government | 4,683 |
| 47,891 | Local Government bodies | 71,416 |
| 4,538 | Special Purpose Vehicle | 3,000 |
| 5,000 | Universities | 0 |
| 129,870 | Total borrowing | 179,398 |

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

Collection of Council Tax and Non-Domestic Rates

The Council Tax bill for Monmouthshire County Council in 2018/19 (including amounts raised for Police and Community Councils) was £1,538.93 (£1,466.49 in 2017/18) for properties in valuation Band D. We collected 97.8% in year of the total due (98.2% 2017/18). Our collection rate for Non-Domestic Rates was 97.7% in 2018/19 (97.7% in 2017/18). During the year £207,000 Council Tax and £284,000 Non-Domestic Rates' debts were written off (£149,000 and £368,000 in 2017/18).

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 £268,213,000 (£217,645,000 in 2017/18). The Authority is being charged increased employer contributions in order to contribute to the redressing of the balance of the pension fund. Further details are given in section 14 of the notes to the Accounts.

1.4 The Financial Outlook

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

2019/20: In setting its 2019/20 revenue budget the Council was required to make difficult choices regarding service delivery and Council Tax levels. As part of the process the Council approved an annual Council Tax increase of 5.95%, which increased the annual band D charge by £73.88 to £1,315.64 (excluding amounts raised for Police and Community Councils). It also approved £4.8m of savings measures to ensure that the approved budget is delivered.

The Medium Term: The medium term prognosis is still of concern, there are no indicative settlement figures published which significantly impedes and impacts on forward planning of budgets over the medium term. The MTFP for 2020/21 onwards continues to factor in funding reductions of 1.8%, so that planning can be undertaken on a prudent basis.

In respect of the Council's forward capital programme this has been constructed to principally support the Schools modernisation programme, Disabled Facilities Grants, Asset management and Infrastructure, with some £65.7m (including contributions to the Cardiff Capital Region City Deal initiative) forecast to be spent from 2019/20 to 2022/23.

Cardiff Capital Region City Deal (CCRC)

The Council continues to be an active member of the Cardiff Capital Region City Deal initiative, which will invest £1.2 billion into the wider area over a 20 year period. This investment comprises the £734 million METRO scheme managed by the Welsh Government and the wider £495 million Investment Fund, comprising the ten constituent councils. In relation to the investment fund the Council will make a 6.1% contribution to the required £120 million fund based upon its proportion of the regional population, and fund the annual costs of this investment. The Investment fund is the responsibility of the CCRC Regional Cabinet.

Brexit

There continues to be a high degree of uncertainty about the impact of the decision for Britain to leave the European Union. The Authority continues to monitor and risk manage the possible impact of the exit agreement negotiations, however, at the present moment the Authority has concluded that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired.

1.5 The Accounting Statements

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

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

- The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

- The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

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

Notes to the Accounts

The core financial statements outlined above are supported by notes to further assist the reader in interpreting the Authority's financial position for the year ended 31st March 2019. The notes are sectioned to aid the user of the accounts to navigate the extensive supporting notes.

Mark Howcroft
Assistant Head of Finance (Acting S151 Officer)

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 line with statute this is the Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

2.2 The Section 151 Officer's Responsibilities

The Section 151 Officer 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 Section 151 Officer 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 Section 151 Officer has also:

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

APPROVAL OF STATEMENT 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 2019 and its income and expenditure for the year ended 31st March 2019.

Mark Howcroft
(Acting) Section 151 Officer

Date

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

Cllr Peter Fox
Leader of the Council

Date

ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Monmouthshire CC

Annual Governance Statement 2018-19

May 2019

Executive Summary

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

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

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

It is also recognised that there is further work to do. Progress against the 2017/18 action plan is shown at Appendix 1. The main areas for improvement in 2018/19 identified by the Council are:

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

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

- 1 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) and the Society of Local Authority Chief Executives and Senior Managers (S.O.L.A.C.E.), the 'Delivering Good Governance in Local Government Framework 2016' and Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.
- 2 The Statement itself demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving, but also recognise that there is further work to do. Progress against the 2017/18 action plan is shown at Appendix 1. The main areas for improvement in 2018/19 identified by the Council are shown in the action plan shown at Appendix 2.

Scope of Responsibility

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

The Purpose of the Governance Framework

- 6 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its population outcomes, priorities and objectives and to consider whether those objectives have met the outcomes and led to the delivery of appropriate, cost effective services.
- 7 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, outcomes and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 8 The governance framework has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

The Governance Framework

9 The Council's Corporate Governance is 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

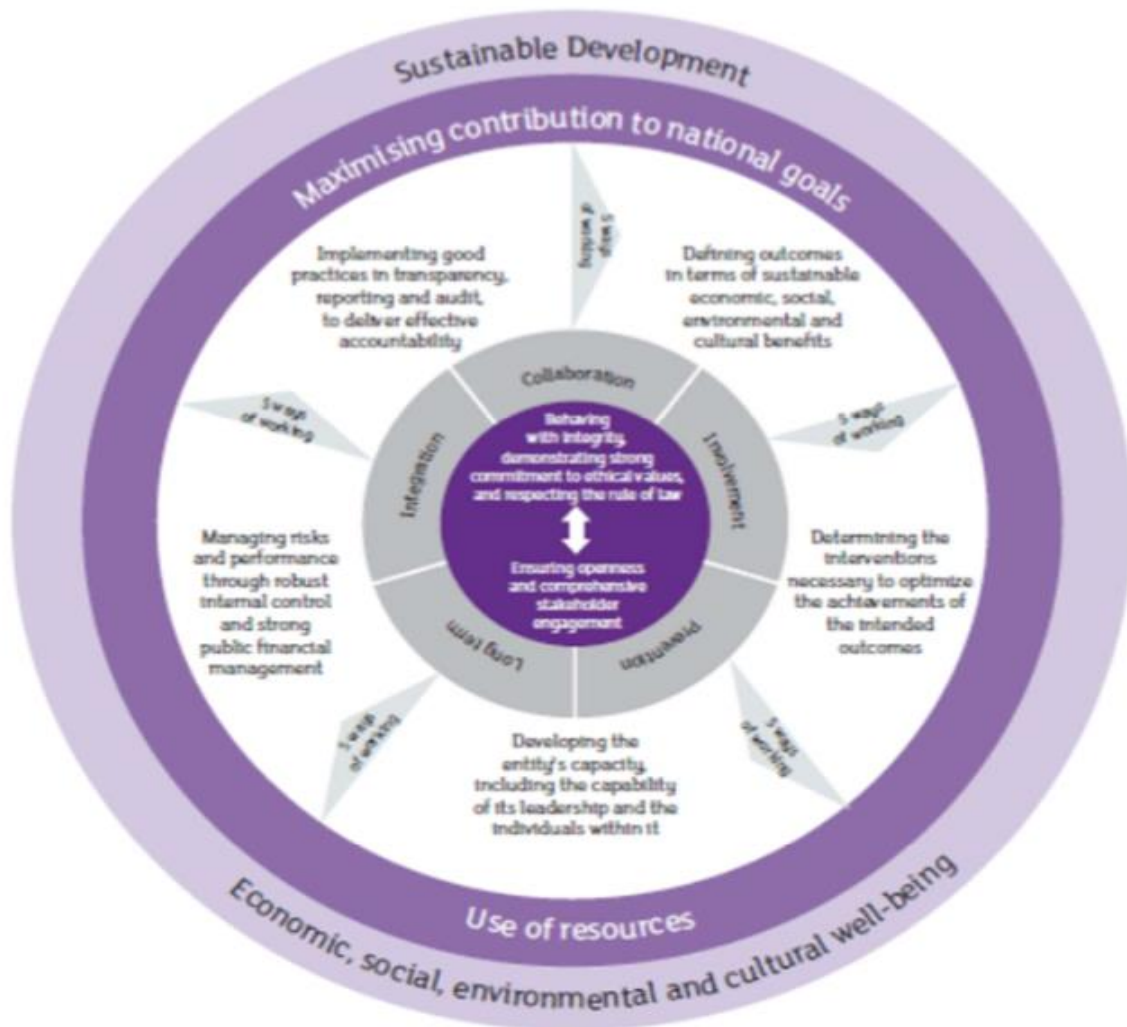
In addition achieving good governance in the Council requires effective arrangements for:

- 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 its Corporate Plan 2017-2022, "A Monmouthshire that works for everyone" which was approved by Council in February 2018, and incorporates the previous elements of the Council's Improvement Plan. A six month progress update was presented to Cabinet (December 2018) to provide an overview of progress being made in 2018/19 to deliver the commitments set out in the Corporate Plan. The Council's five priorities are:

The best possible start in life,
Thriving and well connected county,
Maximise the potential of the natural and built environment,
Lifelong well-being,
Future-focused Council

- 13 The PSB has approved four well-being objectives that underpin a clear purpose of "building sustainable and resilient communities". The objectives are:

- Provide children and young people with the best possible start in life
- Respond to the challenges associated with demographic change
- Protect and enhance the resilience of our natural environment whilst mitigating and adapting to the impact of climate change
- Develop opportunities for communities and businesses to be part of an economically thriving and well-connected county.

- 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 and report annually on its progress.
- 15** An update on the emerging actions being developed to deliver the objectives contained in Monmouthshire's Well-being Plan was taken to PSB in July 2018, October 2018, January 2019 and March 2019.

Review of Effectiveness

- 16** The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team within the Authority which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 17** The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 18** The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:
- i) The Monitoring Officer reviewed the Council's Constitution and ethical governance arrangements with the Constitution being revised and approved by Council in December 2017;
 - ii) periodic reviews of the financial controls including the financial procedure rules by the Chief Finance Officer (Head of Finance); financial procedure rules were approved by Council in September 2014;
 - iii) Whole Authority Strategic Risk Management Assessment and amendments to the Policy were approved by Cabinet in March 2019;
 - iv) Formal risk management and regular ongoing review of the processes involved reported through Audit Committee
 - v) Scrutiny conducted a self-evaluation and Peer Review with several other councils during Spring 2017 as part of its 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 Corporate Plan and service plans and of key targets, and reporting of this to senior management and members;
 - xii) Audit Committee annual report (Council July 2018);
 - xiii) Corporate Safeguarding Policy taken through Council May 2018;
 - xiv) Annual appraisal of the effectiveness of the authority's performance management arrangements reported annually to Audit Committee.
 - xv) Chief Officer for Children and Young People's Annual Report presented to Council April 2018; Director of Social Services Annual Report presented to Council July 2018; Wellbeing Objectives and Statement Annual Report presented to Council September 2018.
 - xvi) Updated policies and strategies reported through Cabinet and Council

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

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

- 20 The code of conduct for members and a protocol on member / officer relations are set out in the constitution. A new version of the code of conduct for members was adopted by Council in May 2016. The council also has a local protocol for the self-regulation of member conduct.
- 21 The Standards Committee, which includes a majority of independent representatives, advises on and monitors the Members' Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members.
- 22 The Public Service Ombudsman Wales Annual Report (2017/18) was presented to the Standards Committee in December 2018. Four Code of Conduct issues were referred to the PSOW; three were closed after initial consideration, one was referred to adjudication.
- 23 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.
- 24 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.
- 25 There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.
- 26 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.
- 27 A Scrutiny and Executive Protocol is in place which is aligned to the updated constitution of December 2017 and provides parameters for effective executive and scrutiny relationships.
- 28 The Constitution is updated periodically by the Monitoring Officer; it was reviewed and updated during 2017/18, and approved by Council in December 2017; it continues to be reviewed. It can be found on the Council's website and sets out:

- how the Council operates and makes decisions,
 - the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders,
 - the key roles of all members and chief officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated chief officers,
 - a scheme of delegated powers for decision-taking
 - responsibilities for reviewing and agreeing the Council's corporate governance arrangements,
 - arrangements for ensuring it is regularly reviewed and updated
 - its related codes and protocols.
- 29 To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; to ensure sound financial management is a key factor in decisions, the Head of Finance attends SLT, Cabinet and Council meetings.
- 30 The ethical governance framework includes:
- codes of conduct for officers and members
 - a protocol governing Member/Officer relations,
 - a whistle-blowing policy widely communicated within the Council and which is regularly reviewed [reviewed and approved by Cabinet June 2017]
 - registers of personal and business interests for Members
 - an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied.
 - equalities awareness training
- 31 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
- 32 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.
- 33 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.
- 34 32 Internal Audit opinions were issued in 2018/19; 6 audit jobs resulted in **Limited** assurance.
- 35 The overall opinion on the adequacy of the internal control environment for 2018/19 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 2018/19 were as follows:
-

| | 2016-17 | 2017-18 | 2018-19 |
|---------------------------------------|-----------|-----------|-----------|
| Substantial Assurance (Very Good) | 3 | 2 | 2 |
| Considerable Assurance (Good) | 10 | 11 | 11 |
| Reasonable Assurance | 7 | 16 | 13 |
| Limited Assurance (Unsatisfactory) | 7 | 8 | 6 |
| | | | |
| Total | 27 | 37 | 32 |

- 36 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.
- 37 The Internal Audit team had a full complement of staff for the full year; 84% of the 2018/19 plan was achieved, which was an improvement on the previous year (82%). 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.
- 38 The Internal Audit team continued to ensure its compliance with the Public Sector Internal Audit Standards (PSIAS). This was validated through a peer review process at the end of 2017/18 undertaken by the Chief Internal Auditor for Neath Port Talbot Council; the outcome of which was that the team are generally compliant, the highest level of compliance.
- 39 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. Performance is reported through Select Committees and Cabinet.
- 40 The strategies which support this Framework include the Asset Management Plan, People Strategy, Local Development Plan, Financial Plan, Digital & Customer Strategy, Economy & Enterprise Strategy which are delivered through service business plans and employee aims & objectives, evaluated and risk assessed.
- 41 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

- 42 The agendas are published in advance of all meetings on the Council's website.
- 43 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.
- 44 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.
- 45 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 has a Twitter account to help engage more effectively with the public on democracy.

- 46 Public engagement events continued in 2018/19 for the budget proposals. 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.
- 47 Monmouthshire Public Service Board updated its Well-being Assessment for the county 2018/19 and reported progress into the Board regularly in the year. This will help to shape the future of the area and its communities by informing the Public Service Board's Well-being plan which sought the views of Monmouthshire residents. The assessment draws together findings from data, academic research and policy papers and the views of local people.
- 48 Our Monmouthshire, updated October 2018, is about all of us addressing the needs of the future as well as current generations. People in Monmouthshire were asked *what's good about your community and what would make it better, now and in the future*. These views help MCC make sure it addresses some of the really big challenges that Monmouthshire faces in coming years.
- 49 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, Corporate Plan progress, Council activities, achievements, developments, updates and events were included on the Council's intranet and website, with all Council, Cabinet, Audit Committee and Select Committees now live streamed on YouTube. 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.
- 50 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.
- 51 The Council's website contains links to the following areas in the interests of openness.

Data published by Monmouthshire County Council

- [List of expenditure over £500](#)
- [Our spend data as a useful dashboard](#)
- [Food hygiene ratings](#)
- [Business Property Data Set](#)
- [List of Primary Schools in Monmouthshire](#)
- [List of Secondary Schools in Monmouthshire](#)

- 52 The Medium Term Financial Plan (MTFP) supports the vision for Monmouthshire and extensive public engagement continued in 2018/19 for the 2019/20 budget and Medium Term Financial Plan which engaged with the public in their own community; this included website, social media, drop in sessions YouTube and open meetings. These were key to providing people with the opportunity to become informed.

- 53 During 2018/19 the Public Service Board (PSB) agendas and minutes were published online on the MCC website to ensure transparency.
- 54 Public engagement and consultation is key to the WFG Act. One of the five ways of working is Involvement - *the importance of involving people with an interest in achieving the well-being goals, and ensuring that those people reflect the diversity of the area which the body serves*. This along with the other ways of working is now considered in all relevant decision making reports for Cabinet and Council through a Future Generations Evaluation which includes Equalities and Sustainability Impact Assessments. The progress of implementing the WFG Act was reported through the PSB and Cabinet in 2018/19.
- 55 Implementing Open Government standards which enable us to effectively engage with our citizens and open up our data for anyone who needs to use it. Making the most of digitisation and digital inclusion to enable us to engage with people across our County.

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

- 56 The Council's previous Improvement Plan and its improvement objectives were incorporated into the Corporate Plan for 2018/19. The Corporate Plan also references and links to the Well-being Plan.
- 57 Monmouthshire County Council has a strong sense of character and purpose. It shapes this in line with the goals and ambitions of its partners in other public services such as the NHS, Police, Public Health, housing associations and the Fire and Rescue Service. These and many more organisations are part of the Monmouthshire Public Service Board (PSB). Combining the ingenuity and initiative of all partners is key to finding new solutions to pressing, social, economic and environmental problems. This sense of 'power of the collective' is central to its core purpose, reflected in its values and embodied in its culture.
- 58 The Well-being Plan sets out the vision of the Public Service Board – a partnership of the key public service providers in Monmouthshire which includes the Council. The four identified objectives are:
- Provide children and young people with the best possible start in life
 - Respond to the challenges associated with demographic change
 - Protect and enhance the resilience of our natural environment whilst mitigating and adapting to the impact of climate change
 - Develop opportunities for communities and business to be part of an economically thriving and well connected county.
- 59 Under the Well-being of Future Generations (Wales) Act 2015 The Council has a responsibility to:
- Set and publish well-being objectives
 - Take all reasonable steps to meet those objectives
 - Publish a statement about well-being objectives
 - Detail arrangements to publish an annual report of progress
- 60 In March 2018 Council approved the Council's Well-being Plan and endorsed the Area plan.. The well-being objectives set bring together the latest evidence from the well-being assessment, policy and legislation and show how the Council will strive to deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs. The Well-being Objectives and Statement Annual Report (2017/18) was approved by Council in September 2018.
- 61 The Corporate Plan Objectives for 2017 to 2022 are supported by service plans to operationally deliver these objectives. Service plans were developed in 2018/19 covering all service areas and were updated quarterly and made available on the Council's Hub intranet site. These were quality assessed as part of the service planning process. All service plans include a direct link to the Council's Well-being objectives.

