

# Public Document Pack



Neuadd y Sir  
Y Rhadyr  
Brynbuga  
NP15 1GA

Dydd Mercher, 28 Mehefin 2017

**Hysbysiad o gyfarfod:**

## **Pwyllgor Archwilio**

**Dydd Iau, 6ed Gorffennaf, 2017 at 2.00 pm,  
Neuadd Y Sir, Y Rhadyr, Brynbuga, NP15 1GA**

### **AGENDA**

| <b>Eitem ddim</b> | <b>Eitem</b>   | <b>Tudallennau</b> |
|-------------------|--|--------------------|
| 1.                | Ymddiheuriadau am absenoldeb   |                    |
| 2.                | Datganiadau o Fuddiant   |                    |
| 3.                | Fforwm Agored i'r Cyhoedd  |                    |
| 4.                | Cadarnhau cofnodion y cyfarfod blaenorol a gynhaliwyd ar 25 Mai 2017   | 1 - 6              |
| 5.                | Nodi'r Rhestr Weithredu o 25 Mai 2017  | 7 - 8              |
| 6.                | Adolygu All-dro Cronfeydd wrth Gefn.   | 9 - 14             |
| 7.                | Adroddiad Alldro Trysorlys 2016  | 15 - 38            |
| 8.                | Drafft Ddatganiad Cyfrifon (fel rhagarweiniad i'r broses craffu) yn cynnwys Datganiad Llywodraethiant Blynyddol              | 39 - 162           |
| 9.                | Adroddiad Alldro Archwiliad Mewnol 2016/17   | 163 - 178          |
| 10.               | Cynllun Archwiliad Mewnol 2017/18 - Diweddariad  | 179 - 188          |
| 11.               | Adroddiad Cynnydd: Cynigion ar gyfer Gwella gan Swyddfa Archwilio Cymru  | 189 - 204          |
| 12.               | Adroddiad Cynllunio Arbedion Swyddfa Archwilio Cymru ac ymateb Rheoli'r Cyngor   | 205 - 220          |
| 13.               | Swyddfa Archwilio Cymru - Llywodraethiant da wrth benderfynu ar newidiadau sylweddol i wasanaeth ac ymateb Rheolwyr y Cyngor | 221 - 242          |

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| <b>14.</b> | <b>Symud ymlaen â gewithredu Deddf Llesiant Cenedlaethau'r Dyfodol</b>      | <b>243 - 248</b> |
| <b>15.</b> | <b>Blaenraglen Gwaith</b>   | <b>249 - 252</b> |
| <b>16.</b> | <b>Nodi dyddiad ac amser y cyfarfod nesaf sef DYDD MAWRTH 19 Medi 2017.</b> |                  |

**Paul Matthews**

**Chief Executive / Prif Weithredwr**

## CYNGOR SIR FYNWY

### MAE CYFANSODDIAD Y PWYLLGOR FEL SY'N DILYN:

Cynghorwyr Sir:

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

## Gwybodaeth Gyhoeddus

### **Mynediad i gopiau papur o agendâu ac adroddiadau**

Gellir darparu copi o'r agenda hwn ac adroddiadau perthnasol i aelodau'r cyhoedd sy'n mynychu cyfarfod drwy ofyn am gopi gan Gwasanaethau Democrataidd ar 01633 644219. Dylid nodi fod yn rhaid i ni dderbyn 24 awr o hysbysiad cyn y cyfarfod er mwyn darparu copi caled o'r agenda hwn i chi.

### **Edrych ar y cyfarfod ar-lein**

Gellir gweld y cyfarfod ar-lein yn fyw neu'n dilyn y cyfarfod drwy fynd i [www.monmouthshire.gov.uk](http://www.monmouthshire.gov.uk) neu drwy ymweld â'n tudalen Youtube drwy chwilio am MonmouthshireCC. Drwy fynd i mewn i'r ystafell gyfarfod, fel aelod o'r cyhoedd neu i gymryd rhan yn y cyfarfod, rydych yn caniatáu i gael eich ffilmio ac i ddefnydd posibl y delweddau a'r recordiadau sain hynny gan y Cyngor.

### **Y Gymraeg**

Mae'r Cyngor yn croesawu cyfraniadau gan aelodau'r cyhoedd drwy gyfrwng y Gymraeg neu'r Saesneg. Gofynnwn gyda dyledus barch i chi roi 5 diwrnod o hysbysiad cyn y cyfarfod os dymunwch siarad yn Gymraeg fel y gallwn ddarparu ar gyfer eich anghenion.