- 62 In February 2019 Council received the report to approve the continuation of the five goals set in the Corporate Plan in 2018 as the Council's objectives for 2019-20 to comply with the Local Government (Wales) Measure 2009.
- 63 Wales Audit Office presented its Annual Improvement Report to Audit Committee in September 2018. WAO has carried out work with all councils on improvement assessment, the Wellbeing of Future Generations Act, the service user and scrutiny as well as some local work. Wales Audit Officers have reported to Audit Committee on work completed from previous years at Monmouthshire. It concluded that the Council meets its statutory requirements for continuous improvement and there are no formal recommendations
- 64 Reports were taken through the scrutiny Select 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 are available through the Council's website.
- 65 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 was undertaken 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. Well-being and Future Generations continued to be a key theme and foundation through the reporting processes in 2018/19.
- 66 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. The Council's website was further developed to make it easier to navigate and includes more transactional functions. Social media continued to thrive during 2018/19 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.
- 67 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) continued to be a key aspect of improving services throughout 2018/19. Outcomes are measured via the Digital Programme Office Service plan and performance planning process.
- 68 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 21st 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.
- 69 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.
- 70 The MTFP process for 2019/20 to 2022/23 was reviewed and approved by Cabinet in November 2018. The Capital Strategy Assessment 2018/19 and Draft Capital Budget Proposals 2019/20 to 2022/23 were taken to Cabinet in December 2018. Draft Revenue Budget Proposals 2019/20 also went to Cabinet in December 2018. Final Proposals went to Cabinet in February 2019. The budget was set in January 2018 by Council for 2018/19. Ongoing scrutiny of the Council's budget position in line with the MTFP has provided members with a greater understanding of the budget setting process and the pressures within individual directorates.
- 71 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.

- 72 An Overview of Performance Management Arrangements was reported to Audit Committee in November 2018. This was an update on the current effectiveness of the Authority's performance management arrangements. It provides an appraisal of the arrangements that make up the performance framework to ensure that Audit Committee are able to take an overview of their effectiveness. Each arrangement has been scored based on the council's self evaluation framework; the key elements were all scored *adequate or good*, no measure was scored *weak or unsatisfactory*.
- 73 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/>)
- 74 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 2018/19 which have been published on the website accompanying decision making reports.
- 75 The WAO reported on their follow on review of Good Governance when determining significant service changes, through Audit Committee in July 2017. They concluded that the Council has a clear strategic approach for significant changes, although, better information would help Members when deciding the future shape of the Council.

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

- 76 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).
- 77 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.
- 78 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 – 2018/19 were taken through Select Committees six monthly. The Strategic Risk Assessment 2018 was also taken through Select Committee, Audit Committee and signed off by Cabinet during the year.
- 79 Dealing with customer complaints helps Monmouthshire to identify and deal with failures in service delivery. The Council's complaint / compliment procedure is available on the web site. Out of 87 complaints received in 2017/18, 74 were resolved informally although 1 complaint was referred to the Ombudsman, who decided not to investigate. 13 formal complaints were received, 2 of which were escalated. 123 comments were received along with 189 compliments.

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

- 80 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. This is complemented by the People Strategy, endorsed by Cabinet July 2018 having gone through scrutiny select consultation.
- 81 Developing the digital capabilities of people and systems to enable effectiveness, efficiency and enhanced customer services (measured via the Digital Programme SIP)
- 82 There is continued support for Members' development through briefing sessions and other learning opportunities. A comprehensive training programme was developed for the intake of new members following Council elections in May 2017 including:

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

- 83 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.
- 84 Scrutiny Member Development programme is in place which provides ongoing specific skills based training for Members and includes scrutiny induction.
- 85 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

- 86 There is Council policy on information sharing along with numerous information sharing protocols with our partners; this is included within the Data Protection Policy. Information sharing is key to joined-up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Monmouthshire signed up to this in January 2011. The Authority is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 1998 and more recently, the General Data Protection Regulation 2018. The Information Sharing protocol has been developed to ensure information is only shared appropriately, safely and compliantly.
- 87 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.
- 88 As a key example of our commitment to effective governance, arrangements have been developed for the PSB Select Committee.
- 89 A Partnership Audit was undertaken and reported into the Audit Committee in May 2014; 100 partnership / collaboration arrangements were identified. 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.
- 90 The Community & Partnership Development Team was developed in order to help build sustainable and resilient communities that support the wellbeing of current and future generations in Monmouthshire which is a shared purpose with the public service board partners. The Team work with communities

and partners to help bring about social change and improve the quality of life in the county. The team act as enablers, unlocking potential and supporting sustainability through collective impact; providing a resource and tangible link between local communities and a wide range of partners; enabling the delivery of measurable and sustainable programme of activities that will constantly look to the future. The team will ensure MCCs statutory duties are fulfilled across the partnerships landscape in relation to:

- Crime & Disorder Act & Community Safety
- VAWDASV & DHR's
- UNCRC & Youth Support Services
- Older Peoples Phase 3 Strategy
- Armed forces Community Covenant
- Delivery of PSB wellbeing objectives
- Working closely with partners and communities to deliver a joined up approach against our Social Justice Strategy

91 WAO's Corporate Assessment on the Council, reported through Audit Committee in January 2016, stated "The Council demonstrates ambition in its vision, enthusiasm to deliver and commitment to working collaboratively, but this needs to be supported by a clearly joined-up strategic approach and effective delivery mechanisms." In May 2016 Cabinet agreed to commission a strategic programme of whole-authority work called 'Future Monmouthshire'. Future Monmouthshire identified shifts and changes needed in Monmouthshire and positioned the Council as the key enabler in bringing them about. It will inform the development of a new business model for the Council in order to equip it to meet its goals amidst increasing change and uncertainty. This model continues to 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

92 There are robust arrangements for effective internal 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 Procedure Rules. 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.

93 Wales Audit Office made a proposal for improvement to the Council as part of their Annual Improvement Report 2014-15, published in November 2015, to "Strengthen the governance and challenge arrangements by: ensuring that minutes of meetings are signed at the next suitable meeting in accordance with the Council's constitution to improve timeliness and transparency of public reporting; and reconsider the Council's policy of not formally minuting Cabinet meetings". All agendas are published in advance on the Council's website and the Cabinet meetings are live streamed.

94 In July 2017 Wales Audit Office reported to Audit Committee that the "Council has a clear strategic approach for significant service changes, although better information would help Members when deciding the future shape of the Council".

95 In its Annual Improvement Report 2017/18, reported to Audit Committee September 2018, WAO concluded that:

| WAO Area of Review | WAO Conclusion |
|---|---|
| February 2018 Aligning the Levers of Change – Current Successes and Remaining Challenges | The Council is keen to innovate to achieve the potential benefits of shared services and technological approaches, and learn lessons from recent projects and experiences to help it further improve. |

| | |
|---|---|
| | [no Proposals for improvement] |
| August 2018 'Scrutiny: Fit for the Future?' Review | The Council is continually developing its scrutiny function and is aware of future challenges, but support arrangements for the Public Service Board scrutiny committee need to be strengthened. [x5 Proposals for improvement] |
| November 2017 Review of Asset Management | The Council has a good understanding of its assets, however it lacks a strategic approach and effective information technology to support the management of its assets. [x1 Proposal for improvement] |
| December 2017 Information Management | The Council has information management arrangements that could support improvement, but these need strengthening before their benefits can be fully realised. [x5 Proposals for improvement] |
| August 2018 Whole Authority review of children's safeguarding | Children's safeguarding policy and procedures have recently improved, but there are shortcomings in some critical areas of policy and operation. [x4 Proposals for improvement] |
| November 2017 Annual audit letter 2016-17 | <ul style="list-style-type: none"> • The Council complied with its responsibilities relating to financial reporting and use of resources • the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources • our work to date on certification of grant claims and returns had not identified any significant issues that would impact on the 2015-16 accounts or key financial systems. |
| May 2017 Wales Audit Office annual improvement plan audit | The Council has complied with its statutory improvement planning duties. |
| October 2017 Wales Audit Office annual assessment of performance audit | The Council has complied with its statutory improvement reporting duties. |
| | |

96 The anti-fraud, bribery and corruption strategy was revised and updated during 2017/18. It was approved by Cabinet July 2017 and provides a deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention. The Council's Council Tax Reduction Anti-Fraud Policy

was approved by Cabinet in June 2015. A training package is being developed to roll out to all managers and raise awareness of anti-fraud, bribery and corruption issues.

- 97** 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.
- 98** 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.
- 99** The Chief Internal Auditor continues to ensure Internal Audit complies with the Public Sector Internal Audit Standards. A self assessment was undertaken during 2017/18 to assess compliance with the Standards which was validated in March 2018 by an external assessor, the Chief Internal Auditor of Neath Port Talbot Council. The outcome of which was that the Internal Audit team is generally compliant, the highest level of compliance.
- 100** The Council has an objective and professional relationship with its external auditors and statutory inspectors. It manages its information resource through strategies and policies to enable effective decision making which is managed via the Information Strategy and action plan.

Risk management

- 101** The Council's Strategic Risk Management Policy was updated and approved by Cabinet in March 2018 and March 2019. The revisions provide greater clarity on how the risk levels are to be assessed. The policy requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing high level strategic risks to the Council's priorities, services and major projects. The risk controls necessary to manage them are identified and monitored to ensure risk mitigation.
- 102** Within the Council the purpose of risk management is to:
- preserve and protect the Council's assets, reputation and staff
 - aid good management of risk and support whole authority governance
 - aid delivery of it's population outcomes internally and when working with partners
 - improve business performance and anticipated risks in delivering improvements
 - avoid unnecessary liabilities, costs and failures
 - shape procedures and responsibilities for implementation.

The strategic risk assessment ensures that:

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

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

Assessment in 2018/19 was also taken through Select Committee, Audit Committee and signed off by Cabinet during the year.

103 The Council's Strategic Risk Assessment for 2018/19 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 (March 2019).

| Ref | Risk | Year | Risk Level (Pre – mitigation) | Risk Level (Post – mitigation) |
|-----|--|---------|-------------------------------|--------------------------------|
| 1 | The authority does not remain relevant and viable for future generations due to not having a sustainable delivery model. | 2018/19 | Medium | Low |
| | | 2019/20 | Medium | Low |
| | | 2020/21 | Medium | Low |
| 2 | Without appropriate and effective governance infrastructure the Council may not deliver its objectives. | 2018/19 | Medium | Low |
| | | 2019/20 | Medium | Low |
| | | 2020/21 | Low | Low |
| 3 | The Council and partners do not make sufficient progress to improve well-being through regional and partnership working. | 2018/19 | Medium | Medium |
| | | 2019/20 | Medium | Medium |
| | | 2020/21 | Medium | Low |
| 4 | Some services may become financially unsustainable in the short to medium term due to increasing demand and continuing financial pressures | 2018/19 | Medium | Low |
| | | 2019/20 | Medium | Low |
| | | 2020/21 | Medium | Low |
| 5 | The authority is unable to deliver its political priorities due to insufficient capital funding availability which may also lead to risks of maintaining key infrastructure and other identified pressures. | 2018/19 | Medium | Medium |
| | | 2019/20 | Medium | Medium |
| | | 2020/21 | High | Medium |
| 6 | Our workforce is not sufficiently resourced and does not have the right mix of skills and issues with recruitment and retention in certain service areas impacts our ability to deliver change, improve performance and deliver our objectives. | 2018/19 | Medium | Medium |
| | | 2019/20 | Medium | Medium |
| | | 2020/21 | Medium | Low |
| 7 | Significant harm to vulnerable children or adults due to failure of safeguarding arrangements | 2018/19 | Medium | Medium |
| | | 2019/20 | Medium | Medium |
| | | 2020/21 | Medium | Medium |
| 8 | The robust delivery of the Council's corporate parenting responsibility and services related to safeguarding vulnerable children as a result of an increase in demand and complexity in cases in Children's services. | 2018/19 | Medium | Medium |
| | | 2019/20 | Medium | Medium |
| | | 2020/21 | Medium | Medium |
| 9a | Failing to meet the needs of all learners, including specific groups of vulnerable learners, due to Monmouthshire's schools' methods of learning not adequately adapting to changes in curriculum and examination requirements | 2018/19 | Medium | Medium |
| | | 2019/20 | Medium | Medium |
| | | 2020/21 | Medium | Low |
| 9b | The Authority fails to provide sufficient support to promote equity and pupils' well-being which may result in children & young people not achieving their full potential | 2018/19 | Medium | Medium |
| | | 2019/20 | Medium | Medium |
| | | 2020/21 | Medium | Low |
| 10a | Information security breaches due to mismanagement of information or external parties gaining access to the network could result in critical and sensitive data being lost, compromising the delivery or availability of Council services and the interaction with external agencies and partners. | 2018/19 | Medium | Medium |
| | | 2019/20 | Medium | Medium |
| | | 2020/21 | Medium | Medium |

| | | | | |
|-----|---|---------|--------|--------|
| 10b | Not adequately transitioning to the requirements of the General Data Protection Regulation resulting in reputational damage and risk of fines to the Council | 2018/19 | Medium | Medium |
| | | 2019/20 | Medium | Low |
| | | 2020/21 | Medium | Low |
| 11a | A lack of appropriate infrastructure in the County to meet future needs due to key Local Development Plan housing policy targets not being met, in conjunction with the County's changing demography and weak economic base, and other external changes such as removal of the Severn Bridge tolls impacting on the county. ICT infrastructure is also important to meet future needs and this has been identified as a specific related risk below (risk 11b) | 2018/19 | Medium | Medium |
| | | 2019/20 | High | Medium |
| | | 2020/21 | High | Low |
| 11b | Insufficient ICT infrastructure and skills in the county have the potential to lead to social and economic disadvantages | 2018/19 | Medium | Medium |
| | | 2019/20 | Medium | Medium |
| | | 2020/21 | Medium | Medium |
| 12 | Political, legislative and financial uncertainty for council services and local businesses as a result of the UK leaving the European Union. | 2018/19 | High | High |
| | | 2019/20 | High | High |
| | | 2020/21 | High | High |
| 13 | The authority cannot deliver its services due to potential internal/external factors – resulting in service disruption due to lack of Business Continuity planning. | 2018/19 | Medium | Medium |
| | | 2019/20 | Medium | Medium |
| | | 2020/21 | Medium | Medium |

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

- 104** The South East Wales Education Achievement Service (EAS) Business Plan 2018-2020 was presented to Cabinet in March 2018. The plan sets out the priorities, programmes and outcomes to be achieved by the EAS on behalf of the South East Wales Consortium.
- 105** The updated People Strategy was endorsed by Cabinet in July 2018; this is the overarching framework for People and Organisational Development which supports its role in ensuring the organisation is equipped with the collective capacity, capability and mindset to meet financial and improvement challenges and respond to opportunities that present
- 106** The Council's first Commercial Strategy was endorsed by Cabinet in July 2018; The purpose of this report was to present for approval the Council's first Commercial Strategy and accompanying action plan. The strategy builds upon aspects of the Procurement, Digital and Asset Management Strategies and is a key means through which the Council can play a role in the self-determination of its future viability and sustainability.
- 107** In July 2018, the updated Digital Strategy was approved by Cabinet. MCC's first digital strategy, iCounty, was implemented in July 2014 and was based on three pillars of:
- a) Improving internal services, data delivery and infrastructure
 - b) Digitally enabled, inclusive and connected communities
 - c) Creating products and commercial assets
- 108** There have been significant developments in technology in the last 4 years, and the experience, data and evidence we have collected from our customers about the way they wish to engage and transact with us has informed this new strategy. Our workforce needs to have the digital knowledge and skills to build in end-to-end automated customer services and business processes. We need to reduce demand through self-service facilities and provision of accurate, relevant data and information that people can use with confidence to make decisions.

- 109** Also in July 2018, the Council's latest iteration of its Procurement Strategy was approved by Cabinet. The Strategy builds upon workshop sessions undertaken with the Economy and Development Select Committee and the aims, aspirations and priorities for procurement, identified throughout the participative process.
- 110** 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 public meetings of the Council, including Council, Cabinet, Select, Audit Committee, Planning Committee 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.
- 111** The Corporate Plan also aligns with the People, Asset Management, MTFP and SRS strategies as well as linking in with MCC's Service Plans.
- 112** 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.
- 113** The Whole Authority Report complaints, comments and compliments 2017/18 was presented to Audit Committee in January 2019 which identified the number and types of feedback received and dealt with from 1 April 2017 until 31 March 2018. The report also provided a summary of the number of Freedom of Information Act (FOI) requests received and dealt with by the Council during this period.

Information Governance

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

Main areas for Improvement

119 The Council will continue to monitor and review its governance arrangements and identify any gaps. These will be addressed during the year to further strengthen governance in Monmouthshire County Council:

- continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;
- Revise and update the Code of Corporate Governance and get it formally approved by Cabinet
- The Council will work through the WAO Proposals for improvement in the following areas:
 - Scrutiny: Fit for the Future?
 - Review of Asset Management
 - Information Management
 - Whole Authority review of children’s safeguarding

Action Plan 2017/18

120 Appendix 1 shows how the 2017/18 Action plan areas for improvement have been addressed during 2018/19.

121 An Action Plan for 2018/19 has been developed to capture known gaps in the Council’s governance arrangements; the areas for improvement will be reviewed and considered during 2019/20 to further enhance the Council’s governance arrangements. This is shown at Appendix 2.