# Nodau a Gwerthoedd Cyngor Sir Fynwy

## Cymunedau Cynaliadwy a Chryf

### Canlyniadau y gweithiwn i'w cyflawni

#### Neb yn cael ei adael ar ôl

- Gall pobl hŷn fyw bywyd da
- Pobl â mynediad i dai addas a fforddiadwy
- Pobl â mynediad a symudedd da

#### Pobl yn hyderus, galluog ac yn cymryd rhan

- Camddefnyddio alcohol a chyffuriau ddim yn effeithio ar fywydau pobl
- Teuluoedd yn cael eu cefnogi
- Pobl yn teimlo'n ddiogel

#### Ein sir yn ffynnu

- Busnes a menter
- Pobl â mynediad i ddysgu ymarferol a hyblyg
- Pobl yn diogelu ac yn cyfoethogi'r amgylchedd

### Ein blaenoriaethau

- Ysgolion
- Diogelu pobl agored i niwed
- Cefnogi busnes a chreu swyddi
- Cynnal gwasanaethau sy'n hygyrch yn lleol

### Ein gwerthoedd

- **Bod yn agored:** anelwn fod yn agored ac onest i ddatblygu perthnasoedd ymddiriedus
- **Tegwch:** anelwn ddarparu dewis teg, cyfleoedd a phrofiadau a dod yn sefydliad a adeiladwyd ar barch un at y llall.
- **Hyblygrwydd:** anelwn fod yn hyblyg yn ein syniadau a'n gweithredoedd i ddod yn sefydliad effeithlon ac effeithiol.
- **Gwaith tîm:** anelwn gydweithio i rannu ein llwyddiannau a'n methiannau drwy adeiladu ar ein cryfderau a chefnogi ein gilydd i gyflawni ein nodau.

# Public Document Pack Agenda Item 4

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held  
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 25th May, 2017 at 2.00 pm

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

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

### **OFFICERS IN ATTENDANCE:**

|               |                                     |
|---------------|-------------------------------------|
| Andrew Wathan | Chief Internal Auditor              |
| Joy Robson    | Head of Finance/Section 151 Officer |
| Kellie Beirne | Chief Officer, Enterprise           |
| Peter Davies  | Chief Officer, Resources            |
| Wendy Barnard | Democratic Services Officer         |
| Terry Lewis   | Wales Audit Office                  |
| Sally Thomas  | Interim HR Manager                  |

### **APOLOGIES:**

County Councillors L. Jones and V. Smith

#### **1. Election of Chairman**

We elected Mr. P. White as Chair.

The Chair made a statement about the effectiveness of the Audit Committee and his expectations for future meetings. It was confirmed that Members wishing to introduce new business must submit a motion on notice under the Council Procedure Rules and should provide a briefing paper.

It was added that all papers submitted to Audit Committee will require an introduction to be supplied by the author.

When papers are submitted by external organisations to the Council, Monmouthshire County Council Officers will be asked to provide a response in the first instance.

#### **2. Appointment of Vice Chairman**

We appointed County Councillor J. Higginson as Vice-Chair.

#### **3. To Note the Appointment of Lay Member**

We noted the appointment by County Council of Mr. P. White as Lay Member.

#### **4. Declarations of Interest**

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It was agreed that declarations of interest would be submitted as and when they arise and clarified that dispensation has been given that schools governors are not required to make declarations of interest for specific schools.

Declarations of interest were declared as follows:

- County Councillor A. Easson: In relation to Item 11 - Unsatisfactory Audit Opinions, a personal non-prejudicial interest under the Members' Code of Conduct as a Governor of Ysgol Y Ffin.

#### **5. Public Open Forum**

No members of the public were present.

#### **6. Introductions to Audit Committee and the role of Internal and External Audit, performance and risk management**

The Chief Internal Auditor provided a brief overview of the work of the Audit Committee and the role of Internal Audit.

The Wales Audit Office representative provided a presentation on the External Audit service provided by Wales Audit Office.

In response to a question, it was confirmed that the role of the Section 151 Officer is to ensure that the requirement of the Local Authority's is in place to have appropriate and a proper financial administration. This includes suitable financial procedures, appropriate governance arrangements for the local authority's financial circumstances and an appropriately resourced internal audit team to check that financial procedures and controls are working adequately.

Both Officers were thanked for the useful information provided and a standing invitation was issued to Wales Audit Office to attend meetings of the Committee.

#### **7. To confirm and sign the minutes of the meeting held on 16th March 2017**

The minutes of the previous meeting held on 16<sup>th</sup> March 2017 were confirmed and signed as a true record.

#### **8. To note the Action List from 16th March 2017**

**Youth Service:** It was noted that a report detailing the Youth Service element of the whole directorate review has been requested. It was accepted that this is a work in progress and noted that a business case will be presented to Council later in the year. It was queried if an update could be provided regarding the £70,000 Welsh Government grant and plans for The Zone building in Caldicot before the business plan is made available. It was agreed that the information would be e mailed to Committee Members.

**Zero Hours Contracts:** The historic information (redundancies in schools over the last three years) requested at the last meeting was circulated to Committee Members on the 10<sup>th</sup> April 2017.

**Risk (Events):** A follow up review on the unfavourable audit opinion of Events is in progress and will be reported to Audit Committee in September 2017.

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A Member questioned what measures were in place for the planned summer events to prevent further unfavourable audit opinion. It was explained Internal Audit Officers are working through actions with the operational manager and the situation is improving.

**Employee Code of Conduct:** It was agreed to redistribute this document to all Committee Members.

**Cardiff City Region:** It was confirmed that there would be no charges from Wales Audit Office as the initiative would be audited centrally. It was commented that the situation is still evolving and that there would be no charges this year. The Cabinet Member for Resources commented that there should not be any charges as the project has its own Cabinet and structure.

#### **9. Audit Committee Annual Report 2016/17**

The Chair introduced the Audit Committee Annual Report that provides an overview of last year's work written in conjunction with the Chief Internal Auditor.

It was commented that the report was a fair reflection of the work of the Committee in terms of challenge, process and holding responsible officers to account. The report provided reassurance that financial systems and controls are working well in Monmouthshire County Council.

The report was noted and it was agreed that it should now be presented to Council.

#### **10. Implementation of Audit Committee Recommendations**

The Chief Auditor introduced the report, in its new format, the purpose of which is to present recommendations to address weaknesses identified in audit jobs. The purpose of the recommendations is to improve the control environment of service provision. The report tracks implementation of historic (2014/15 and 2015/16) and current recommendations by respective managers.

The Committee was reminded that the report is based on strengths and weaknesses; weaknesses are classed as significant, moderate or less significant.

It was reported that for 2014/15, 96% of audit recommendations were agreed by operational managers and in 2015/16, 97% were agreed. To ensure that the recommendations have been implemented, further work is undertaken. When there has been an unfavourable audit opinion, assurances are given to Committee that a review audit will be carried out and an update provided. For other opinions, there are insufficient resources to assure that all recommendations have been implemented, so checks are made on a sample basis. However, there is reliance on operational managers to provide evidence of implementation e.g. an action plan.

An update was provided, in relation to car park income, that 11 recommendations were implemented and 9 not implemented. An updated version of the appendices will be circulated to Committee Members following the meeting.

It was explained that, overall, 67% of recommendations have been implemented, 18% not implemented, 12% part implemented and 4 % where managers have accepted the risk and not implemented the recommendation. The latter figure is of concern and a revisit will be arranged. If unsatisfactory, the Head of Service will be made aware of that issue.

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Committee Members were guided through the report appendices.

A Member questioned the figures regarding car park income noting that 9 recommendations were not implemented. In response it was explained that there had been a concern and a recommendation agreed with the operational manager. However, implementation was conditional on the car park policy being updated. The policy has now been updated and the recommendations can be implemented. It was agreed to arrange for the operational manager to attend a meeting to reassure the Committee, explain what has been done and timescales accordingly. The Chair will write to the Head of Service.

A query was raised about measures taken in the Children and Young People's Directorate and it was agreed that the Chief Officer will be asked to provide information on the measures taken or planned to address the audit opinions and a further report will be made available at the next meeting.

The concept of risk being accepted by managers but with no action taken to mitigate the risk was queried. It was explained that there can be various reasons for non-implementation such as convenience or lack of resource, and it was confirmed that better follow up is needed in these circumstances. If a significant weakness is identified, that matter should then be raised with the Head of Service.

A Member questioned, in the context of a school, if there were ever interim measures required prior to implementation. It was explained that an audit is undertaken against a pre-prepared programme of expected controls to identify what is in place and to determine strengths and weaknesses. A draft report and action plan is prepared and discussed with the Headteacher and School Administrator for factual accuracy. The Headteacher's comments would be incorporated in the report then the audit recommendation would be added and the agreement of the Headteacher sought. If the opinion was unfavourable, as agreed with Audit Committee, the school would be revisited within 6-12 months to check upon implementation.

If nothing has been implemented after two unsatisfactory audit opinions, this would be reported back to Audit Committee through quarterly update reports and the option of calling in the Headteacher to attend an Audit Committee meeting would be considered.