Monitoring & Evaluation

122 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: **2019**
Leader

Signed: **2019**
Chief Executive

Appendix 1

Progress against 2017/18 AGS Action Plan

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

| Governance Principle | Area for Improvement | Progress |
|--|--|---|
| Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | Continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules; | Internal Audit have continued to deliver training sessions within schools and on the manager's induction programme. |
| Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | The Code of Corporate Governance was last approved by Council in July 2011. This will need to be updated and approved in line with Delivering Good Governance in Local Government Framework 2016' | Outstanding. |
| Principle F: Managing risks and performance through robust internal control and strong public financial management | Improve performance management arrangements and improve strategic planning | |
| | | |

Appendix 2

Action Plan 2018/19

The following areas will be reviewed and considered during 2019/20 to further enhance the Council's governance arrangements:

| Governance Principle | Area for Improvement | Progress |
|--|--|----------|
| Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | Continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules; | |
| Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | The Code of Corporate Governance was last approved by Council in July 2011. This will need to be updated and approved in line with Delivering Good Governance in Local Government Framework 2016' | |
| Principle F: Managing risks and performance through robust internal control and strong public financial management | The Council will work through the WAO Proposals for improvement in the following areas: <ul style="list-style-type: none"> ▪ Scrutiny: Fit for the Future? ▪ Review of Asset Management ▪ Information Management ▪ Whole Authority review of children's safeguarding | |
| | | |

Monmouthshire County Council: Statement of Accounts 2018/19

| Movement In Reserves Statement for the Year Ended 31st March 2019 | | | | | | | |
|--|------|------------------------------|----------------------------|----------------------------------|-------------------------------|---------------------------|------------------------|
| | 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 2017 | | 7,380 | 7,804 | 19,152 | 34,336 | (16,660) | 17,676 |
| <i>Movement in reserves during 2017/18</i> | | | | | | | |
| Total Comprehensive Income and Expenditure | | (17,210) | - | - | (17,210) | 15,117 | (2,091) |
| Adjustments between accounting basis & funding basis under regulations | 10.2 | 16,686 | | (15,598) | 1,088 | (1,088) | - |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | | (524) | - | (15,598) | (16,122) | 14,030 | (2,091) |
| Transfers to/(from) Earmarked Reserves | 10.4 | 430 | (430) | | - | | - |
| Increase/(Decrease) in 2017/18 | | (95) | (430) | (15,598) | (16,122) | 14,030 | (2,091) |
| Balance at 31st March 2018 carried forward | | 7,286 | 7,374 | 3,554 | 18,214 | (2,630) | 15,585 |
| <i>Movement in reserves during 2018/19</i> | | | | | | | |
| Total Comprehensive Income and Expenditure | | (16,989) | - | - | (16,989) | (38,166) | (55,155) |
| Adjustments between accounting basis & funding basis under regulations | 10.2 | 15,820 | - | 1,027 | 16,847 | (16,847) | (0) |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | | (1,169) | - | 1,027 | (142) | (55,013) | (55,155) |
| Transfers to/(from) Earmarked Reserves | 10.4 | 761 | (761) | - | - | - | - |
| Increase/(Decrease) in 2018/19 | | (408) | (761) | 1,027 | (142) | (55,013) | (55,155) |
| Balance at 31st March 2019 carried forward | | 6,878 | 6,613 | 4,582 | 18,072 | (57,643) | (39,570) |

| Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2019 | | | | | | | |
|---|----------------------|-------------------------|---|-------------|---------------------------|----------------------|-------------------------|
| 2017/18 | | | | | 2018/19 | | |
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Note | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| (Restated) | | | | | | | |
| 68,843 | (10,715) | 58,127 | Children & Young People | | 77,028 | (10,963) | 66,065 |
| 63,297 | (16,174) | 47,123 | Social Care & Health | | 65,623 | (16,231) | 49,392 |
| 17,479 | (2,322) | 15,157 | Enterprise | | 55,528 | (21,057) | 34,471 |
| 42,671 | (21,562) | 21,109 | Chief Executives Unit | | 5,035 | (521) | 4,515 |
| 40,653 | (22,555) | 18,098 | Resources | | 39,303 | (21,696) | 17,608 |
| 2,579 | (343) | 2,236 | Corporate | | 2,493 | (691) | 1,803 |
| 235,522 | (73,672) | 161,851 | Cost of Services | 11.1 | 245,011 | (71,158) | 173,853 |
| | | | Other operating expenditure: | | | | |
| | | | <i>Precepts & Levies:</i> | | | | |
| 10,421 | 0 | 10,421 | Gwent Police Authority | | 10,960 | 0 | 10,960 |
| 4,301 | 0 | 4,301 | South Wales Fire & Rescue Authority | | 4,351 | 0 | 4,351 |
| 2,480 | 0 | 2,480 | Community and Town Councils | | 2,676 | 0 | 2,676 |
| 106 | 0 | 106 | National Parks | | 100 | 0 | 100 |
| 94 | 0 | 94 | Internal Drainage Boards | | 94 | 0 | 94 |
| 1,263 | (722) | 541 | Gains/losses on the disposal of non-current assets | | 115 | (593) | (478) |
| | | 17,941 | Total Other operating expenditure | | | | 17,703 |
| 17,444 | (7,858) | 9,586 | Financing and investment income and expenditure | 11.3 | 25,762 | (20,102) | 5,660 |
| | | | Taxation & non-specific grant income: | | | | |
| 0 | (67,051) | (67,051) | Council Tax | 11.5 | 0 | (70,741) | (70,741) |
| 0 | (30,419) | (30,419) | Non-domestic rates redistribution | | 0 | (30,177) | (30,177) |
| 0 | (74,698) | (74,698) | General government grants | 11.6 | 0 | (79,309) | (79,309) |
| | | 17,210 | (Surplus) or Deficit on Provision of Services | | | | 16,989 |
| | | | Other Comprehensive Income and Expenditure: | | | | |
| | | (886) | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets | 10.7 | | | 1,743 |
| | | 0 | Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income | | | | (46) |
| | | (14,231) | (Gains)/losses on remeasurement of pension assets / liabilities | 14.3 | | | 36,469 |
| | | (15,117) | Total Other Comprehensive Income and Expenditure | | | | 38,166 |
| | | 2,092 | Total Comprehensive Income and Expenditure | | | | 55,155 |

Monmouthshire County Council: Statement of Accounts 2018/19

| Balance Sheet as at 31st March 2019 | | | |
|--|---|-------------|------------------------|
| 31st March 2018 | | Note | 31st March 2019 |
| £000s | | | £000s |
| 204,599 | Other land and buildings | 12.1 | 238,607 |
| 5,245 | Vehicles, plant, furniture and equipment | 12.1 | 10,403 |
| 62,663 | Infrastructure | 12.1 | 66,086 |
| 4,235 | Community assets | 12.1 | 4,319 |
| 33,113 | Assets under construction | 12.1 | 835 |
| 911 | Surplus assets not held for sale | 12.1 | 110 |
| 4,643 | Heritage Assets | 12.7 | 4,743 |
| 45,153 | Investment Property | 12.5 | 64,682 |
| 489 | Intangible Assets | | 383 |
| 40 | Long-Term Investments | 13.1 | 60 |
| 3,144 | Long Term Debtors | 13.5 | 5,542 |
| 364,234 | Long term assets | | 395,769 |
| 10,038 | Short Term Investments | 13.1 | 11,101 |
| 242 | Inventories | | 430 |
| 21,854 | Short Term Debtors | 13.5 | 26,668 |
| 7,354 | Cash and Cash Equivalents | 15.3 | 11,313 |
| 1,450 | Assets Held for Sale | 12.6 | 2,100 |
| 40,937 | Current Assets | | 51,612 |
| (774) | Cash and Cash Equivalents | 15.3 | (103) |
| (54,958) | Short Term Borrowing | 13.1 | (72,802) |
| (31,980) | Short Term Creditors | 13.6 | (27,668) |
| (3,987) | Provisions | 13.7 | (3,560) |
| (91,698) | Current Liabilities | | (104,133) |
| (217,645) | Liability related to defined benefit pension scheme | 14.4 | (268,213) |
| (386) | Provisions | 13.7 | (535) |
| (74,912) | Long Term Borrowing | 13.1 | (106,597) |
| (1,745) | Other Long Term Liabilities | 13.1 | (2,350) |
| (1,310) | Capital Grants Receipts in Advance | 11.7(b) | (3,170) |
| (1,890) | Revenue Grants Receipts in Advance | | (1,954) |
| (297,888) | Long Term Liabilities | | (382,819) |
| 15,585 | Net Assets | | (39,570) |
| 7,286 | Council Fund Balance | 10.3 | 6,878 |
| 7,374 | Earmarked Reserves | 10.4 | 6,613 |
| 3,554 | Capital Receipts Reserve | 10.6 | 4,582 |
| 18,214 | Usable Reserves | | 18,073 |
| 46,299 | Revaluation Reserve | 10.7 | 43,062 |
| (217,645) | Pensions Reserve | 10.9 | (268,213) |
| 170,061 | Capital Adjustment Account | 10.8 | 162,863 |
| 3,000 | Deferred Capital Receipts Reserve | 10.11 | 8,168 |
| (744) | Financial Instrument Adjustment Account | | (631) |
| 0 | Financial Instrument Revaluation Reserve | | 46 |
| (3,601) | Accumulating Absence Adjustment Account | 10.10 | (2,939) |
| (2,630) | Unusable Reserves | | (57,643) |
| 15,585 | Total Reserves | | (39,570) |

Monmouthshire County Council: Statement of Accounts 2018/19

| Cash Flow Statement for the Year Ended 31st March 2019 | | | |
|--|---|-------------|-----------------|
| 31st March 2018 | | | 31st March 2019 |
| £000 | | Note | £000 |
| (Restated) | | | |
| 17,210 | Net (surplus) or deficit on the provision of services | 15.1 | 16,989 |
| (32,362) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 15.1 | (41,391) |
| 6,251 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 15.1 | 19,373 |
| (8,902) | Net cash flows from Operating Activities | 15.1 | (5,029) |
| 45,801 | Purchase of property, plant and equipment, investment property and intangible assets | | 70,287 |
| 12,038 | Purchase of short-term and long-term investments | | 11,096 |
| 1,703 | Other payments for investing activities | | 0 |
| (1,727) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | | (9,321) |
| (3,058) | Proceeds from short-term and long-term investments | | (4,871) |
| (6,352) | Other receipts from investing activities | | (17,295) |
| 48,405 | Net Cash (Inflow)/Outflow from Investing Activities | | 49,895 |
| | Financing Activities | | |
| 923 | Repayments of short and long-term borrowing | | 2,065 |
| 31 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | | 32 |
| (40,570) | Cash receipts of short and long-term borrowing | | (51,592) |
| 0 | Other receipts from financing activities | | 0 |
| (39,615) | Net Cash (Inflow)/Outflow from Financing Activities | | (49,496) |
| (111) | Net (increase) / decrease in cash and cash equivalents | | (4,630) |
| 6,468 | Cash and cash equivalents at the beginning of the reporting period | | 6,580 |
| 6,579 | Cash and cash equivalents at the end of the reporting period | 15.3 | 11,210 |

**Notes to the Accounts
for the Year Ended
31st March 2019**

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 2017 £000 | Movement in Reserve £000 | Balance at 31st March 2018 £000 | Movement in Reserve £000 | Balance at 31st March 2019 £000 |
|---|-------|---|--------------------------------|--|--------------------------------|--|
| Usable Reserves: | | | | | | |
| Council Fund balance: Authority | 10.3 | 7,111 | (1) | 7,110 | 0 | 7,111 |
| Council Fund balance: LMS School Balances | 10.5 | 269 | (94) | 175 | (408) | (232) |
| Earmarked reserves | 10.4 | 7,804 | (430) | 7,374 | (761) | 6,613 |
| Capital Receipts Reserve | 10.6 | 19,152 | (15,598) | 3,554 | 1,027 | 4,582 |
| Total Usable Reserves | | 34,336 | (16,122) | 18,215 | (141) | 18,073 |
| Unusable Reserves: | | | | | | |
| Revaluation Reserve | 10.7 | 48,771 | (2,472) | 46,299 | (3,237) | 43,062 |
| Capital Adjustment Account | 10.8 | 151,889 | 18,172 | 170,061 | (7,198) | 162,863 |
| Financial Instruments Adjustment Account | | (839) | 95 | (744) | 113 | (631) |
| Pension Reserve | 10.9 | (217,236) | (409) | (217,645) | (50,568) | (268,213) |
| Deferred Capital Receipts Reserve | | 4,000 | (1,000) | 3,000 | 5,168 | 8,168 |
| Financial Instrument Revaluation Reserve | | 0 | 0 | 0 | 46 | 46 |
| Accumulated Absences Adjustment Account | 10.10 | (3,245) | (356) | (3,601) | 662 | (2,939) |
| Total Unusable Reserves | | (16,659) | 14,029 | (2,630) | (55,013) | (57,643) |
| Total Authority Reserves | | 17,676 | (2,092) | 15,584 | (55,154) | (39,570) |

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 2018/19: | Council Fund Balance £000 | Usable Reserves £000 | Unusable Reserves £000 |
|---|------------------------------------|----------------------------|------------------------------|
| Adjustments primarily involving the Capital Adjustment Account: | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | |
| Charges for depreciation and impairment of Property, Plant and Equipment assets | 11,731 | - | (11,731) |
| Charges for impairment of Heritage Assets | 0 | - | 0 |
| Revaluation movements on Heritage Assets | 0 | - | 0 |
| Revaluation movements on Property Plant and Equipment (charged to SDPS) | 12,830 | - | (12,830) |
| Revaluation movements on Assets Held for Sale (charged to SDPS) | 62 | - | (62) |
| Movements in the market value of Investment Properties | 1,525 | - | (1,525) |
| Amortisation and impairment of intangible assets | 159 | - | (159) |
| Capital grants and contributions applied | (16,218) | - | 16,218 |

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| | | | |
|---|---------------|--------------|-----------------|
| Revenue expenditure funded from capital under statute | 1,479 | - | (1,479) |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 10,334 | - | (10,334) |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | |
| Statutory provision for the financing of capital investment (MRP) | (4,421) | - | 4,421 |
| Capital expenditure charged against the Council Fund | (281) | - | 281 |
| Adjustments involving the Capital Receipts Reserve: | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | (14,706) | 9,537 | 5,168 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | (8,510) | 8,510 |
| Adjustments involving the Financial Instruments Adjustment Account: | | | |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | (113) | - | 113 |
| Adjustments involving the Pensions Reserve: | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 26,143 | - | (26,143) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (12,044) | - | 12,044 |
| Adjustment involving the Accumulated Absences Account: | | | |
| 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 | (662) | - | 662 |
| Adjustment between the Capital Adjustment Account and the Revaluation Reserve: | | | |
| Depreciation of non-current asset revaluation gains | - | - | - |
| Total adjustments between accounting basis & funding basis under regulations | 15,820 | 1,027 | (16,847) |

| Movements in 2017/18: | Council Fund Balance £000 | Usable Reserves £000 | Unusable Reserves £000 |
|---|--------------------------------------|---------------------------------|-----------------------------------|
| Adjustments primarily involving the Capital Adjustment Account: | | | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | |
| Charges for depreciation and impairment of Property, Plant and Equipment assets | 13,691 | - | (13,691) |
| Charges for impairment of Heritage Assets | 25 | - | (25) |
| Revaluation movements on Heritage Assets | 251 | - | (251) |
| Revaluation movements on Property Plant and Equipment (charged to SDPS) | 1,185 | - | (1,185) |
| Revaluation movements on Assets Held for Sale (charged to SDPS) | 50 | - | (50) |
| Movements in the market value of Investment Properties | 1,982 | - | (1,982) |
| Amortisation and impairment of intangible assets | 160 | - | (160) |
| Capital grants and contributions applied | (13,318) | - | 13,318 |
| Revenue expenditure funded from capital under statute | 1,703 | - | (1,703) |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 941 | - | (941) |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | |
| Statutory provision for the financing of capital investment (MRP) | (3,895) | 0 | 3,895 |

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| | | | |
|---|---------------|-----------------|----------------|
| Capital expenditure charged against the Council Fund | (264) | - | 264 |
| Adjustments involving the Capital Receipts Reserve: | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | (727) | 1,727 | (1,000) |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | (17,324) | 17,324 |
| Adjustments involving the Financial Instruments Adjustment Account: | | | |
| 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 |
| Adjustments involving the Pensions Reserve: | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 25,568 | - | (25,568) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (10,928) | - | 10,928 |
| Adjustment involving the Accumulated Absences Account: | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 356 | - | (356) |
| Adjustment between the Capital Adjustment Account and the Revaluation Reserve: | | | |
| Depreciation of non-current asset revaluation gains | - | - | - |
| Total adjustments between accounting basis & funding basis under regulations | 16,685 | (15,598) | (1,088) |

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 £(232,000) 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 2017 £000 | In Year Movement £000 | At 31st March 2018 £000 | In Year Movement £000 | At 31st March 2019 £000 |
|---|------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| Amount of Council Fund Balance held by Schools under Local Management Schemes | 269 | (94) | 175 | (408) | (232) |
| Amount of Council Fund Balance generally available for new expenditure | 7,111 | (1) | 7,110 | 0 | 7,111 |
| Total Council Fund Balance | 7,380 | (94) | 7,286 | (407) | 6,878 |
| Earmarked Revenue Reserves | 7,804 | (430) | 7,374 | (761) | 6,613 |
| Total Usable Reserves available for Revenue Purposes | 15,184 | (524) | 14,660 | (1,169) | 13,491 |

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 2018/19 can be summarised as follows:

| | At 1st April 2017 £000 | Transfer to Reserves £000 | Transfer from Reserves £000 | At 31st March 2018 £000 | Transfer to Reserves £000 | Transfer from Reserves £000 | At 31st March 2019 £000 |
|--|---------------------------------|------------------------------------|--------------------------------------|-------------------------------|---------------------------------|--------------------------------------|-------------------------------|
|--|---------------------------------|------------------------------------|--------------------------------------|-------------------------------|---------------------------------|--------------------------------------|-------------------------------|

Monmouthshire County Council: Statement of Accounts 2018/19

| | | | | | | | |
|---|--------------|--------------|----------------|--------------|------------|----------------|--------------|
| Invest to Redesign | 961 | 567 | (225) | 1,302 | 68 | (288) | 1,083 |
| Priority Investment | 1,000 | 155 | (468) | 687 | | (282) | 405 |
| Insurance and risk management | 1,083 | | (37) | 1,046 | | (28) | 1,019 |
| IT Transformation | 728 | 55 | (48) | 735 | | (256) | 479 |
| Treasury equalisation | 990 | | | 990 | | | 990 |
| Capital Investment | 776 | | (127) | 648 | | (5) | 643 |
| Redundancy and Pensions | 795 | | (298) | 497 | | (164) | 333 |
| Capital Receipt Generation | 348 | 70 | (70) | 347 | 50 | (118) | 279 |
| Other reserves | | | | | | | |
| Elections | 133 | 25 | (100) | 58 | 25 | | 83 |
| Museums acquisition | 57 | | (1) | 56 | | (3) | 53 |
| Solar Farm Maintenance & Community Fund | 0 | 23 | | 23 | 18 | | 41 |
| Castlegate | 0 | | | 0 | 80 | | 80 |
| Newport Leisure Park | 0 | | | 0 | 62 | | 62 |
| Service Reserves: | | | | | | | |
| Local Resilience Forum | 0 | | | 0 | 115 | | 115 |
| Grass Routes Buses | 184 | | (38) | 146 | 5 | | 151 |
| Schools sickness & maternity cover | 94 | | (93) | 1 | 136 | | 136 |
| Trading Accounts: | | | | | | | |
| Youth Offending Team | 274 | | (25) | 249 | | (99) | 150 |
| Outdoor education centres | 190 | | (61) | 129 | | (129) | 0 |
| Building Control | 25 | | (4) | 22 | | (8) | 14 |
| Rural Development Plan | 86 | 191 | | 278 | 136 | | 413 |
| Highways Plant & Equipment Replacement | 75 | 75 | | 150 | | (116) | 34 |
| Homeless Prevention | 5 | 5 | | 10 | 40 | | 50 |
| Total | 7,804 | 1,166 | (1,596) | 7,374 | 734 | (1,495) | 6,613 |

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

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

Capital Investment Reserve - To finance future capital expenditure.