#### **11. Unsatisfactory Audit Opinions**

The Committee received the six monthly update report on progress relating to the implementation of recommendations in respect of unfavourable audit opinions at an operational level.

The list of Limited Assurance opinions issued in 2016/17 was explained and Members' attention was particularly drawn to Events and that that work is being undertaken with the operational manager in view of the significant summer events and a further report will be provided for Audit Committee in due course.

A Member requested an explanation of what had been done to assure compliance with the Bribery Act (e.g. no authorised signatory list for procurement decisions). It was responded that the anti-fraud, bribery and corruption policy has been updated. The policy includes a commitment to provide training for employees and members in 2017/18. The policy will enable



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work to address the other elements. As this issue has a Limited Assurance status it will be followed up by the Audit Team and progress will be reported back accordingly.

The response from the Strategic Procurement Manager regarding Compliance with the Bribery Act and Mobile Phones was circulated to Committee Members. In response to a query regarding timescales, it was confirmed that the report is in the process of being finalised and it was agreed that there will be a progress report in December 2017

A Member asked if staffing levels were adequate and it was responded that the Internal Audit team is currently fully staffed but the Committee was informed that if there were more auditors, more assurances could be provided. A commitment was provided that all 2016/17 opinions that were classed as Limited Assurance would be followed up within the current financial year.

The Chair asked if the Committee should be looking back historically e.g. over the previous two years. It was replied that this work is still being followed up and will be reported upon in the next six months.

#### **12. Report to Council: Zero Hours Contracts**

The Committee reviewed the Chair's formal report to Council that concludes that the Audit Committee's main findings note that it is satisfied that zero hours contracts are not in use within the Council according to the following definition: 'A flexible contract where an employer does not guarantee set hours of work for an employee. The employee is contracted to that employer and cannot work for another employer'.

It was also established that the Council does employ casual workers who are not obliged to accept offers of work, if they choose not to, in a mutually convenient arrangement.

The report recommends that the use of zero hours' contracts is subject to continuous monitoring and that operational managers should take ownership utilising the advice and data provided by the HR Business Partnership.

It was also agreed that the Council should offer staff contracts if the work becomes a regular commitment.

The report highlights the employment practices of agencies and notes that they could pose a risk.

A Member asked for further information about other areas such as the Museum Service, Tintern Station, Shire Hall and Caldicot Castle on the specific requirements of those members of staff regarding flexibility of work and contract status and it was agreed that this information would be circulated following the meeting.

It was agreed that the report should be forwarded to Council.

#### **13. Forward Work Programme**

The Forward Work Programme was received.

A Member queried if the Well-being of Future Generations (Wales) Act 2015 will be considered going forward. It was explained that whilst it is not specifically in the work programme, the

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performance team can provide information on risk management and performance arrangements.

It was explained by the Wales Audit Officer that the Wales Audit Office has already started consideration of how the Act is implemented across all authorities. It was confirmed that it is the responsibility of the Council to implement the requirements of the Act. A report was requested by Committee in due course.

#### **14. To note the date and time of the next meeting as Thursday 6th July 2017 at 2.00pm**

The date of the next meeting of the Audit Committee was confirmed as Thursday 6<sup>th</sup> July 2017 at 2.00pm.

**The meeting ended at 1.35 pm**

## Audit Committee Actions 25<sup>th</sup> May 2017

| Agenda Item: | Subject   | Officer                   | Outcome  |
|--------------|---|---------------------------|--|
| 8            | Youth Service                                     | Kellie Beirne             | Report detailing the Youth Service (including The Zone and grant funding) element of the whole directorate review to be presented to Committee when the business plan is finalised: <b>DUE:</b> next financial year.   |
| 8            | Youth Service                                     | Kellie Beirne             | Clarification before the business plan is presented concerning the £70,000 grant from Welsh Government provided purely for youth services for The Zone in Caldicot and specifically, what happens to that value if moved to the Leisure Centre. Also what responsibility there is to ensure that the amount remained with the Council.<br><b>UPDATE:</b> E. Mail update provided to Committee Members on 23/06/17 from Josh Klein, Youth and Community Manager |
| 8            | Risks (Events)                                    | Andrew Wathan             | Outcomes of follow-up review to be reported at September meeting   |
| 8            | Anti Fraud, Bribery and Corruption                | Andrew Wathan             | Employees Code of Conduct to be circulated to Committee  |
| 10           | Implementation of Audit committee recommendations | Andrew Wathan             | Chief Officer, CYP to be asked to provide details of measures taken or plans to address audit opinions – report requested  |
| 11           | Unsatisfactory Audit Opinions                     | Andrew Wathan             | Review of Historic audit opinions (past two years) – Report in six months  |
| 10           | Implementation of Audit committee recommendations | Roger Hoggins/ Chair      | Car Parking Income – Operational Manager to attend forthcoming meeting to explain what has been done and timescales  |
| 12           | Zero Hours Contracts                              | Tracey Harry/Sally Thomas | Further information requested regarding staff at Museum Service, Tintern Station, Shire Hall and Caldicot Castle.<br><b>UPDATE:</b> E. Mail update provided to Committee Members on 22/06/17 from Sally Thomas Interim HR Manager.   |
| 13           | Social Services and Wellbeing Act                 | Matthew Gatehouse         | Report requested in due course on Implementation of the Wellbeing Act  |