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

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

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

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

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

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

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

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

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

10.5 School Balances

The balance on the Council Fund includes £(232,404) 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 2017 | In Year Movement | At 31st March 2018 | In Year Movement | At 31st March 2019 |
|---------------------------------|----------------------|---------------------|-----------------------|---------------------|-----------------------|
| | £ | £ | £ | £ | £ |
| Comprehensives | | | | | |
| Caldicot | 33,736 | (134,373) | (100,637) | 35,624 | (65,012) |
| Chepstow | (81,068) | 239,524 | 158,456 | (107,795) | 50,662 |
| King Henry VIII | (139,355) | (23,105) | (162,460) | 79,663 | (82,798) |
| Monmouth | (100,573) | (323,378) | (423,950) | (114,375) | (538,325) |
| Sub Total Comprehensives | (287,259) | (241,332) | (528,591) | (106,882) | (635,473) |
| Primaries | | | | | |
| Archbishop R Williams | 49,657 | 29,798 | 79,455 | (6,049) | 73,405 |
| Cantref | 52,766 | 13,199 | 65,965 | 22,426 | 88,391 |
| Castle Park | (46,115) | 2,456 | (43,659) | 19,887 | (23,773) |
| Cross Ash | 45,620 | 13,736 | 59,356 | (5,206) | 54,151 |
| Deri View | 27,297 | 12,703 | 40,000 | 40,000 | 80,001 |
| Dewstow | 90,125 | 15,501 | 105,626 | 3,016 | 108,642 |
| Durand | 53,931 | 17,734 | 71,664 | (42,578) | 29,087 |
| Gilwern | 39,636 | 12,617 | 52,253 | 2,998 | 55,251 |
| Goytre Fawr | 25,371 | (14,568) | 10,803 | (8,066) | 2,738 |
| Kymin View | 10,294 | 24,363 | 34,657 | (29,050) | 5,607 |
| Llandogo | (9,736) | (2,713) | (12,449) | (71,067) | (83,516) |
| Llanfair Kilgeddin CV | 0 | 0 | 0 | 0 | 0 |
| Llanfoist | 68,056 | (18,476) | 49,579 | (35,238) | 14,341 |
| Llantilio Pertholey | 20,967 | (16,527) | 4,439 | (14,082) | (9,643) |
| Llanvihangel Crucorney | (3,117) | 3,628 | 511 | 33,830 | 34,342 |
| Magor Vol Aided | 35,179 | (54,406) | (19,226) | (35,424) | (54,651) |
| New Pembroke Primary | 8,826 | (8,645) | 181 | (13,420) | (13,239) |

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| | | | | | |
|--|-----------------|-----------------|----------------|------------------|------------------|
| Osbaston Church in Wales | 18,570 | (17,935) | 635 | (629) | 6 |
| Our Lady's & St Michael's Catholic Primary | 45,505 | (52,589) | (7,085) | (7,086) | (14,170) |
| Overmonnow | 3,959 | 24,430 | 28,389 | (46,862) | (18,473) |
| Raglan | (111,977) | (35,766) | (147,743) | 39,292 | (108,452) |
| Rogiet | 34,184 | (8,039) | 26,145 | (6,130) | 20,014 |
| Shirenewton | 87,369 | 31,230 | 118,600 | 13,494 | 132,093 |
| St Mary's (Chepstow) | (13,192) | 19,247 | 6,055 | (69,648) | (63,592) |
| The Dell | 46,094 | (23,929) | 22,165 | (5,776) | 16,389 |
| Thornwell | (20,534) | 10,969 | (9,566) | (44,157) | (53,722) |
| Trellech | 85,762 | 1,888 | 87,650 | (15,667) | 71,983 |
| Undy | (50,037) | 21,816 | (28,221) | (101,313) | (129,534) |
| Usk CV | 56,108 | 6,812 | 62,920 | (53,009) | 9,910 |
| Ysgol Gymraeg Y Fenni | 48,966 | 9,999 | 58,965 | (7,659) | 51,306 |
| Ysgol Gymraeg Ffin | (67,410) | 29,794 | (37,617) | 4,637 | (32,980) |
| Sub Total Primaries | 632,122 | 48,327 | 680,449 | (438,537) | 241,912 |
| Other | | | | | |
| Mounton House | (142,417) | 108,833 | (33,584) | 175,089 | 141,505 |
| Pupil Referral Unit | 66,340 | (9,389) | 56,952 | (37,299) | 19,653 |
| Sub Total Other | (76,077) | 99,444 | 23,367 | 137,790 | 161,158 |
| Total | 268,786 | (93,561) | 175,225 | (407,629) | (232,404) |

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.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| 19,152 | Balance as at 1st April | 3,554 |
| 1,723 | Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 9,522 |
| 4 | Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 14 |
| (17,324) | Less: use of the Capital Receipts Reserve to finance new capital expenditure | (8,510) |
| 3,554 | Balance as at 31st March | 4,581 |

10.7 Revaluation Reserve

The Revaluation Reserve contains the net 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 are:

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

The Reserve contains 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.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--------------------|-----------------|
| 48,771 | Balance at 1 April | 46,299 |

| | | |
|---------------|--|---------------|
| 1,876 | Upward revaluation of assets | 5,402 |
| (989) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (7,145) |
| (3,300) | Difference between fair value depreciation and historical cost depreciation | (1,494) |
| (58) | Accumulated gains on assets sold or scrapped | 0 |
| 46,299 | Balance at 31 March | 43,062 |

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.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 151,889 | Balance at 1 April | 170,061 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| (13,691) | Charges for depreciation and impairment of property, plant and equipment assets | (11,731) |
| (251) | Revaluation movements on heritage assets | 0 |
| (25) | Charges for impairment of heritage assets | 0 |
| (1,185) | Revaluation movements on Property, Plant and Equipment | (12,830) |
| (50) | Revaluation movements on Assets Held for Sale | (62) |
| (160) | Amortisation & impairment of intangible assets | (159) |
| (1,703) | Revenue expenditure funded from capital under statute | (1,479) |
| (883) | 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 | (10,334) |
| 3,300 | Adjusting amounts written out of the Revaluation Reserve | 1,494 |
| | Capital financing applied in the year: | |
| 17,324 | Use of the Capital Receipts Reserve to finance new capital expenditure | 8,510 |
| 13,318 | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 16,218 |
| 3,895 | Statutory provision for the financing of capital investment charged against the Council Fund | 4,421 |
| 264 | Capital expenditure charged against the Council Fund | 281 |
| (1,982) | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | (1,525) |
| 170,061 | Balance at 31 March | 162,863 |

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.

| 2017/18 £000 | | 2018/19 £000 |
|------------------|--|------------------|
| (217,236) | Balance at 1 April | (217,645) |
| 14,231 | Remeasurement gains or (losses) on pension assets and liabilities | (36,469) |
| (25,568) | 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 | (26,143) |
| 10,928 | Employer's pensions contributions and direct payments to pensioners payable in the year | 12,044 |
| (217,645) | Balance at 31 March | (268,213) |

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. Further information on the calculations of benefits can be found in notes 13.7(c) and 17.6 to the accounts.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| (3,245) | Balance at 1 April | (3,601) |
| 3,245 | Settlement or cancellation of accrual made at the end of the preceding year | 3,601 |
| (3,601) | Amounts accrued at the end of the current year | (2,939) |
| (3,601) | Balance at 31 March | (2,939) |

10.11 Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of Land at the Old Abergavenny cattle market under a finance lease but for which full 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.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 4,000 | Balance at 1 April | 3,000 |
| 0 | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 5,262 |
| (1,000) | Reduction in Deferred Capital Receipts balance to Net present value of future lease payments | 0 |
| 0 | Transfer to the Capital Receipts Reserve upon receipt of cash | (94) |
| 3,000 | Balance at 31 March | 8,168 |

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).

| 2017/18 | | | | 2018/19 | | |
|--|--|-------------------------------------|--|--|--|-------------------------------------|
| Net Expenditure Chargeable to the general fund £000 | Adjustments between the Funding & Accounting Basis £000 | Net Expenditure in the CIES £000 | | Net Expenditure Chargeable to the general fund £000 | Adjustments between the Funding & Accounting Basis £000 | Net Expenditure in the CIES £000 |
| 49,853 | 8,274 | 58,127 | Children & Young People | 50,674 | 15,391 | 66,065 |
| 43,862 | 3,261 | 47,123 | Social Care & Health | 46,269 | 3,123 | 49,392 |
| 10,150 | 5,007 | 15,157 | Enterprise | 21,888 | 12,583 | 34,471 |
| 15,462 | 5,647 | 21,109 | Chief Executives Unit | 4,270 | 245 | 4,515 |
| 7,188 | 10,910 | 18,098 | Resources | 6,928 | 10,680 | 17,608 |
| 19,717 | (17,480) | 2,237 | Corporate | 20,362 | (18,559) | 1,803 |
| 146,232 | 15,619 | 161,851 | Cost of Services | 150,391 | 23,462 | 173,853 |
| 70 | 17,871 | 17,941 | Other operating expenditure | 118 | 17,585 | 17,703 |
| 6,623 | 2,963 | 9,586 | Financing and investment income and expenditure | 7,341 | (1,682) | 5,660 |
| (152,926) | (19,242) | (172,168) | Taxation and non-specific grant income and expenditure | (157,850) | (22,376) | (180,227) |
| (146,233) | 1,592 | (144,641) | Other Income & Expenditure | (150,391) | (6,473) | (156,864) |
| 0 | 17,210 | 17,210 | Surplus or Deficit | 0 | 16,989 | 16,989 |
| (7,111) | | | Opening General Fund Balance | (7,111) | | |
| 0 | | | Surplus or Deficit on General Fund | 0 | | |
| (7,111) | | | Closing General Fund Balance | (7,111) | | |

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

| 2017/18 (Restated) | | | | | 2018/19 | | | |
|--|---|---------------------------|---------------------------|---|--|---|---------------------------|---------------------------|
| 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 |
| 7,307 | 1,776 | (808) | 8,274 | Children & Young People | 15,207 | 1,620 | (1,436) | 15,391 |
| 1,298 | 2,816 | (853) | 3,261 | Social Care & Health | 1,190 | 2,744 | (811) | 3,123 |
| 2,626 | 1,804 | 577 | 5,007 | Enterprise | 8,860 | 2,888 | 835 | 12,583 |
| 3,806 | 1,764 | 77 | 5,647 | Chief Executives Unit | 209 | 453 | (417) | 245 |
| 1,975 | 828 | 8,107 | 10,910 | Resources | 782 | 792 | 9,106 | 10,680 |
| 0 | (105) | (17,375) | (17,480) | Corporate | 0 | (379) | (18,181) | (18,559) |
| 17,012 | 8,882 | (10,275) | 15,619 | Cost of Services | 26,247 | 8,118 | (10,903) | 23,462 |
| 581 | 0 | 17,290 | 17,871 | Other operating expenditure | (438) | 0 | 18,023 | 17,585 |
| (4,082) | 5,759 | 1,287 | 2,963 | Financing and investment income and expenditure | (4,534) | 5,981 | (3,129) | (1,682) |
| (13,318) | 0 | (5,924) | (19,242) | Taxation and non-specific grant income and expenditure | (16,218) | 0 | (6,158) | (22,376) |
| (16,820) | 5,759 | 12,652 | 1,592 | Other Income & Expenditure | (21,189) | 5,981 | 8,735 | (6,473) |
| 192 | 14,641 | 2,378 | 17,211 | Adjustments between the Funding & Accounting Basis | 5,058 | 14,099 | (2,168) | 16,989 |

11.2 Expenditure & Income analysed by nature

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

| 2017/18 £000 (Restated) | | 2018/19 £000 |
|-------------------------------|--|------------------|
| 119,533 | Employee benefits expenses | 121,385 |
| 107,556 | Other services expenses | 108,823 |
| 22,922 | Depreciation, amortisation and impairment | 37,129 |
| 17,401 | Precepts & levies | 18,071 |
| 2,968 | Interest payments | 3,524 |
| 1,250 | Gain/loss on disposal of non-current assets | 136 |
| 271,630 | Total Expenditure | 289,069 |
| (40,093) | Fees, charges & other service income | (50,092) |
| (179) | Interest and investment income | (262) |
| (97,401) | Income from council tax & NNDR | (100,864) |
| (116,025) | External grants and contributions | (120,275) |
| (722) | Gain/loss on disposal of non-current assets | (588) |
| (254,420) | Total Income | (272,080) |
| 17,210 | Surplus or Deficit on the Provision of Services | 16,989 |

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 2018 | | | Note | 31st March 2019 | | |
|---------------------------|----------------------|-------------------------|------|---------------------------|----------------------|-------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 2,967 | (12) | 2,955 | 13.2 | 3,523 | - | 3,523 |
| 5,759 | - | 5,759 | 14.2 | 5,981 | - | 5,981 |
| - | (133) | (133) | 13.2 | - | (228) | (228) |
| 4,384 | (3,293) | 1,091 | | 11,497 | (15,027) | (3,531) |
| 4,334 | (4,394) | (60) | 11.4 | 4,760 | (4,832) | (72) |
| 0 | (24) | (24) | | - | (14) | (14) |
| 17,444 | (7,857) | 9,587 | | 25,761 | (20,102) | 5,659 |

11.4 Significant Trading Operations

The Council has established 5 trading units where the service is required to operate in a commercial environment by generating income from either other parts of the Authority, other organisations or the public to either offset expenditure incurred or, in certain instances, operate within an approved level of subsidy.

Trading operations are incorporated within the Comprehensive Income and Expenditure Statement.

| 2017/18 | | | Trading Unit | 2018/19 | | |
|---------------------|------------------|--------------------------------|---------------------|---------------------|------------------|--------------------------------|
| £000 Expenditure | £000 Turnover | £000 (Surplus) / Deficit | | £000 Expenditure | £000 Turnover | £000 (Surplus) / Deficit |
| 3,018 | (3,047) | (29) | Grounds Maintenance | 3,378 | (3,423) | (45) |
| 544 | (389) | 155 | Building Control | 564 | (400) | 164 |
| 398 | (344) | 54 | Markets | 411 | (373) | 38 |
| 100 | (191) | (91) | Industrial Units | 85 | (180) | (95) |
| 274 | (423) | (149) | Trade Refuse | 322 | (456) | (134) |
| 4,334 | (4,394) | (60) | Total | 4,760 | (4,832) | (72) |

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 45,888 for 2018/19 (45,537 for 2017/18).

This average basic amount for a Band D property, £1,538.93 (£1,466.49 in 2017/18), 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 | 498 | 3,299 | 6,944 | 8,734 | 7,133 | 7,530 | 5,292 | 1,743 | 670 |
| 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:

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| (66,983) | Council tax collectable | (70,687) |
| (68) | Provision for non-payment of council tax | (53) |
| (67,051) | Total Council Tax proceeds | (70,741) |

11.6 Grant Income

Capital Grants and Contributions

The Authority has credited the following capital grants & contributions to the Comprehensive Income and Expenditure Statement in 2018/19:

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| 1,462 | WAG General Capital Grant | 2,824 |
| 723 | Section 106 Developer Contributions | 914 |
| 12,913 | WAG Grants | 13,157 |
| 0 | Other Contributions | 0 |
| 15,099 | Total | 16,895 |
| | Credited to the Comprehensive Income and Expenditure Statement: | |
| (1,173) | Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute | (677) |
| (13,926) | Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income | (16,218) |
| (15,099) | Total | (16,895) |

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:

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| | Capital Grants Receipts in Advance: | |
| 0 | Welsh Government | 0 |
| | Developer Contributions held in Advance: | |
| 1,310 | S106 Developer contributions | 3,170 |
| 1,310 | Total | 3,170 |

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:

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| | Central Government: | |
| 20,959 | Housing Benefit Subsidy | 20,168 |
| | Welsh Assembly Government: | |
| 3,002 | Sixth Form Funding (DCELLS) | 3,109 |
| 4,219 | SEG / WEG (PDG) SIG | 3,875 |
| 2,039 | Supporting People | 2,053 |
| 1,979 | Waste Management | 1,104 |
| 530 | Flying Start Grant | 1,146 |
| 1,182 | Concessionary Fares (PTSG) | 673 |
| 709 | Families First | 679 |
| 647 | Rural Development Plan | 494 |
| 4,488 | Other WAG grants | 4,266 |
| | Home Office: | |
| 137 | Afghan / Syrian Relocation Programme (Main Project) | 106 |
| 53 | Police and Crime Commissioner | 118 |
| 2,038 | Other Grants & Contributions | 2,040 |
| 41,982 | Revenue Grants and Contributions Receivable | 39,830 |

12 NON-CURRENT ASSET & CAPITAL FINANCING NOTES

12.1 In-Year Movements in Property, Plant and Equipment

The following tables summarise the movements in the Authority's property, plant and equipment portfolio by asset type for the years ending 31st March 2019 and 31st March 2018.

| Movements in 2018/19: | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 | PFI Assets Included in Property, Plant and Equipment* £000 |
|---|----------------------------------|--|-------------------------------|--------------------------|------------------------|-----------------------------------|---|---|
| Cost or Valuation: | | | | | | | | |
| At 1st April 2018 | 217,288 | 14,607 | 88,699 | 4,235 | 910 | 33,113 | 358,852 | 1,411 |
| Additions | 4,472 | 6,345 | 5,482 | 84 | - | 20,072 | 36,455 | - |
| Revaluation movements taken to Revaluation Reserve | (6,498) | - | - | 0 | - | - | (6,498) | (33) |
| Revaluation movements taken to Surplus/Deficit on Provision of Services | (16,376) | - | - | - | - | 0 | (16,376) | - |
| Impairment movements taken to Surplus/Deficit on Provision of Services | (807) | - | (181) | - | 0 | - | (988) | - |
| Reclassified (to)/from Held for Sale | 0 | (319) | - | - | (800) | - | (1,119) | - |
| Disposals | | | (2,190) | | | | | |
| Other reclassifications | 52,575 | - | 20 | - | 0 | (52,349) | 246 | - |
| At 31st March 2019 | 250,654 | 20,632 | 91,831 | 4,319 | 110 | 835 | 370,571 | 1,378 |
| Accumulated Depreciation: | | | | | | | | |
| At 1st April 2018 | (12,689) | (9,361) | (26,038) | - | - | - | (48,088) | (37) |
| Depreciation charge | (7,658) | (1,187) | (1,898) | - | - | - | (10,744) | (54) |
| Depreciation written out on revaluation to Revaluation Reserve | 4,755 | - | - | - | 0 | - | 4,755 | 47 |
| Depreciation written out on revaluation to Surplus/Deficit on Provision of Services | 3,546 | - | - | - | 0 | - | 3,546 | - |
| Depreciation written out on impairment to Surplus/Deficit on Provision of Services | 0 | - | - | - | - | - | 0 | - |
| Reclassified to/(from) Held for Sale | - | 319 | - | - | - | - | 319 | - |
| Disposals | | | 2,190 | | | | | |
| Other reclassifications | - | - | - | - | 0 | - | 0 | - |
| At 31st March 2019 | (12,046) | (10,229) | (25,746) | 0 | 0 | 0 | (50,212) | (44) |
| Net Book Value: | 238,608 | 10,403 | 66,085 | 4,319 | 110 | 835 | 320,359 | 1,334 |

| Movements in 2017/18 | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 | PFI Assets Included in Property, Plant and Equipment* £000 |
|----------------------|----------------------------------|--|-------------------------------|--------------------------|------------------------|-----------------------------------|---|---|
|----------------------|----------------------------------|--|-------------------------------|--------------------------|------------------------|-----------------------------------|---|---|

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| | | | | | | | | |
|---|-----------------|----------------|-----------------|--------------|------------|---------------|-----------------|--------------|
| Cost or Valuation: | | | | | | | | |
| At 1st April 2018 | 180,177 | 14,028 | 85,891 | 4,021 | 360 | 40,724 | 325,201 | 1,310 |
| Additions | 14,690 | 1,685 | 5,004 | 58 | - | 22,326 | 43,763 | - |
| Revaluation movements taken to Revaluation Reserve | 812 | (0) | - | (8) | (372) | - | 432 | 101 |
| Revaluation movements taken to Surplus/Deficit on Provision of Services | (2,557) | - | - | - | (277) | 0 | (2,835) | - |
| Impairment movements taken to Surplus/Deficit on Provision of Services | (546) | - | (2,230) | - | 0 | - | (2,776) | - |
| Reclassified (to)/from Held for Sale | 18 | (1,107) | - | 0 | 1,200 | - | 112 | - |
| Other reclassifications | 24,694 | - | 35 | 164 | 0 | (29,937) | (5,045) | - |
| At 31st March 2018 | 217,287 | 14,606 | 88,700 | 4,235 | 911 | 33,113 | 358,852 | 1,411 |
| Accumulated Depreciation: | | | | | | | | |
| At 1st April 2018 | (6,629) | (9,242) | (24,474) | - | - | - | (40,345) | (139) |
| Depreciation charge | (8,164) | (1,188) | (1,564) | - | - | - | (10,915) | (54) |
| Depreciation written out on revaluation to Revaluation Reserve | 446 | - | - | 8 | 0 | - | 455 | 157 |
| Depreciation written out on revaluation to Surplus/Deficit on Provision of Services | 1,650 | - | - | - | 0 | - | 1,650 | - |
| Depreciation written out on impairment to Surplus/Deficit on Provision of Services | 0 | - | - | - | - | - | 0 | - |
| Reclassified to/(from) Held for Sale | - | 1,068 | - | - | - | - | 1,068 | - |
| Other reclassifications | 8 | - | - | (8) | 0 | - | 0 | - |
| At 31st March 2018 | (12,689) | (9,361) | (26,037) | - | - | - | (48,087) | (36) |
| Net Book Value: | 204,599 | 5,245 | 62,663 | 4,235 | 911 | 33,113 | 310,765 | 1,375 |

12.2 Revaluations of Property, Plant & Equipment

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by the Authority's Estates Section under the supervision of the Head Of Commercial and Integrated Landlord Services (MRICS). 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 2018/19 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 2019. The valuations carried out during 2018/19 primarily include Primary Schools, Recreational Spaces, Oak Grove Solar Farm, Castlegate Business Park, Newport Leisure Park, Abergavenny Youth & Community Centre and Drybridge House.

| | 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 | 161 | 10,403 | 66,086 | 4,319 | - | 836 | 81,804 |
| Valued at current value as at: | | | | | | | |
| 31st March 2019 | 44,526 | - | - | - | - | - | 44,526 |
| 31st March 2018 | 58,200 | - | - | - | 110 | - | 58,310 |
| 31st March 2017 | 65,310 | - | - | - | - | - | 65,310 |
| 31st March 2016 | 68,613 | - | - | - | - | - | 68,613 |
| 31st March 2015 | 1,797 | - | - | - | - | - | 1,797 |
| Total Cost or Valuation | 238,607 | 10,403 | 66,086 | 4,319 | 110 | 836 | 320,360 |

12.3 Schools Non-Current Assets

The Authority currently owns and runs four comprehensive schools, twenty four primary schools and one special school. In addition to the twenty four primary schools, there are two 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. During the financial year the historic value of £5.8m for Osbaston and Raglan was added back to Council balance sheet until such time that the conveyance with the diocese has been successfully concluded.

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 2019, shown in the Authority's balance sheet, is £168,568,616 (£167,607,967 as at 31st March 2018).

12.4 Private Finance Initiatives

Monmouth Health & Social Care Facility (Monnow Vale)

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

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

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

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

The Authority's share in the assets used to provide services at the facility are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.1, their total net book value at 31st March 2019 being £1,334,000.

12.5 Investment Properties

Investment Properties are those that are used solely to earn income 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 consists of long held assets such as County Farms and District Shops and also a Solar Farm, Newport Leisure Park and Castlegate Business Park constructed/acquired recently. The resultant boost to the Authority's net income is shown below.

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| (833) | Rental income from investment property | (2,176) |
| 212 | Direct operating expenses arising from investment property | 1,151 |
| (621) | Net (gain)/loss | (1,025) |

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 41,932 | Balance at start of the year | 45,153 |
| 860 | Additions | 31,485 |
| (687) | Disposals | (10,184) |
| (1,982) | Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure | (1,525) |
| 5,031 | Transfers (to)/from Property, Plant and Equipment | (246) |
| 45,153 | Balance at end of the year | 64,682 |

Capital receipts totalling £8,762,000 were credited to the Capital receipts reserve during 2018/19 in relation to investment properties (£1,001,000 in 2017/18).

Fair Value Hierarchy

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

| 2017/18 | | | | Type of Property | 2018/19 | | | |
|--|-------------------------|---------------------------------|---------------|---------------------------------------|-------------------------------------|-------------------------|---------------------------------|---------------|
| Quoted Prices in active markets for identical assets | Other Observable inputs | Significant Unobservable inputs | | | active markets for identical assets | Other Observable inputs | Significant Unobservable inputs | |
| Level 1 | Level 2 | Level 3 | Total | | Level 1 | Level 2 | Level 3 | Total |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| | | 90 | 90 | Freehold Reversions | | | 90 | 90 |
| | 37,008 | | 37,008 | Agricultural Properties | | 26,351 | | 26,351 |
| | | 1,171 | 1,171 | Retail Units | | | 847 | 847 |
| | | 1,569 | 1,569 | Industrial Properties | | | 1,815 | 1,815 |
| | | 5,314 | 5,314 | Solar Farm | | | 6,783 | 6,783 |
| | | | | Properties acquired for rental income | | | 28,796 | |
| 0 | 37,008 | 8,145 | 45,153 | | 0 | 26,351 | 38,331 | 35,886 |

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, Industrial Properties & Solar Farm located in the local authority area & properties acquired in 2018/19 for rental income 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:

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 1,860 | Balance at start of the year | 8,145 |
| 0 | Transfers (to)/from Level 3 | 0 |
| 6,269 | Additions | 28,796 |
| 0 | Disposals | 0 |
| 16 | Net gains/(losses) from fair value adjustments included in Surplus or Deficit on the Provision of Services | 1,390 |
| 8,145 | Balance at end of the year | 38,331 |

Fair Value Measurement

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

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

12.6 Assets Held for Sale

Assets held for sale comprise those assets that are available for immediate sale and where the sale is highly probable and will be actively marketed at its market value. The in-year movement and balance of assets held for sale as at 31st March 2019 are shown below:

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 2,933 | Balance outstanding at start of year | 1,450 |
| - | Additions | 62 |
| 38 | Assets newly classified as held for sale: From Plant, Property & Equipment | 800 |
| (1,218) | Assets declassified as held for sale: To Plant, Property & Equipment | - |
| - | Revaluation gains | - |
| (50) | Revaluation losses | - |
| - | Impairment losses | (62) |
| (253) | Assets sold | (150) |
| 1,450 | Balance outstanding at year-end | 2,100 |

12.7 Heritage Assets

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

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

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

| | Property Heritage Assets £000 | Museum Exhibits £000 | Civic Regalia, Artwork & Collect'n £000 | Total £000 |
|---|--|----------------------------|---|---------------|
| Cost or Valuation: | | | | |
| 1st April 2017 | 238 | 4,464 | 180 | 4,882 |
| Additions | 24 | - | - | 24 |
| Revaluation increases/ (decreases) recognised in the SDPS | (250) | - | - | (250) |
| Impairment losses/(reversals) recognised in the SDPS | (25) | - | - | (25) |
| Reclassified from property, plant and equipment | 13 | - | - | 13 |
| 31st March 2018 | 0 | 4,464 | 180 | 4,643 |
| Cost or Valuation: | | | | |
| Additions | 99 | - | - | 99 |
| Revaluation increases/ (decreases) recognised in the SDPS | 1 | - | - | 1 |
| Impairment losses/(reversals) recognised in the SDPS | 0 | - | - | 0 |
| Reclassified from property, plant and equipment | 0 | - | - | 0 |
| 31st March 2019 | 100 | 4,464 | 180 | 4,743 |

Property Heritage Assets

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

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

These assets were last valued on an existing use value (EUV) basis and were carried out internally by the Authority's Estates Section under the supervision of the Head Of Commercial and Integrated Landlord Services (MRICS).

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

Museum Exhibits

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

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

Civic Regalia, Artwork & Collections

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

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

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

12.8 Capital Expenditure and Capital Financing

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

| 31st March 2018 £000 | | 31st March 2019 £000 |
|----------------------------|---------------------------------------|----------------------------|
| 134,588 | Opening Capital Financing Requirement | 146,137 |
| | Capital investment: | |
| | Enhancing value: | |
| 40,987 | Property, plant and equipment | 35,467 |
| 604 | Investment properties | 31,208 |
| 1 | Intangible assets | 40 |
| (1) | Heritage assets | 99 |
| | Not enhancing value: | |

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| | | |
|----------------|---|----------------|
| 2,776 | Property, plant and equipment | 988 |
| 256 | Investment properties | 277 |
| 0 | Intangible assets | 14 |
| 0 | Assets held for sale | 62 |
| 25 | Heritage assets | 0 |
| 3,484 | Revenue Expenditure Funded from Capital under Statute | 2,156 |
| | Sources of finance: | |
| (17,324) | Capital receipts | (8,510) |
| (15,099) | Government grants and other contributions | (16,895) |
| (264) | Direct revenue contributions | (281) |
| | Other: | |
| (3,895) | Minimum revenue provision | (4,421) |
| 0 | Capital receipt set aside | 0 |
| 146,137 | Closing Capital Financing Requirement | 186,342 |
| | Explanation of movements in year: | |
| 2,402 | Increase in underlying need to borrowing - supported by Government financial assistance | 2,410 |
| 13,043 | Increase in underlying need to borrowing - unsupported by Government financial assistance | 42,215 |
| (3,895) | Less: Minimum revenue provision | (4,421) |
| 11,550 | Increase / (decrease) in Capital Financing Requirement | 40,205 |

12.9 Capital Commitments

At 31st March 2019, the Authority has entered into major contracts (i.e. those individually above £200,000) for the construction of Property, Plant and Equipment in 2019/20 and later years budgeted to cost a total of £2,493,000 (£20,743,000 at 31st March 2018). These figures are not included in 2018/19 capital expenditure figures.

12.10 Financing Capital Expenditure

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|----------------------------------|-----------------|
| 2,401 | Supported Borrowing | 2,410 |
| 13,043 | Unsupported Borrowing | 42,215 |
| 1,462 | General Capital Grant | 2,824 |
| 12,913 | Capital grants and contributions | 13,157 |
| 17,246 | Council Fund Capital Receipts | 8,401 |
| 78 | Low Cost Home ownership receipts | 109 |
| | Revenue Contribution: | |
| 172 | Earmarked Reserves | 281 |
| 92 | Council Fund | 0 |
| 723 | S106 contributions | 914 |
| 48,131 | | 70,311 |

12.11 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".

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

The amount of revenue provision made by the Authority in 2018/19 was £4,421,000 (£3,895,000 in 2017/18).

12.12 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 £524,000 of minimum lease payments were receivable by the Authority (£582,000 in 2017/18).

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| 533 | Not later than one year | 524 |
| 1,022 | Later than one year and not later than five years | 1,285 |
| 2,404 | Later than five years | 8,350 |
| 3,959 | | 10,159 |

12.13 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 £216,650 (£342,466 in 2017/18).

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| 219 | Not later than one year | 181 |
| 292 | Later than one year and not later than five years | 159 |
| 117 | Later than five years | 50 |
| 628 | | 390 |

13 FINANCIAL INSTRUMENTS, CURRENT ASSETS & LIABILITIES NOTES

13.1 Categories of Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets. The changes made on transition to the balance sheet are summarised at the end of section 13.3.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements. The changes in the classifications are shown below. There are no remeasurments or changes to impairments to the 1st April 2018 figures and therefore no effect on the Movement in Reserves Statement.

| 31st March 2018 £000 IAS 39 | Reclassification | 1st April 2018 £000 IFRS 9 | Financial Assets |
|-----------------------------------|------------------|----------------------------------|---------------------------------------|
| 10,078 | (40) | 10,038 | Investments at amortised Cost: |
| 0 | 40 | 40 | Investments at fair value through P&L |
| 10,078 | 0 | 10,078 | Total Investments |

Under the new Accounting Standard IFRS 9, financial instruments may be held at amortised cost or at fair value either through other Comprehensive income or Profit & Loss.

Financial assets are held as amortised cost where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows. This is the majority of our treasury investments such as term deposits, CDs and call accounts and also trade debtors for goods and services provided contractually and also lease receivables. This excludes council tax debtors and grants receivable as they are non-exchange transactions.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council. For most assets, this is 12 month expected credit losses until the risk increases significantly, then it is lifetime expected losses. For trade debtors expected lifetime losses are always used. Due to the high credit rating of counterparties used for treasury investments 12 month expected credit losses are minimal.

Financial assets are held at fair value through other comprehensive income where cashflows are solely payments of principal and interest and it is the Council's business model to collect these cashflows and sell the instruments before maturity. The authority does not hold any such investments. The standard also allows the authority to elect to account for equity investments through other comprehensive income if they are being held for strategic investment purposes, see table below.

All other financial assets are held at fair value through Profit & Loss. This includes an existing unquoted equity investment; a principal of £40,000 representing an equal share with Torfaen County Borough Council in SRS Business Solutions Limited. This could not be elected in 2018/19 as it was an existing asset. This investment comprised seed funding for the company and has been revalued at £60,000 in 2018/19 representing the most likely cash inflows resulting from this asset in the future. Further information is provided in note 16.6.

The following categories of financial assets are carried in the Balance Sheet as at 31st March 2019:

| Long-Term 31st March 2018 £000 | Short-Term 31st March 2018 £000 | | Note | Long-Term 31st March 2019 £000 | Short-Term 31st March 2019 £000 |
|---|--|--------------------|------|---|--|
| Financial Assets | | | | | |
| Investments at amortised Cost: | | | | | |
| 40 | 10,038 | Principal invested | 13.4 | | 9,000 |
| | | Accrued Interest | | | 42 |

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| | | | | | |
|--------------|---------------|--|------|--------------|---------------|
| | | Investments at fair value through other comprehensive income: | | | |
| | | Equity Investments elected FVOCI | | | 2,059 |
| | | Investments at fair value through profit & loss: | | | |
| | | Unquoted equity investments | 13.4 | 60 | 0 |
| 40 | 10,038 | Total Investments | | 60 | 11,101 |
| | | Cash & Cash Equivalents at amortised cost: | | | |
| | 7,359 | Principal | 15.3 | | 11,298 |
| | (5) | Accrued Interest | | | 16 |
| 0 | 7,354 | Total Cash & Cash Equivalents | | 0 | 11,313 |
| | | At amortised cost: | | | |
| 5 | 21,854 | Trade Receivables | 13.5 | 2,571 | 12,990 |
| 0 | | Loss allowance | | | (745) |
| 2,928 | | Lease Receivables | | 2,753 | 96 |
| 211 | | Loans made for service purposes | | 218 | (0) |
| 3,144 | 21,854 | Included in Debtors | | 5,542 | 12,341 |
| 3,184 | 39,245 | Total Financial Assets | | 5,602 | 34,756 |
| | 1,691 | Current assets which are not Financial Instruments | | | 2,530 |
| | | Debtors which are not Financial Instruments | | | 14,327 |
| 3,184 | 40,937 | Total | | 5,602 | 51,613 |

All of the Council's financial liabilities are held at amortised cost including short and long term loans, bank overdraft, lease payables, PFI contracts and trade payables for goods and services.

The following categories of financial liabilities are carried in the Balance Sheet as at 31st March 2019:

| | | Financial Liabilities | | | |
|------------------|-----------------|--|------|------------------|------------------|
| | | Loans at amortised Cost: | | | |
| (74,883) | (54,063) | Principal sum borrowed | 13.4 | (106,568) | (71,771) |
| 0 | (895) | Accrued Interest | | 0 | (1,030) |
| (29) | (1) | EIR adjustments | | (28) | (1) |
| (74,912) | (54,958) | Total Borrowings | | (106,597) | (72,802) |
| | | Loans at amortised Cost: | | | |
| 0 | (774) | Cash & cash equivalents | 15.3 | 0 | (103) |
| 0 | (774) | Total Cash & Cash Equivalents | | 0 | (103) |
| | | Liabilities at amortised Cost: | | | |
| (771) | 0 | PFI and finance lease liabilities | | (739) | 0 |
| (974) | 0 | Other Long Term Liabilities | | (1,611) | 0 |
| (1,745) | 0 | Total Other Long Term Liabilities | | (2,349) | 0 |
| | | Liabilities at amortised Cost: | | | |
| 0 | (31,981) | Trade Payables | 13.6 | 0 | (7,258) |
| 0 | (31,981) | Included in Short Term Creditors | | 0 | (7,258) |
| (76,657) | (87,713) | Total Financial Liabilities | | (108,946) | (80,163) |
| 0 | 0 | Short term creditors which are not Financial Instruments | | 0 | (20,409) |
| (221,232) | (3,987) | Current & long term liabilities which are not Financial Instruments: | | (273,873) | (23,970) |
| (297,889) | (91,699) | Total Balance Sheet Liabilities | | (382,819) | (104,134) |

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| | | Equity instruments elected to fair value through OCI | | | |
|-----------------|-----------------|---|-----------------|-----------------|-----------------|
| 31st March 2018 | 31st March 2018 | | 31st March 2019 | 31st March 2019 | 31st March 2019 |
| £000 | £000 | | £000 | £000 | £000 |
| Fair value | Dividends | | OCI | Fair value | Dividends |
| 0 | 0 | Kames Capital diversified monthly income fund | 44 | 1,049 | 13 |
| 0 | 0 | Investec Asset Management Ltd diversified income fund | 2 | 1,010 | 8 |
| 0 | 0 | Total Balance Sheet Liabilities | 46 | 2,059 | 21 |

The Council has elected to account for the investments in pooled funds above which are equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

13.2 Financial Instruments - Income, Expense, Gains and Losses

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

| 31st March 2018 | | | | | 31st March 2019 |
|-----------------|--|-----------------------------------|-------------------------------|---|-----------------------|
| £000 | | | | | £000 |
| | Financial Liabilities measured at: | Fair value through P&L | Fair value through OCI | Fair value through OCI - elected | Amortised cost |
| 2,934 | Interest expense excluding below | 0 | 0 | 0 | 3,504 |
| 21 | Interest expense - finance lease /private finance initiative debtors | 0 | 0 | 0 | 20 |
| 0 | Losses on de-recognition | 0 | 0 | 0 | (0) |
| 0 | Losses from changes in fair value | 0 | 0 | 0 | 0 |
| 0 | Impairment losses | 0 | 0 | 0 | 0 |
| 2,955 | Subtotals | 0 | 0 | 0 | 3,523 |
| 2,955 | Total Interest payable and similar charges | | | | 3,523 |
| | Financial assets measured at: | Fair value through P&L | Fair value through OCI | Fair value through OCI - elected | Amortised cost |
| (31) | Interest income excluding below | 0 | 0 | 0 | (121) |
| (102) | Interest income relating to finance lease debtors | 0 | 0 | 0 | (66) |
| 0 | Dividend income (elected equity instruments) | 0 | 0 | (21) | 0 |
| 0 | Gains on derecognition | 0 | 0 | 0 | 0 |
| 0 | Gains from changes in fair value | (20) | 0 | 0 | 0 |
| 0 | Impairment loss reversals | 0 | 0 | 0 | 0 |
| (133) | Subtotals | (20) | 0 | (21) | (187) |
| (133) | Total Interest & Investment income | | | | (228) |
| 2,822 | Net impact on surplus/deficit on provision of services | | | | 3,295 |
| | Impact on other comprehensive income: | Fair value through P&L | Fair value through OCI | Fair value through OCI - elected | Amortised cost |
| 0 | Gains on revaluation | 0 | 0 | (46) | 0 |
| 0 | Losses on revaluation | 0 | 0 | 0 | 0 |
| 0 | Amounts recycled to surplus/deficit on provision of services | 0 | 0 | 0 | 0 |

| | | | | | |
|-------|--------------------------------------|---|---|------|-------|
| 0 | Subtotals | 0 | 0 | (46) | 0 |
| 0 | Impact on other comprehensive income | | | | (46) |
| 2,822 | Net (gain)/loss for the year | | | | 3,249 |

13.3 Fair Values of Financial Instruments

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions

- Shares in SRS Business Solutions Limited have been valued by discounting the expected future cashflows at a rate reflecting the risk to the cashflows.