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|                                |   |
|--------------------------------|---|
| <b>SUBJECT</b>                 | <b>RESERVE USAGE OUTTURN 2016/17 AND 2017-18 FORECAST</b> |
| <b>DIRECTORATE</b>             | <b>Chief Executive's Unit</b>                             |
| <b>MEETING</b>                 | <b>Audit Committee</b>                                    |
| <b>DATE</b>                    | <b>6<sup>th</sup> July 2017</b>                           |
| <b>DIVISIONS/WARD AFFECTED</b> | <b>All Authority</b>                                      |

## **1 PURPOSE**

- 1.1 To appraise audit members of the prospective reserve usage in conjunction with continuing to highlight the revised reserves protocol endorsed by Cabinet.
- 1.2 A periodic focus by Audit Committee on reserve usage is important due to
- Future funding gap and continuing low settlements
  - Pressures arising from such issues as increasing demand, new and changing legislation, changes in the wider economy and hard to predict events.
  - Grant funding streams being reduced or stopped at short notice
  - Capital receipts and other income streams not being achieved
  - Saving proposals not being delivered and increased demand on services leading to overspends

## **2 REVISED RESERVES PROTOCOL**

- 2.1 The detailed report received by Cabinet last July was prompted by;
- Faster than expected use of earmarked reserves over the last 4 year period
  - Limited opportunities to replenish reserves from in year underspends as budgets get tighter
  - Limited opportunities to redistribute reserves as various reserves are used up
  - Risks around the on-going austerity measures, the projected gap in the MTFP and the lack of clarity on the Authority's future business model or longer term financial plan to respond to this, notwithstanding the work recently commenced around 'Future Monmouthshire'.
  - Huge commitment of capital resources to Future Schools
  - The need for reserves to work harder
  - The need to consider some issues as requiring base budgets rather than continued funding from reserves e.g. redundancy costs are unfortunately going to be an ongoing feature of expense for the Authority every year.

### 3 RESERVE ACTIVITY

3.1 The Council has unallocated reserves in the form of Council fund balance and school reserves. At the end of 2016-17 the unallocated reserve amounted to,

|                 | 2016/17 b/fwd  | 2016/17 outturn |
|-----------------|----------------|-----------------|
|                 | £'000          | £'000           |
| Council Fund    | (7,111)        | (7,111)         |
| School reserves | (1,156)        | (269)           |
| <b>Total</b>    | <b>(8,267)</b> | <b>(7,380)</b>  |

3.2 Periodic Revenue and Capital monitoring commonly reflects an approved use of earmarked reserves. These are reserves created for specific purposes. Whilst traditionally managers will assume full reserve usage of amounts previously approved, as the year proceeds there are some likely deferrals in use identified together with an increased call upon reserves which account for the net difference in budgeted use of reserves against actuals in Appropriations section of financial monitoring. The year's activity was as follows,

| <b>Project</b>                            | <b>Reserve Source</b> | <b>Reserve funding utilised in 2016-17</b> | <b>Reserve funding deferred to 2017-18</b> |
|---|-----------------------|--|--|
|   |                       | £'000                                      | £'000                                      |
| Digital Programme costs                   | IT transformation     | 21   | 40   |
| Handsets (Connected worker)               | Invest to Redesign    |  | 49   |
| Adult Social Care Transformation          | Invest to Redesign    | 48   |  |
| HR restructure                            | Invest to Redesign    | 25   | 0  |
| Innovation and marketing assistance       | Invest to Redesign    | 76   | 113  |
| Volunteer coordinator                     | Invest to Redesign    | 40   |  |
| External Investment Post                  | Invest to Redesign    |  | 14   |
| Informing the future of Cultural services | Invest to Redesign    | 51   | 0  |
| CYP services redesign                     | Invest to Redesign    | 12   | 37   |
| City Deal Contribution                    | Invest to Redesign    | 31   |  |
| Local Development Plan                    | Priority Investment   |  | 100  |
| Regional Development Plan                 | Priority Investment   |  | 63   |