The value of financial instruments held at amortised cost have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a 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 assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March 2019.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at an appropriate rate.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Financial liabilities

| Balance Sheet 31st March 2018 £000 | Fair Value 31st March 2018 £000 | | Balance sheet position | Fair Value Level | Balance Sheet 31st March 2019 £000 | Fair Value 31st March 2019 £000 |
|--|--|-------------------------------------|---------------------------|---------------------|--|--|
| Financial liabilities held at amortised cost: | | | | | | |
| (129,870) | (150,098) | Borrowings | Borrowing (ST & LT) | 2 | (179,398) | 200,648 |
| (1,745) | (1,745) | PFI and finance lease liabilities * | Other LT Borrowing | 3 | (739) | (748) |
| (131,616) | (151,843) | Subtotal | | | (180,137) | 199,899 |

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| | | Financial liabilities held at amortised costs for which fair value is not disclosed: | | | |
|------------------|--|---|----------------------|--|------------------|
| (774) | | Cash & Cash equivalent | C & C E | | (103) |
| (31,981) | | Trade payables | Short term creditors | | (7,258) |
| 0 | | Net agency creditor and lease deposits | Other LT Borrowing | | (1,611) |
| (164,370) | | Total financial liabilities | | | (189,110) |

* Fair value at 31st March 2018 has been assumed to be equal to amortised cost

The fair value of financial liabilities held at amortised cost 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 current rates available for similar loans 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.

Financial Assets

| Balance Sheet 31st March 2018 | Fair Value 31st March 2018 | | | | Balance Sheet 31st March 2019 | Fair Value 31st March 2019 |
|---|----------------------------------|---|---------------------|------|-------------------------------------|----------------------------------|
| £000 | £000 | | Fair Value Level | £000 | £000 | |
| Financial assets held at fair value: | | | | | | |
| 0 | 0 | Equity investments elected FV through OCI | ST Investments | 2 | 2,059 | 2,059 |
| 40 | 40 | Unquoted equity investments held at FVP&L | LT Investments | 3 | 60 | 60 |
| 40 | 40 | Subtotal | | | 2,119 | 2,119 |
| Financial assets held at amortised cost: | | | | | | |
| 2,928 | 2,928 | Lease receivables * | LT debtors | | 2,849 | 2,906 |
| | | Trade receivables - deferred receipt | LT debtors | | 2,571 | 2,625 |
| 2,968 | 2,968 | Subtotal | | | 7,538 | 7,649 |
| Financial assets held at amortised cost for which fair value is not disclosed: | | | | | | |
| 7,354 | | Cash & Cash equivalent | C&CE | | 11,313 | |
| 10,038 | | Short term investments | ST Investments | | 9,042 | |
| 21,859 | | Trade Receivables | Short term debtors | | 12,245 | |
| 211 | | Loans made for service purposes | Long term debtors | | 218 | |
| 42,429 | | Total financial assets | | | 40,357 | |

* Fair value at 31st March 2018 has been assumed to be equal to amortised cost

There is a small difference between the fair value and carrying value of long term lease receivables and long term trade receivables.

13.4 Nature and Extent of Risks arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. 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.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Welsh Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its management practices seek to achieve a suitable balance between risk and return or cost. Whilst the majority of investments used continue to be with institutions which are given a high credit rating by external rating agencies and which continue to show other measures of credit worthiness, the authority's investment portfolio now includes £2m in strategic pooled funds which achieve higher returns. The risk is controlled by following the advice of the Authority's treasury management advisors, by the use of experienced fund managers and diversification within the funds purchased.

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

- Credit risk – the possibility that the counterparty to any of the Authority's financial assets will fail to meet its contractual obligations to pay the amounts due, causing a loss to the Council.
- Liquidity risk – the possibility that the Authority might not have cash available to make contracted payments on time
- Market risk – the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

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.

a) Credit Risk

Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £2m is placed on the amount of money that can be invested in unsecured investments with a single counterparty (other than the UK government) for the majority of the Authority's activities (for more details see the Treasury Strategy). No more than £6m can be invested in total for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

| Balance Long-term 31st March 2018 | Balance Short-term 31st March 2018 | Counterparty Group | Investment Vehicle | Average | Country | Balance Long-term 31st March 2019 | Balance Short-term 31st March 2019 |
|---|--|--------------------|-------------------------|---------|----------------|---|--|
| £'000 | £'000 | | | rating | | £'000 | £'000 |
| 0 | 10,038 | UK Government | Term Deposit with DMADF | AA+ | United Kingdom | 0 | 3,000 |
| 0 | 0 | Local Authority | Term Deposit | AA+ | United Kingdom | 0 | 4,000 |
| 0 | 0 | Bank | Term Deposit | A+ | United Kingdom | 0 | 2,000 |

| | | | | | | |
|----|--------|-------------------------------------|--|----------------|----|--------|
| 0 | 10,038 | | | | 0 | 9,000 |
| | | Credit risk Not applicable * | | | | |
| 0 | 0 | Pooled funds | | United Kingdom | 0 | 2,059 |
| 40 | 0 | Unquoted Equity | | United Kingdom | 60 | 0 |
| 40 | 10,038 | Total Investments | | | 60 | 11,059 |

* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 150% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2019, £nil of loss allowances related to treasury investments.

Trade & Lease receivables and Contract assets

Credit risk also arises from the Authority's customers and other contractual debtors. 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 age.

Trade receivables are normally written off to the Surplus or Deficit on the Provision of Services when over due, but steps are still taken to collect sums owing until all economic avenues have been explored. The amount provided for but still subject collection processes and its age profile is provided in note 13.5.

The Council has one finance lease receivable as a result of a lease disposal of a piece of land, which is held on the balance sheet at amortised cost. The Council's credit risk on lease receivables is mitigated by its legal ownership of the asset leased, which can be repossessed if the debtor defaults on the lease contract, so no loss allowance has been applied. At the 31st March 2019 the carrying value was £2,849,000. The fair value was £2,906,000 reflecting the difference in interest rates used for the two estimates. A payment of £160,000 was overdue by 1 month at the 31st March 2019 but has since been received.

The Council has one finance lease receivable as a result of a lease disposal of a piece of land, which is held on the balance sheet at amortised cost. The Council's credit risk on lease receivables is mitigated by its legal ownership of the asset leased, which can be repossessed if the debtor defaults on the lease contract, so no loss allowance has been applied. At the 31st March 2019 the carrying value was £2,849,000. The fair value was £2,906,000 reflecting the difference in interest rates used for the two estimates. A payment of £160,000 was overdue by 1 month at the 31st March 2019 but has since been received.

Loans, Financial Guarantees and Loan Commitments

The Council has not made any material Loans, Financial Guarantees and Loan Commitments.

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 occur, the authority has ready access to borrowing at favourable rates from the Public Works Loans Board, other local authorities. There is no significant risk that it will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will be bound to replenish a significant proportion of its borrowings at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring short term borrowing is no more than 50% of the Council's total borrowing.

The maturity analysis of financial instruments is as follows:

| 31st March 2018 | | | | 31st March 2019 | | |
|-----------------|-------------|------|--------------------------------------|-----------------|-------------|---------|
| £000 | £000 | £000 | | £000 | £000 | £000 |
| Borrowings | Investments | Net | | Borrowings | Investments | Net |
| | | | The Loans Mature as follows:- | | | |
| 0 | 0 | 0 | No defined maturity | 0 | (2,119) | (2,119) |

| | | | | | | |
|----------------|-----------------|----------------|------------------------------|----------------|-----------------|----------------|
| 54,958 | (10,078) | 44,881 | Less than one year | 72,802 | (9,042) | 63,760 |
| 2,271 | 0 | 2,271 | Between one and two years | 19,702 | 0 | 19,702 |
| 29,563 | 0 | 29,563 | Between two and five years | 13,789 | 0 | 13,789 |
| 10,273 | 0 | 10,273 | Between five and ten years | 12,187 | 0 | 12,187 |
| 4,461 | 0 | 4,461 | Between ten and twenty years | 9,338 | 0 | 9,338 |
| 28,344 | 0 | 28,344 | More than twenty years | 51,579 | 0 | 51,579 |
| 129,870 | (10,078) | 119,793 | Total | 179,398 | (11,161) | 168,237 |

The Counterparty analysis of Borrowing is shown below:

| 31st March 2018 | | 31st March 2019 |
|--------------------|---------------------------|--------------------|
| £000 | | £000 |
| 52,415 | Public Works Loan Board | 86,483 |
| 14,816 | Market Loans & Bank loans | 13,815 |
| 5,210 | Welsh Government | 4,683 |
| 47,891 | Local Government bodies | 71,416 |
| 4,538 | Special Purpose Vehicle | 3,000 |
| 5,000 | Universities | 0 |
| 129,870 | Total | 179,398 |

The financial liabilities due to Welsh Government at the 31st March 2019 are the outstanding balances totalling £1,051,000 from interest free loans provided to fund energy saving Street Lighting capital schemes and £3,632,000 from a loan which funded the Oak Grove solar farm construction. Accounting requirements require financial liabilities in the form of loans to be carried at amortised cost. However, some of these interest free loans have not been carried at amortised cost on the grounds that the figures quoted are not materially different.

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

c) Market Risk

i) Interest rate risk

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

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

Investments measured at amortised cost and loans borrowed are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact the Comprehensive Income and Expenditure Statement. 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. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Authority has a number of strategies for managing interest rate risk. The 2019/20 treasury strategy includes a limit on the Authority's exposure to interest rate risk. This limit of 50% applies to the percentage of net variable rate debt to total net debt, where net debt is debt net of investments.

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 2019, if interest rates had been 1% higher with all other variables held constant, the most significant financial effect would be:

| 31st March 2018 £000 | Effect of a 1% increase in interest rates | 31st March 2019 £000 |
|-------------------------|--|-------------------------|
| 0 | Increase in interest payable on variable rate borrowings | 685 |
| 0 | Increase in interest receivable on variable rate investments | 76 |
| 0 | Decrease in fair value of investments held at FVP&L | 0 |
| 0 | Impact on Surplus or Deficit on the Provision of Services | 760 |
| (9,093) | Decrease in fair value of fixed rate borrowing * | (13,154) |

* No impact on Comprehensive Income and Expenditure

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

ii) Price risk

The market prices of the bond component in the Council's multi asset pooled funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk. It is carrying a £60,000 investment in shares of SRS Limited, a company set up with and jointly owned by Torfaen Borough Council & Gwent Police Authority. The property element of the Council's multi asset pooled funds is subject to the risk of falling commercial property prices. The equity element of the Council's multi asset pooled funds is subject to the risk of falling share prices. These risks are limited by the Council's maximum exposure to strategic pooled funds of £6m. A 5% fall in the value of the property component or equity component held within these funds could result in a £30,000 charge for each to Other Comprehensive Income and Expenditure. The due diligence carried out before these investments purchased would indicate that any such loss is expected to be either temporary or compensated for by the dividend income. One advantage of a multi asset pooled funds is that property, equity and bonds prices are not fully correlated with each other reducing the risk of losses.

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 2019, 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 2018 | | | | | 31st March 2019 | | | |
|-------------------|--------------------|--------------------|-------------|---|-------------------|--------------------|--------------------|-------------|
| Long Term £000 | Short Term £000 | Impairment £000 | Net £000 | | Long Term £000 | Short Term £000 | Impairment £000 | Net £000 |
| | | | | Central Government Bodies: | | | | |
| 0 | 5,835 | 0 | 5,835 | Welsh Government | | 3,847 | 0 | 3,847 |
| 0 | 2,013 | 0 | 2,013 | HM Customs & Excise | | 1,942 | 0 | 1,942 |
| 0 | 934 | 0 | 934 | NNDR Debtor | | 286 | 0 | 286 |
| 0 | 56 | 0 | 56 | Council Tax and Housing Benefit Subsidy | | 58 | 0 | 58 |
| 0 | 54 | 0 | 54 | Other | | 38 | 0 | 38 |

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| | | | | Other entities and individuals: | | | | |
|--------------|---------------|----------------|---------------|--|--------------|---------------|----------------|---------------|
| 0 | 4,746 | (115) | 4,631 | Other Local Authorities | | 7,794 | (127) | 7,667 |
| 2,928 | 0 | 0 | 2,928 | Deferred Capital receipts | 2,581 | 2,690 | 0 | 5,271 |
| 0 | 0 | 0 | 0 | Finance Lease | 2,753 | 96 | 0 | 2,849 |
| 0 | 2,461 | (59) | 2,402 | Revenue debtors | | 2,792 | (57) | 2,735 |
| 0 | 2,434 | (1,729) | 705 | Council tax arrears | | 2,508 | (1,676) | 832 |
| 0 | 1,394 | (205) | 1,189 | Corporate sundry debtors | | 2,446 | (206) | 2,240 |
| 0 | 1,394 | (566) | 828 | Housing benefit overpayments | | 1,455 | (607) | 848 |
| 0 | 998 | (12) | 986 | NHS Bodies | | 2,618 | (24) | 2,594 |
| 0 | 647 | (120) | 527 | Social Services debtors | | 732 | (147) | 585 |
| 0 | 222 | (197) | 25 | Rent arrears | | 307 | (241) | 66 |
| 0 | 1,669 | 0 | 1,669 | Capital debtors | | 144 | 0 | 144 |
| 211 | 0 | 0 | 211 | Housing Advances | 208 | 0 | 0 | 208 |
| 5 | 0 | 0 | 5 | Other | | 0 | 0 | 0 |
| 3,144 | 24,857 | (3,003) | 24,998 | Total Debtors | 5,542 | 29,753 | (3,085) | 32,210 |

The aged analysis of the debtors outstanding as at 31st March 2019 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 |
|---|------------------------|---------------------------|---------------------------------|---------------------------|---------------------------|---------------|
| Central Government Bodies: | | | | | | |
| Welsh Government | 3,847 | 0 | 0 | 0 | 0 | 3,847 |
| HM Customs & Excise | 1,942 | 0 | 0 | 0 | 0 | 1,942 |
| NNDR Debtor | 11 | 0 | 0 | 275 | 0 | 286 |
| Council Tax and Housing Benefit Subsidy | 58 | 0 | 0 | 0 | 0 | 58 |
| Other | 38 | 0 | 0 | 0 | 0 | 38 |
| Other entities and individuals: | | | | | | |
| Other Local Authorities | 4,674 | 2,605 | 447 | 62 | 6 | 7,794 |
| Revenue debtors | 2,792 | 0 | 0 | 0 | 0 | 2,792 |
| Council tax arrears | 0 | 0 | 0 | 1,378 | 1,130 | 2,508 |
| Corporate sundry debtors | 1,338 | 621 | 164 | 149 | 174 | 2,446 |
| Housing benefit overpayments | 166 | 97 | 419 | 549 | 224 | 1,455 |
| NHS Bodies | 2,399 | 159 | 41 | 16 | 3 | 2,618 |
| Social Services sundry debtors | 169 | 101 | 243 | 118 | 101 | 732 |
| Capital debtors | 144 | 0 | 0 | 0 | 0 | 144 |
| Rent arrears | 75 | 7 | 20 | 27 | 178 | 307 |
| Housing Advances | 208 | 0 | 0 | 0 | 0 | 208 |
| Other | 8,120 | 0 | 0 | 0 | 0 | 8,120 |
| Total | 25,981 | 3,590 | 1,334 | 2,574 | 1,816 | 35,296 |

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2019 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 | 0 | (59) | (62) | (6) | (127) |
| NHS Bodies | 0 | (13) | (9) | 0 | (2) | (24) |

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| | | | | | | |
|--------------------------------|-------------|-------------|--------------|----------------|----------------|----------------|
| Revenue debtors | 0 | 0 | (22) | (12) | (23) | (57) |
| Council Tax Arrears | 0 | 0 | 0 | (884) | (792) | (1,676) |
| Social Services sundry debtors | (16) | (17) | (44) | (19) | (50) | (146) |
| Corporate sundry debtors | 0 | (1) | (84) | (66) | (55) | (206) |
| Rent arrears | (19) | (4) | (12) | (27) | (179) | (241) |
| Housing benefit overpayments | 0 | 0 | (108) | (69) | (431) | (608) |
| Total | (35) | (35) | (338) | (1,139) | (1,538) | (3,085) |

13.6 Creditors

It is the Authority's policy to pay creditors promptly, without undue delay and within mutually agreed terms. 94.47% of payments were paid within a 30 day target settlement date (95.08% in 2017/18).