|  |                                     |              |            |
|--|-------------------------------------|--------------|------------|
| Eisteddfod   | Priority Investment                 | 287          |            |
| SCH Leadership Review                              | Priority Investment                 | 51           | 74         |
| Future Monmouthshire                               | Priority Investment                 | 120          | 130        |
| Children's Service Temporary staff                 | Priority Investment                 | 169          |            |
| Schools sickness and maternity compensation scheme | CYP sickness and maternity reserve  | 10           |            |
| Elections Account                                  | Election Reserve                    |              | 100        |
| Youth Offending Team Partnership                   | Trading Account                     | 51           |            |
| Redundancy Strain Costs                            | Redundancy & pension                | 593          | 0          |
| Insurance Provisions and MMI costs                 | Insurance Reserve                   | 153          |            |
| Fixed asset disposal                               | Capital receipts generation reserve | 75           | 21         |
| Vehicle leasing                                    | Invest to Save Advances             | 67           |            |
|  |                                     |              |            |
| <b>TOTAL</b>                                       |                                     | <b>1,880</b> | <b>740</b> |

- 3.3 The reserve balances table overleaf reflects capital and revenue financing movements during 2016-17 and provide a prediction of 2017-18 year end level based on existing approval levels and slippage levels above. It shows that the Schools balance is forecast to go into a deficit position based on the budget statement returns received from schools at the beginning of the year. Work is ongoing to address this position and there will be a separate report to Cabinet to outline the action being taken and updating this position in due course.

|                                 | 2015-16        | Net Draw<br>On<br>Reserve | Replenishment<br>of Reserve | 2016-17        | Net Draw<br>On<br>Reserve | Replenishment<br>of Reserve | 2017-18               |
|---------------------------------|----------------|---------------------------|-----------------------------|----------------|---------------------------|-----------------------------|-----------------------|
|                                 | B/fwd          |                           |                             | C/fwd          |                           |                             | Outturn<br>prediction |
|                                 | £'000          | £'000                     | £'000                       | £'000          | £'000                     | £'000                       | £'000                 |
| <b>General Reserves</b>         |                |                           |                             |                |                           |                             |                       |
| Council Fund                    | - 7,111        | 0                         | 0                           | - 7,111        | 0                         | 0                           | 7,111                 |
| School Balances                 | - 1,156        | 887                       | 0                           | - 269          | 877                       | 0                           | 608                   |
| Sub Total                       | - 8,267        | 887                       | -                           | - 7,380        | 877                       | -                           | 6,503                 |
| <b>Main Earmarked Reserves</b>  |                |                           |                             |                |                           |                             |                       |
| Invest to Redesign              | -1,298         | 337                       | 0                           | -961           | 437                       | -135                        | -658                  |
| IT Transformation               | -827           | 199                       | -100                        | -728           | 169                       | 0                           | -558                  |
| Insurance & Risk<br>Management  | -1,236         | 153                       | 0                           | -1,083         | 0                         | 0                           | -1,083                |
| Capital Receipt Regeneration    | -322           | 75                        | -100                        | -348           | 142                       | 0                           | -205                  |
| Treasury Equalisation           | -990           | 0                         | 0                           | -990           | 0                         | 0                           | -990                  |
| Redundancy & Pensions           | -1,274         | 593                       | -114                        | -795           | 298                       | 0                           | -497                  |
| Capital Investments             | -1,265         | 489                       | 0                           | -776           | 157                       | 0                           | -618                  |
| Priority Investments            | -1,120         | 690                       | -570                        | -1,000         | 1,000                     | 0                           | 0                     |
| Sub Total                       | -8,333         | 2,535                     | -883                        | -6,681         | 2,205                     | -135                        | -4,610                |
| <b>Other Earmarked Reserves</b> |                |                           |                             |                |                           |                             |                       |
| Museum Acquisitions             | -57            | 0                         | 0                           | -57            | 0                         | 0                           | -57                   |
| Elections                       | -108           | 0                         | -25                         | -133           | 100                       | -25                         | -58                   |
| Grass Routes Buses              | -140           | 9                         | -54                         | -184           | 0                         | -5                          | -189                  |
| Youth Offending Team            | -325           | 51                        | 0                           | -274           | 0                         | 0                           | -274                  |
| Building Control Trading        | -12            | 0                         | -14                         | -26            | 0                         | 0                           | -26                   |
| Outdoor Education Centres       | -190           | 0                         | 0                           | -190           | 0                         | 0                           | -190                  |
| Schools Maternity & Sickness    | -104           | 10                        | 0                           | -94            | 0                         | 0                           | -94                   |
| Highways Plant & Equipment      |                | 0                         | -75                         | -75            | 0                         | 0                           | -75                   |
| Homelessness Prevention<br>Fund |                | 0                         | -5                          | -5             | 0                         | 0                           | -5                    |
| Rural Development Plan          |                | 0                         | -86                         | -86            | 86                        | 0                           | 0                     |
| Sub Total                       | -936           | 71                        | -259                        | -1,124         | 186                       | -30                         | -967                  |
| <b>Total Reserves</b>           | <b>-17,536</b> | <b>3,494</b>              | <b>-1,142</b>               | <b>-15,184</b> | <b>3,268</b>              | <b>-165</b>                 | <b>-12,081</b>        |