The nature and value of payments due to be made by the Council in the year but not actually made as at 31st March 2019 is summarised below:

| 31st March 2018 £000 | | 31st March 2019 £000 |
|-------------------------|------------------------------|-------------------------|
| 6,021 | Central Government Bodies | 2,974 |
| 4,064 | Other Local Authorities | 3,673 |
| 372 | NHS Bodies | 666 |
| 6,693 | Capital Creditors | 4,269 |
| 14,830 | Other entities & individuals | 16,085 |
| 31,980 | Total | 27,668 |

13.7 Provisions and Contingent Liabilities

The value of provisions as at 31st March 2019, together with their movement for the year, is summarised below:

| | Note | As at 1st April 2018 £000 | Additional Provisions Made £000 | Amounts Used £000 | Unused Amounts Reversed £000 | As at 31st March 2019 £000 |
|---------------------------------------|-------|------------------------------|------------------------------------|----------------------|---------------------------------|-------------------------------|
| Insurance Claims | 13.8a | 739 | 624 | (126) | (197) | 1,040 |
| Insurance Claims - MMI | 13.8b | 32 | 0 | 0 | 0 | 32 |
| Accumulating Compensated Absences | 13.8c | 3,601 | 2,939 | (3,601) | 0 | 2,939 |
| Shared Resource Service (Public) Debt | 13.8e | 0 | 86 | 0 | 0 | 86 |
| Total | | 4,372 | 3,649 | (3,727) | (197) | 4,097 |

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 2018 £000 | Long Term 31st March 2018 £000 | | Current 31st March 2019 £000 | Long Term 31st March 2019 £000 |
|---------------------------------|-----------------------------------|---------------------------------------|---------------------------------|-----------------------------------|
| 370 | 370 | Insurance Claims | 520 | 520 |
| 16 | 16 | Insurance Claims - MMI | 16 | 16 |
| 3,601 | 0 | Accumulating Compensated Absences | 2,939 | 0 |
| 0 | 0 | Shared Resource Service (Public) Debt | 86 | 0 |
| 3,987 | 386 | Total | 3,561 | 536 |

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 2019. 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 2019 was 1,040,000 (£739,000 at 31st March 2018) and the balance on the insurance and risk management reserve as at 31st March 2019 was £930,000 (£958,000 as at 31st March 2018). These balances are deemed to provide sufficient cover for the Authority's claims exposure.

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|----------------------|-----------------|
| 467 | Public Liability | 809 |
| 272 | Employer's Liability | 231 |
| 739 | Total | 1,040 |

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 2019, 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 2019 was £2,938,789 (£3,601,269 at 31st March 2018).

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. 4 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 £6.483 million as updated by RPI (£6.360 million as at 31st March 2018) , 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 2019) is £111,478 (previously £87,694 for the period 21st January 2008 to 31st March 2018).

e) Shared Resource Service (SRS) Public Debt

Financial administration of the Shared Resource Service (Public) will transfer to Torfaen CBC on 1st April 2019. As part of the winding up of the current administration it is possible that Monmouthshire CC may incur a write off for unrecoverable debt relating to bills raised by SRS Public up to and including the 31st March 2019. The probability and timing of these write offs remains uncertain at the balance sheet date and therefore an FRS12 provision of £86,000 has been made.

13.8 Agency Transactions

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

The Welsh Government has established a number of schemes whereby loans are made available, through Local Authorities, to homeowners and landlords wishing to renovate their properties.

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

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

Loans are interest free

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

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

The maximum loan amount per applicant is £150,000

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

| | Agency funds from WG | Interest Earned | Loans Issued & outstanding | Repayment to WG | Total |
|---------------------------------|----------------------|-----------------|----------------------------|-----------------|--------------|
| | £000s | £000s | £000s | £000s | £000s |
| Home Improvement Loans | 1,250 | 10 | (46) | (1,159) | 56 |
| Vibrant and Viable Places Loans | 621 | 8 | (39) | 0 | 589 |
| Houses to Homes | 605 | 0 | 0 | 0 | 605 |
| Total | 2,476 | 18 | (85) | (1,159) | 1,250 |

The gross amount owed to Welsh Government is £1,335,000 (£727,000 at the 31st March 2018). The Loan amounts not yet repaid by Loan recipients to Monmouthshire County Council is £85,000 (£109,000 at the 31st March 2018). The net Agency creditor is £1,250,000 (£618,000 at the 31st March 2018) and this is held within Long Term Liabilities.

14 POST-EMPLOYMENT BENEFIT NOTES

14.1 Participation in Pension Schemes

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

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

Teachers

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

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

The latest available figure for total net liability is £361,668 million as at the 31 March 2018 (£347,312 million at 31 March 2017). The latest actuarial valuation of the scheme (undertaken every 4 years), as at 31 March 2012 was published on the 9th June 2014. Key results from the actuarial valuation include an increase in employer contribution from 14.1% to 16.4% of pensionable pay commencing 1 September 2015 and an employer cost cap of 10.9% of pensionable pay. The reported deficiency in the balance of assets less liabilities of the scheme was reported as £15,000 million at 31 March 2012 (£3,260 million at 31 March 2004, the previous actuarial valuation).

The Authority's payments relating to 2018/19 totalled £3,875,000 (£3,896,000 in 2017/18) to the scheme in respect of teachers' retirement benefits, representing 16.48% of teachers' pensionable pay (16.48% for 2017/18).

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 (£321,000 at 31st March 2018).

Greater Gwent Pension Fund

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

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

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

14.2 Pension Fund Stakeholders

14.3 Entries in the comprehensive income and expenditure statement

14.4 Expected future pension contributions

14.5 Actuarial Assumptions

14.6 Sensitivity analysis

14.7 Investments held by the pension fund

14.8 The movement in the authority's share of the assets and liabilities within the Fund

14.9 A summary explanation of the movement in assets and liabilities

14.2 Pension Fund Stakeholders

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

| 2017/18 | | | 2018/19 | | Weighted Average Duration (Years) |
|----------------|-------------|--------------|----------------|-------------|-----------------------------------|
| £000's | % | | £000's | % | |
| 264,329 | 49% | Active | 264,329 | 49% | 23.8 |
| 94,558 | 18% | Deferred | 94,558 | 18% | 23.8 |
| 180,785 | 33% | Pensioners | 180,785 | 33% | 12 |
| 539,672 | 100% | Total | 539,672 | 100% | 18.6 |

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

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 |
|---------------------------------|---|---|---------------------------------|---|
| 2017/18 £000's | 2017/18 £000's | | 2018/19 £000's | 2018/19 £000's |
| | | Comprehensive Income and Expenditure Account | | |
| | | Net Cost of Services: | | |
| 19,610 | 0 | current service cost | 20,121 | 0 |
| 199 | 0 | past service cost / (gain) including curtailments | 41 | 0 |
| 0 | 0 | settlement gain | 0 | 0 |
| 19,809 | 0 | Total Net Cost of Services | 20,162 | 0 |
| | | Financing and Investment Income and Expenditure: | | |
| 13,930 | 135 | interest cost on pension liabilities | 14,831 | 126 |
| (8,306) | 0 | interest income on plan assets | (8,976) | 0 |
| 0 | 0 | Impact of asset ceiling on net interest | 0 | 0 |
| 25,433 | 135 | Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 26,017 | 126 |
| | | Other Comprehensive Income and Expenditure: | | |
| (14,212) | (19) | (Gains) and losses on remeasurement | 36,472 | (3) |
| 0 | 0 | Effect of business combinations and disposals | 0 | 0 |
| (14,212) | (19) | Total Other Comprehensive Income and Expenditure | 36,472 | (3) |
| 11,221 | 116 | Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 62,489 | 123 |
| | | Movement in Reserves Statement | | |

| | | | | |
|----------|-------|---|----------|-------|
| (25,433) | (135) | reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits | (26,017) | (126) |
| | | Actual amount charged against the Council Fund for pensions in the year: | | |
| 10,465 | 463 | employers' contributions payable to scheme | 11,600 | 444 |

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 2020 is £11,336,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2020 are £455,000.

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 2019 | 31st March 2018 | 31st March 2017 | 31st March 2019 | 31st March 2018 | 31st March 2017 |
| Rate of increase in salaries | 2.8% | 2.8% | 3.7% | - | - | - |
| Rate of increase in pensions (inline with CPI) | 2.4% | 2.4% | 2.2% | 2.4% | 2.4% | 2.2% |
| Rate for discounting scheme liabilities | 2.7% | 2.6% | 3.5% | 2.7% | 2.6% | 3.5% |
| Life Expectancy: | | | | | | |
| Current male pensioner aged 65 (years) | 21.5 | 21.5 | 23.0 | 21.5 | 21.5 | 23.0 |
| Current female pensioner aged 65 (years) | 23.9 | 23.9 | 25.4 | 23.9 | 23.9 | 25.4 |
| Future male pensioner aged 65 in 20 years' time (years) | 23.6 | 23.6 | 25.2 | - | - | - |
| Future female pensioner aged 65 in 20 years' time (years) | 26.1 | 26.1 | 27.8 | - | - | - |

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

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 2019 | Approximate % increase to Employer | Approximate monetary amount (£000) |
|--|------------------------------------|------------------------------------|
| 0.5% decrease in Real Discount Rate | 11% | 65,339 |
| 0.5% increase in the Salary Increase Rate | 2% | 10,004 |
| 0.5% increase in the Pension Increase Rate | 9% | 54,192 |

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 2018 | | Category | Quoted in Active markets | 31st March 2019 | |
|-----------------|---------------|---|--------------------------|-----------------|---------------|
| £000 | % | | | £000 | % |
| 62,097 | 18.7% | Equities | Yes | 52,162 | 18.7% |
| | | Investment funds & Unit Trusts | | | |
| 191,298 | 57.6% | Equities | No | 201,623 | 57.6% |
| 53,817 | 16.2% | Bonds | No | 61,362 | 16.2% |
| 13,975 | 4.2% | Other | No | 26,761 | 4.2% |
| 8,015 | 2.4% | Property | No | 9,550 | 2.4% |
| 2,710 | 0.8% | Cash accounts | No | 1,714 | 0.8% |
| 0 | 0.0% | Alternatives | No | 0 | 0.0% |
| 331,910 | 100.0% | Total | | 353,171 | 100.0% |

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 |
|---------------------------------|--|---|---------------------------------|--|
| 2017/18 £000 | 2017/18 £000 | | 2018/19 £000 | 2018/19 £000 |
| 319,333 | 0 | As at 1st April | 331,910 | 0 |
| 0 | 0 | Settlement costs | 0 | 0 |
| 8,306 | 0 | Interest on plan assets | 8,976 | 0 |
| 10,465 | 463 | Employers contributions | 11,600 | 444 |
| 2,937 | 0 | Contributions by scheme participants | 3,121 | 0 |
| 3,536 | 0 | Gains / (losses) on remeasurement of assets | 10,744 | 0 |
| 0 | 0 | Administration expenses of plan assets | 0 | 0 |
| (12,667) | (463) | Benefits paid | (13,180) | (444) |
| 331,910 | 0 | As at 31st March | 353,171 | 0 |

The Movement in Fund Liability

| | | | | |
|-----------|---------|-----------------|-----------|---------|
| (531,153) | (5,417) | As at 1st April | (544,485) | (5,070) |
|-----------|---------|-----------------|-----------|---------|

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| | | | | |
|------------------|----------------|---|------------------|----------------|
| (19,610) | 0 | Current service cost | (20,121) | 0 |
| (199) | 0 | Past service (cost) / gain (including curtailments) | (41) | 0 |
| 0 | 0 | Settlement gains | 0 | 0 |
| 0 | 0 | Curtailment costs | 0 | 0 |
| (13,930) | (135) | Interest on pension liabilities | (14,831) | (126) |
| (2,937) | 0 | Contributions by scheme participants | (3,121) | 0 |
| 10,676 | 19 | Gains / (losses) on remeasurement of liabs | (47,216) | 3 |
| 12,667 | 463 | Benefits paid | 13,180 | 444 |
| 0 | - | Effect of business combinations & disposals | 0 | - |
| (544,485) | (5,070) | As at 31st March | (616,635) | (4,749) |

There were £1,020,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2018 £1,106,000 was payable) and £2,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£5,000 at 31 March 2018).

Within the £616,635,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2019 (£544,485,000 31 March 2018), there are £4,718,000 of unfunded liabilities (£4,813,000 as at 31st March 2018). £339,000 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 2019, the fund's actuaries have estimated that the Authority had the following assets and liabilities:

| | 2014/15 £000 | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Local Government Pension Scheme | | | | | |
| Present value of scheme liabilities | (422,166) | (436,585) | (531,153) | (544,485) | (616,635) |
| Fair value of scheme assets | 259,755 | 254,271 | 319,333 | 331,910 | 353,171 |
| Surplus / (deficit) in the scheme | (162,411) | (182,314) | (211,820) | (212,575) | (263,464) |
| Teachers Unfunded Discretionary Benefits | | | | | |
| Present value of scheme liabilities | (5,003) | (5,911) | (5,417) | (5,070) | (4,749) |
| Fair value of scheme assets | 0 | 0 | 0 | 0 | 0 |
| Surplus / (deficit) in the scheme | (5,003) | (5,911) | (5,417) | (5,070) | (4,749) |
| Total | | | | | |
| Present value of scheme liabilities | (427,169) | (442,496) | (536,569) | (549,555) | (621,384) |
| Fair value of scheme assets | 259,755 | 254,271 | 319,333 | 331,910 | 353,171 |
| Surplus / (deficit) in the scheme | (167,414) | (188,225) | (217,236) | (217,645) | (268,213) |
| Year on year increase in net liability (or deficit) | | (20,811) | (29,011) | (409) | (50,568) |

There is an increase in the combined net liability of the Greater Gwent pension funds of £50,568,000 from 1 April 2018 to 31 March 2019. This has resulted mainly from an increase in scheme liabilities of £47m resulting from changes in financial assumptions. The most significant being the discount rate used to value scheme liabilities which has gone down causing the increase in the present value of scheme liabilities.

15 NOTES TO THE CASH FLOW STATEMENT

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 17,210 | Net (surplus) or deficit on the provision of services | 16,989 |
| | Non-cash transactions: | |
| (10,915) | Depreciation of non-current assets | (10,744) |
| (4,287) | Impairment and downward valuations | (13,893) |
| (160) | Amortisation of intangible non-current assets | (146) |
| (67) | Increase/decrease in impairment for provision for bad debts | 56 |
| (108) | Increase/(decrease) in inventories | 188 |
| 797 | Increase/(decrease) in debtors | 7,155 |
| 361 | (Increase)/decrease in creditors | 1,675 |
| (420) | (Increase)/decrease in provisions | 276 |
| (14,640) | Pension liability | (14,099) |
| (941) | Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised | (10,334) |
| (1,982) | Movement in the value of investment properties | (1,525) |
| | Items classified in another classification in the cash flow statement | |
| (2,854) | Other payments for investing activities | (2,132) |
| 6,352 | Other receipts from investing activities | 17,295 |
| (31) | Other payments for financing activities | (32) |
| 2,784 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 4,242 |
| (8,902) | Net cash flows from Operating Activities | (5,029) |

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:

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| | Returns on Investments received: | |
| (155) | Interest received | (166) |
| (24) | Other interest and investment income | (14) |
| | Servicing of Finance paid: | |
| 2,624 | Interest paid | 3,346 |
| 21 | Interest element of finance lease rental payments | 20 |
| 2,466 | | 3,187 |

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 2018 | In Year Movement | At 31st March 2019 |
|----------------------------------|-----------------------|---------------------|-----------------------|
| | £000 | £000 | £000 |
| Current Assets | | | |
| Cash held by the Authority | 319 | 78 | 397 |
| Bank current accounts | 0 | 1,561 | 1,561 |
| Short-term call account deposits | 7,035 | 2,321 | 9,355 |
| Current Liabilities | | | |
| Bank current account overdrafts | (774) | 670 | (103) |
| Total | 6,579 | 4,630 | 11,210 |

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 Councillors and co-optee members of the council during the year:

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|----------------------------------|-----------------|
| 575 | Basic allowance | 586 |
| 197 | Special responsibility allowance | 193 |
| 28 | Travel allowance | 31 |
| 3 | Subsistence allowance | 7 |
| 803 | Total | 817 |

16.2 Audit Costs

The Authority has incurred the following costs during 2018/19 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:

| 2017/18 £000 | | 2018/19 £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 |
| 55 | Fees payable to the appointed auditor for certification of grant claims & returns | 68 |
| 334 | Total | 347 |

16.3 S31 and S33 Pooled Budget Arrangements

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

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

a) Mardy Park Rehabilitation Scheme

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

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

During the previous financial year the previous Mardy Park agreement was revisited and redrafted as a section 33 to incorporate the service redesign undertaken. The site at Mardy Park has undergone significant redesign within the past year to accommodate ever changing service demands and provide an integrated Health and Social Care hub within North Abergavenny. Mardy Park now offers a multi-functional facility to allow for a more reactive based centre, providing high quality rehabilitation, respite and reablement to offer rapid hospital discharge, freeing up pressure on Delayed Transfers of Care and early hospital discharge. The site offers a facility to host a number of clinics to the community.

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

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|----------------------------------|-----------------|
| | Funding | |
| (258) | Monmouthshire County Council | (250) |
| (177) | Monmouthshire Local Health Board | (189) |
| (435) | Total Funding | (439) |
| | Expenditure | |
| 303 | Employee related | 318 |
| 85 | Premises related | 61 |
| 1 | Transport related | 0 |
| 37 | Supplies & Services | 41 |
| 94 | Agency & Contracted | 34 |
| 520 | Total Expenditure | 454 |
| 85 | Net (Under)/over spend | 15 |

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 £3,366,000 (£3,295,000 for 2017/18) and gross income of £3,366,000 (£3,295,000 for 2017/18) for the financial year ended 31st March 2019. Monmouthshire County Council's contribution for the year was £378,000 (£307,000 for 2017/18).

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

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

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

Aneurin Bevan University Health Board is the host for the Partnership, who recorded gross expenditure of £3,632,000 (£3,433,000 for 2017/18) and gross income of £3,411,000 (£3,312,000 for 2017/18) for the financial year ended 31st March 2019. Monmouthshire County Council's total contribution for the year was £1,136,000 (£1,022,000 for 2017/18).

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 £16,515,000 (£15,484,000 for 2017/18) and gross income of £16,452,000 (£15,467,000 for 2017/18) for the financial year ended 31st March 2019. Monmouthshire County Council's total contribution for the year was £1,387,000 (£1,286,000 for 2017/18).

e) Pooled Fund for Care Home Accommodation Functions for Older People

Under section 169 and Part 9 Statutory Guidance of the Social Services and Wellbeing Act (Wales) 2014, Welsh Government has directed the forming of a pooled arrangement across Wales for Care Home Accommodation Functions for Older People.

The Gwent Regional Partnership Board decided to establish a pooled fund and service, by establishing a 'Gwent' section 33 agreement from the 6 organisations being 5 Local Authorities comprising of Monmouthshire, Newport, Torfaen, Blaenau Gwent and Caerphilly, along with Aneurin Bevan University Health Board.

Torfaen County Borough Council is the host for the Partnership, who recorded gross expenditure of £98,596,000 and funding of £98,596,000 for the financial year ended 31st March 2019. Monmouthshire County Council's total contribution for the year was £8,993,000.