3.4 Given the forecast use of earmarked reserves, Cabinet has previously approved a policy on earmarked reserves to ensure that earmarked reserves are focused on investment in areas where they can achieve most impact.

3.5 As part of the revenue outturn the Council derived an £884k surplus.

With regard to the allocation of bottom line surplus to replenish reserves, Cabinet have approved the following allocation based on the Head of Finance's advice and this is already reflected above:

|                                     |              |
|-------------------------------------|--------------|
| Priority Investment Fund            | £570k        |
| Redundancy & Pension Reserve        | £114k        |
| IT Transformation Reserve           | £100k        |
| Capital Receipts Generation Reserve | £100k        |
| <b>Total</b>                        | <b>£884k</b> |



The top up of the Priority Investment reserve will cover the existing commitments to be funded from this reserve only, the reserve will then expire.

- 3.6 Earmarked reserves remain at limited levels unlikely to provide any material capacity/headroom to meet unanticipated volatility or significantly facilitate future service re-engineering and design.

#### **4 REASONS**

- 4.1 To comply with best practice regarding the management and review of earmarked reserves and the Financial Procedure Rules within the Authority's constitution.

#### **5 RESOURCE IMPLICATIONS**

- 5.1 There is an immaterial level of reserve replenishment built into the annual budget, and by necessity Head of Finance considers the replenishment of specific reserves where year end surpluses result. As a result Priority Investment, Redundancy and to a lesser extent IT reserve and capital receipt generation received a contribution at end of 2016/17.

- 5.2 As a financial planning assumption, the level of general reserves should be between 4% - 6% of net expenditure. Based on a budgeted net expenditure before financing of £148.7 million, the anticipated outturn forecast reserve level equates to 4.8%, which is towards the bottom end of agreed acceptable levels.

- 5.4 Earmarked reserves remain at limited levels unlikely to provide any material capacity/headroom to meet unanticipated volatility or significantly facilitate future service re-engineering and design consequential with setting an annual budget that involves generating circa £5million savings annually.

#### **6 EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS**

- 6.1 The decisions highlighted in this report have no direct equality implications. A sensible and robust reserve usage strategy does however underpin sustainability of the organisation.

#### **7 CONSULTEES**

Strategic Leadership Team  
All Cabinet Members  
All Select Committee Chairman  
Head of Legal Services  
Head of Finance

#### **8 BACKGROUND PAPERS**

None

#### **9 AUTHOR**

Mark Howcroft – Assistant Head of Finance

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## REPORT

**SUBJECT: TREASURY OUTTURN 2016/17**

**MEETING: Audit Committee**

**DATE: 6<sup>th</sup> July 2017**

**DIVISION/WARDS AFFECTED: Countywide**

### 1. PURPOSE:

- 1.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to annually produce Prudential Indicators and a Treasury Management Strategy Statement on their likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Head of Finance, as S151 Officer, reports twice a year (mid-year and after the year-end) on Treasury activity to the Audit Committee who provide scrutiny of treasury policy, strategy and activity on behalf of the Council.

### 2. RECOMMENDATIONS:

- 2.1 That Members note the results of treasury management activities and the performance achieved in 2016/17 below and in the two Appendices.

### 3. KEY ISSUES:

#### 3.1 External Context

The Welsh Government's Guidance on Investments, effective from 1st April 2010, reiterated security and liquidity as the primary objectives of a prudent investment policy before yield. The Authority's strategy has always adopted a risk averse approach which compliments this guidance.

Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.

The UK Bank Rate fell from 0.5% which it had been at since 2009 to 0.25% in August 2016 so money market rates have fallen still further. This has had a significant impact on investment income, but low bank base rates also

serves to keep short term borrowing costs depressed, to the extent that our cost of carry is negligible concerning short term cashflows.