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 note 11.6 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 2018/19 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 Monitoring Officer for the Authority, Chief Officer for Children & Young People, Chief Officer for Enterprise, Head of Resources (S151 Officer), Chief Officer for Social Care & Health and the Head of Policy and Governance have no pecuniary interests.

The Chief Executive was the Acting Returning Officer and Electoral Registration Officer for Monmouthshire during 2018/19 and held the following position during the year:

- Non Executive Director of Innovationpoint (a wholly owned Welsh Government Subsidiary)
- Clerk to the Lord Lieutenancy of Gwent
- Honorary Visiting Professor, University of Cardiff
- Solace UK, Economy / Digital Lead Officer
- LEA Intervention Governor - Cwmbran High School

The Deputy Chief Executive and the Head of Enterprise until August 2018 has taken up the secondment position of Programme Director for the Cardiff Capital Region City Deal and held the positions of :

- Chair of the Innovation Advisory Council for Wales
- Member of Science Advisory Council for Wales

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:

| 2017/18 Debtors £000 | 2017/18 Creditors £000 | | 2018/19 Debtors £000 | 2018/19 Creditors £000 |
|-------------------------|---------------------------|----------------------|-------------------------|---------------------------|
| 0 | 128 | Dragon Waste Limited | 0 | 302 |

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

| 2017/18 Payments £000 | 2017/18 Receipts £000 | | 2018/19 Payments £000 | 2018/19 Receipts £000 |
|--------------------------|--------------------------|----------------------|--------------------------|--------------------------|
| 2,354 | (36) | Dragon Waste Limited | 2,236 | (32) |

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 2019:

| | Income £000 | Expend £000 | Assets £000 | Liabilities £000 |
|---|----------------|----------------|----------------|---------------------|
| Welsh Church Act Fund | (250) | 376 | 5,710 | (344) |
| 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. | | | | |
| Llanelly Hill Social Welfare Centre | (21) | 21 | 114 | (46) |
| 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. | | | | |
| Chairman's Charity | (1) | 3 | 0 | (2) |
| The Chairman's Charity supports and raises funds for the Chairman's nominated Charity of the year. | | | | |
| Funds for which Monmouthshire County Council acts as custodian trustee: | | | | |
| Monmouthshire Farm School Endowment | (32) | 79 | 664 | (4) |
| Appointeeship - Personal Monies | (1,176) | 972 | 669 | (465) |
| Appointeeship - Independent Living Fund Monies | (1) | 32 | 0 | (31) |

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 2018.

| 31st March 2018 | | 31st March 2019 |
|--------------------|-------------------------------|--------------------|
| £000 Final | | £000 TBC |
| (44) | Net Assets/(Liabilities) | - |
| (111) | Profit/(Loss) before Taxation | - |
| (91) | Profit/(Loss) after Taxation | - |
| 0 | Dividends | - |

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

Payments of £2,203,998 were made to Dragon Waste Limited during 2018/19 (£2,353,677 during 2017/18).

The Authority owed £268,115 to Dragon Waste Limited at the 31st March 2019 (£128,313 owed to Dragon Waste as at 31st March 2018) in respect of Waste Management contract income.

Further information can be found in Dragon Waste Limited Financial Statements for the year ended 31 March 2017 which are available from the Company Secretary, Pennon Group Plc, Peninsula House, Rydon Lane, Exeter, Devon, England, EX2 7HR.

SRS Public

The Authority entered into a public sector collaborative arrangement, known as the Shared Resource Service, with Torfaen County Borough Council (TCBC) and Gwent Police Authority in May 2011, Newport City Council and Blaenau Gwent Borough Council have joined the partnership subsequently. The arrangement has resulted in a Shared Resources Centre (SRC) being set up for the purpose of providing IT services to each member authority. A memorandum of understanding is in place to provide robust governance arrangements. The arrangement is not a separate legal entity and ownership of the SRS premises resides with TCBC. The arrangement is funded by core contributions from partners, income from desk licences and rack rentals from schools and external income. Monmouthshire's core contribution during 2018/19 included in the Council's Accounts totalled £2.13 million.

SRS activities for 2018/19 involved a combined gross expenditure budget of £15.6 million. The Authority owed £36,476 to SRS Public at the 31st March 2019 (£149,626 owed as at 31st March 2018).

Financial administration of the Shared Resource Service (Public) will transfer to Torfaen CBC on 1st April 2019. As part of the winding up of the current administration it is possible that Monmouthshire CC may incur a write off for unrecoverable debt relating to bills raised by SRS Public up to and including the 31st March 2019. The probability and timing of these write offs remains uncertain at the balance sheet date and therefore an FRS12 provision of £86,000 has been made as outlined in note 13.7.

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 2019.

| 31st March 2018 | | 31st March 2019 |
|--------------------|-------------------------------|--------------------|
| £000 Final | | £000 Draft |
| 121 | Net Assets/(Liabilities) | 140 |
| 20 | Profit/(Loss) before Taxation | 24 |
| 16 | Profit/(Loss) after Taxation | 20 |
| 0 | Dividends | 0 |

There were no transactions between Monmouthshire County Council and SRS (BS) during 2018/19 (nil in 2017/18). Further information can be found in SRS Business Solutions Limited financial statements for the year ended 31 March 2019 which are available from the Head of Finance, Monmouthshire County Council, County Hall, Rhadyr, Usk, NP15 1GA.

Y Prentis

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

The Company's latest available trading results are the financial statements for the period ending 30th September 2018.

The company is exempt from audit under section 477 of the companies act 2006 for the financial year ending September 2018.

| 30th Sept 2017 | | 30th Sept 2018 |
|-------------------|-------------------------------|-------------------|
| £000 Final | | £000 Draft |
| 288 | Total Assets/(Liabilities) | 300 |
| 32 | Profit/(Loss) before Taxation | 13 |
| 26 | Profit/(Loss) after Taxation | 13 |
| 0 | Dividends | 0 |

There were no transactions between Monmouthshire County Council and Y Prentis during 2018/19 (nil in 2017/18).

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 2019.

| 31st March 2018 | | 31st March 2019 |
|--------------------|-------------------------------|--------------------|
| £000 Final | | £000 Draft |
| 210 | Total Assets/(Liabilities) | 287 |
| (104) | Profit/(Loss) before Taxation | 19 |
| (104) | Profit/(Loss) after Taxation | 19 |
| 0 | Dividends | 0 |

Payments of £259,563 were made to the EAS during 2018/19 (£502,877 during 2017/18). There were no balances owing to/from the EAS at 31st March 2019 (nil at 31st March 2018).

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 2019.

| 31st March 2018 | | 31st March 2019 |
|--------------------|-------------------------------|--------------------|
| £000 Final | | £000 Draft |
| 287 | Total Assets/(Liabilities) | 268 |
| (6) | Profit/(Loss) before Taxation | (19) |
| (6) | Profit/(Loss) after Taxation | (19) |
| 0 | Dividends | 0 |

Payments of £182,244 were made to Gwent Archives during 2018/19 (£182,244 during 2017/18). There were no balances owing to/from Gwent Archives at 31st March 2019 (nil at 31st March 2018).

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 2019.

| 31st March 2018 | | 31st March 2019 |
|--------------------|-------------------------------|--------------------|
| £000 Final | | £000 Draft |
| 3,241 | Total Assets/(Liabilities) | 2,055 |
| 598 | Profit/(Loss) before Taxation | (1,276) |
| 598 | Profit/(Loss) after Taxation | (1,276) |
| 0 | Dividends | 0 |

A payment of £138,375 and a special dividend of £258,300 were received from Gwent Crematorium during the 2018/19 financial year (£138,375 during 2017/18). There were no balances owing to/from Gwent Crematorium at 31st March 2019 (nil at 31st March 2018).

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 2019.

| 31st March 2018 | | 31st March 2019 |
|--------------------|-------------------------------|--------------------|
| £000 Final | | £000 Draft |
| 343 | Total Assets/(Liabilities) | 330 |
| 15 | Profit/(Loss) before Taxation | (13) |
| 15 | Profit/(Loss) after Taxation | (13) |
| 0 | Dividends | 0 |

Payments of £27,000 were made to Project Gwyrdd during 2018/19 (£32,000 during 2017/18). There were no balances owing to/from Project Gwyrdd at 31st March 2019 (nil at 31st March 2018).

City Deal

A Joint Working Agreement formally established the Cardiff Capital Region Joint Committee (the Regional Cabinet) as a Joint Committee, with delegated functions, from 1st March 2017. It is a partnership between the 10 councils in South East Wales and its aim is to oversee the Region's economic growth and to deliver the commitments set out in the CCR City Deal, specifically in relation to the Wider Investment Fund, which amounts to £495 million, with £120 million being contributed by the 10 councils on a pro rata population basis. The arrangement has not been consolidated on grounds of materiality, but the position will be kept under continual review. The direct costs incurred by the Council are included in the accounts. In terms of capital spending the Council contributed £0.75 million in 2018/19 (£1.48 million in 2017/18).

CSC Foundry

During 2018/19 MCC had 'Significant Influence' over CSC Foundry Ltd which is a subsidiary of CCRCD. As at 31st March 2019 CSC Foundry had £3.0m invested with the Authority which is classified within Short term borrowing in the Balance sheet.

16.7 Interests in Joint Operations

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

For 2018/19 it is deemed that the interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements. In order to ensure compliance with the Code, a range of narrative disclosures have been made in other sections of the accounts (See note 16.6 for further information).

16.8 Senior Officer Remuneration

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

| Year ended 31st March 2019 | 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 £ |
|--|---|--|-------------------------|---|--|---|
| Post Holder | | | | | | |
| Chief Executive Officer | 114,455 | 0 | 0 | 114,455 | 25,295 | 139,750 |
| Chief Officer - Children and Young People | 82,888 | 0 | 0 | 82,888 | 18,318 | 101,206 |
| Chief Officer - Enterprise (Apr - Jul) | 29,377 | 0 | 0 | 29,377 | 6,492 | 35,869 |
| Chief Officer - Enterprise (Sep - Mar) | 43,410 | 0 | 0 | 43,410 | 9,594 | 53,003 |
| Chief Officer - Social Care and Health (Apr - Jul) | 22,374 | 0 | 0 | 22,374 | 4,945 | 27,319 |
| Chief Officer - Social Care and Health (Jul - Mar) | 59,815 | 0 | 0 | 59,815 | 13,219 | 73,034 |
| Chief Officer - Resources | 82,913 | 0 | 0 | 82,913 | 17,337 | 100,250 |
| Monitoring Officer, (Head of Legal Services) (Apr - Aug) | 26,889 | 0 | 0 | 26,889 | 5,942 | 32,831 |
| Monitoring Officer, (Head of Legal Services) (Sep - Mar) | 41,614 | 0 | 0 | 41,614 | 9,197 | 50,811 |
| Head of Finance and Section 151 Officer (Apr - Jan) | 71,788 | 0 | 0 | 71,788 | 10,566 | 82,353 |
| Total | 575,523 | 0 | 0 | 575,523 | 120,905 | 696,427 |

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

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

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

Employers' pension contributions were paid at a rate of 22.1% of pensionable pay for staff within the Local Government Pension Scheme (21.1% for 2017/18). Expense allowances are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2018/19 (Nil in 2017/18).

In satisfying the requirement to report the Chief Executive's remuneration as a proportion of the full time equivalent median salary of Monmouthshire County Council employees. In 2018/19, the median employee position has been calculated as £22,401, equating to spinal point 24 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5.11:1

In 2017/18, the median employee position was calculated as £21,962, equating to spinal point 24 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5.11:1

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 2019, was:

| 2017/18 | | Remuneration Band | 2018/19 | |
|---------------------|-------------------------------|---------------------|---------------------|-------------------------------|
| 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 |
| 3 | 3 | £105,000 - £109,999 | 2 | 1 |
| 0 | 0 | £100,000 - £104,999 | 1 | 0 |
| 1 | 0 | £95,000 - £99,999 | 1 | 1 |
| 0 | 0 | £90,000 - £94,999 | 1 | 1 |

| | | | | |
|-----------|-----------|-------------------|-----------|-----------|
| 3 | 2 | £85,000 - £89,999 | 0 | 0 |
| 4 | 1 | £80,000 - £84,999 | 4 | 2 |
| 2 | 1 | £75,000 - £79,999 | 2 | 1 |
| 7 | 4 | £70,000 - £74,999 | 4 | 1 |
| 12 | 7 | £65,000 - £69,999 | 11 | 6 |
| 10 | 6 | £60,000 - £64,999 | 17 | 11 |
| 43 | 24 | Total | 44 | 24 |

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 22.1% of pensionable pay for staff within the Local Government Pension Scheme (21.1% for 2017/18) and 16.4% of pensionable pay for staff within the Teachers' Pension Scheme (16.4% in 2017/18).

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.

| 2017/18 | | | Exit package Cost band | 2018/19 | | |
|---------------------------------------|-------------------------------------|---|------------------------|---------------------------------------|-------------------------------------|---|
| 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 |
| 35 | 4 | 370 | £0 - £20,000 | 35 | 4 | 312 |
| 14 | 1 | 473 | £20,001 - £40,000 | 7 | 2 | 253 |
| 3 | 0 | 130 | £40,001 - £60,000 | 1 | 1 | 97 |
| 0 | 1 | 80 | £60,001 - £80,000 | 0 | 0 | 0 |
| 1 | 0 | 81 | £80,001 - £100,000 | 1 | 0 | 92 |
| 0 | 0 | 0 | £100,001 - £150,000 | 0 | 0 | 0 |
| 53 | 6 | 1,134 | Total | 44 | 7 | 754 |

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 2018/19 financial year and its position at the year-end of 31st March 2019.

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 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

17.2 Accounting Standards issued not yet adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.

IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This is expected to have no impact on the statement of accounts.

IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make it clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

17.3 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place rather than when cash payments are made or received. In particular:

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- 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.
- 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 on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

17.4 Cash and Cash Equivalents

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

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

17.5 Charges to Revenue for Non-Current Assets

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

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

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

17.6 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in this note, 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:

- 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 employee benefit entitlements (in the form of annual leave, time off in lieu and flexi time) 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 2018/19 was 21% (24% for 2017/18).

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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Consequences if actual results differ from assumption |
|--|--|---|
| 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. |

| | | |
|---|---|---|
| <p>Britain leaving the European Union: asset values and pension liability</p> | <p>There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.</p> | <p>Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.</p> |
| <p>Provisions</p> | <p>The Council has included provisions for known insurance claims as at 31st March 2019. 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.</p> | <p>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 2019 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.</p> |
| <p>Arrears</p> | <p>At 31st March 2019, the Authority had an outstanding balance of short term debtors totalling £29.8m. Against this debtors balance, there is an impairment allowance of £3.1m. It is not certain that this impairment allowance would be sufficient as the Authority cannot assess with certainty which debts will be collected or not.</p> | <p>If collection rates were to deteriorate, there would be a consequential increase in the impairment of doubtful debts.</p> |

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 instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets

Financial assets are held as amortised cost where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows. This is the majority of our treasury investments such as term deposits, CDs and call accounts and also trade debtors for goods and services provided contractually and also lease receivables. This excludes council tax debtors and grants receivable as they are non-exchange transactions.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council. For most assets, this is 12 month expected credit losses until the risk increases significantly, then it is lifetime expected losses. For trade debtors expected lifetime losses are always used.

Financial assets are held at fair value through other comprehensive income where cashflows are solely payments of principal and interest and it is the Council's business model to collect these cashflows and sell the instruments before maturity. The authority does not hold any such investments. The standard also allows the authority to elect to account for equity investments through other comprehensive income if they are being held for strategic investment purposes.

All other financial assets are held at fair value through Profit & Loss.

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 measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end.

Revaluation gains and losses are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore, gains and losses are reversed via the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Net rental income together with any revaluation gains and losses or impairments are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

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 Interests in companies and other entities

The Council has a number of interests in other entities which fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. However the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements. In order to ensure compliance with the Code, a range of narrative disclosures have been made in other sections of the accounts (See note 16.6 for further information).

17.19 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee - Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Assets of less than £10,000 Current value, the de minimus for capitalisation of Fixed assets, will not be treated as Finance leases.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).
- A revenue provision (MRP) equal to the principal repayments made, taken to the Capital Adjustment Account via the Movement in Reserves Statement.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Authority as Lessee - Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor - Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Again, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the Council Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the Council Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the Council Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

The Authority as Lessor - Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Where material, initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

17.20 Overheads and Support Services

The costs of overheads and support services are no longer charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Code of Practice. The Statement of Accounts are now presented in the same way as the management reporting structure of the Council, so overheads are now reported in the budget areas where they are managed.

17.21 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

It is not a requirement for expenditure outside of the capital programme to be capitalised if it does not exceed the de minimus limit of £10,000 for all asset categories.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- All other operational assets – Current value based on existing use value (EUV) for operational assets where there is an active market, or if there is no market-based evidence of current value because of the specialist nature of the asset and/or the asset is rarely sold (i.e. EUV cannot be determined), depreciated replacement cost (DRC) using the 'instant build' approach.
- Non-operational assets – Fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Adopted roads built by developers are in many respects seen as donated assets. Whilst donated assets are required to be measured at fair value at recognition, infrastructure assets are measured initially at historical cost and subsequently at depreciated historical cost rather than fair value. The authority have taken the view that the historical cost of such adopted roads is zero.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value. Vehicles, plant and equipment are categories of asset treated in this manner.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life including freehold land and Community Assets) and assets that are not yet available for use (assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight-line allocation over the life of the asset as advised by a suitable qualified officer
- Infrastructure – straight-line allocation over 60 years

No depreciation is charged in the year of acquisition with a full year charge applied in the disposal year.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Components

An asset may consist of several different and significant physical components. If an item of property, plant and equipment comprises two or more significant components with substantially different useful lives, then each component is treated separately for depreciation purposes and depreciated over its individual useful life.

When a component is replaced or restored, the old component is written off to avoid double counting and the new component capitalised. Where a component does not have its own carrying amount because it has not previously been accounted for separately the cost of the new component is used as an indication of the cost of the replaced part. A component is derecognised where no future economic benefits are expected from its use.

The Authority has established thresholds for the separation of significant components. As a result components of an item of property, plant or equipment that make up a significant part of the cost of the item would only need to be separated where the item itself is material individually or when aggregated with like items.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

Assets held for Sale Assets are assets where the:

- asset is immediately available for sale
- sale is highly probable
- asset is actively marketed
- sale is expected to be completed within 12 months

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

17.22 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

17.23 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

17.24 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

17.25 Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

17.26 Revenue Expenditure Funded from Capital under Statute

Legislation requires defined items of revenue expenditure charged to services within the Comprehensive Income and Expenditure Statement to be treated as capital expenditure. All such expenditure is transferred from the General Fund balance via the Movement in Reserves Statement to the Capital Adjustment Account.

17.27 VAT

The Comprehensive Income and Expenditure Account excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's Income and Expenditure account.