### **3.2 Prudential Indicators and Treasury Management Indicators**

All investments made during the year complied with the Council's agreed Treasury Management Strategy. Maturing investments were repaid to the Council in full and in a timely manner. Counterparty credit quality has been maintained through the period, despite declining credit ratings, and the need to mitigate the risks associated with potential bank "bail ins".

The Authority has operated within the set prudential indicators, as outlined in the Treasury Management Strategy approved by Council for the year.

The detailed Prudential Indicator Outturn Report for 2016/17 is attached as Appendix 2.

### 3.3 Borrowing and Investment Activity

#### External borrowing

|                 | £m          | £m          |              |
|-----------------|-------------|-------------|--------------|
|                 | April 16    | Mar 17      | Average Rate |
| Short Term      | 26.6        | 19.5        | 0.6%         |
| Long Term       | 68.2        | 69.8        | 4.5%         |
| Total Borrowing | <u>94.8</u> | <u>89.3</u> |              |

#### Investments

|  |             |             |   |
|--|-------------|-------------|---|
| Short Term &<br>Cash & Cash<br>Equivalents | 11.4        | 4.5         | 0.35%<br>Avg investment<br>period 3 days @<br>31/3/17 |
| <u>Net Borrowing</u>                       | <u>83.4</u> | <u>84.8</u> |   |

The detailed Annual Treasury Management Outturn report for 2016/17 is attached as Appendix 1.

### 3.4 Capital Financing Requirement (CFR)

The total capital financing requirement is the underlying need to borrow as a result of all past capital expenditure financed by borrowing. So if the expenditure is financed by capital grant or receipts it has no effect on the calculation. The CFR is reduced when the Council makes repayments, these repayments are termed "minimum revenue provision" in the Accounts.

Since 2015-16 the CFR has increased by £20.5m due to the £23.8m of borrowing funded capital expenditure incurred within 2016-17, offset by the £3.3m of minimum revenue provision made in year.

| <u>Capital Financing Requirement</u> | £m           |
|--------------------------------------|--------------|
| 31 March 2017                        | 134.6        |
| 1 April 2016                         | <u>114.1</u> |
| Movement                             | <u>20.5</u>  |

The difference between the capital financing requirement at 31<sup>st</sup> March 17 of £134.6m and the borrowing of £89.3m at the end of that financial year reflects the level of “internal borrowing” utilised. Internal borrowing reflects the fact that as part of treasury activities, anticipated cashflows and cash balances are temporarily used to avoid formal borrowing where possible.

The CFR at 31 March 2017 was £9.8m higher than estimated due to an increase in borrowing funded capital of £1.8m and a £7.3m budgeted set aside of capital receipts designed to reduce the capital financing requirement that was not undertaken at the end of 2016-17, due to reflections on the level of capital receipts likely to crystallise in 2017-18 being collectively insufficient to meet expenditure demands (predominantly Future schools).

### **3.5 Interest payable and receivable**

Net external borrowing has remained level during the year. Although the CFR has increased due to borrowing funded spend on the 21st Century schools project (£13.5m), the solar farm (£4.5m) and new vehicles (£1.6m), these have been offset by an increase in internal borrowing due to an increase in the capital receipts reserve (£13.6m) and other working capital allowing net borrowing to remain at a similar level.

Interest on external debt was £2.9m against a budget of £3.4m.

This does result in lower investment balances of more of a short term nature but is a very cost effective treasury strategy given cost of borrowing that is avoided.

£5m of 5 year PWLB debt was taken out in 2016/17, the first long term loans taken out since June 2010. This replaced £6m of debt which matured in the year and took advantage of the Project rate which the Authority was eligible to due to carrying out the 21<sup>st</sup> Century schools program.

## **4. REASONS:**

- 4.1 The Authority’s Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management 2011.
- 4.2 The code includes the requirement for determining a treasury strategy on the likely financing and investment activity for each financial year.
- 4.3 The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA’s recommendations.
- 4.4 As part of the Council’s compliance with that Code, it is important that the members involved in Treasury Strategy matters remain suitably proficient. Appreciating new faces and skills with Audit Committee environment, a copy of self-assessment has been added to the report as Appendix 3, to gauge any apparent training needs. I would be grateful if Members reflect upon

detail with a view to agreeing collectively any additional training needs at next meeting.

**5. RESOURCE IMPLICATIONS:**

The outturn position is explained in the report, there are no other resource implications arising directly from this report.

**6. EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS:** None

**7. CONSULTEES:** Technical performance report on matters of fact. No consultation necessary

**8. BACKGROUND PAPERS:**

Appendix 1 – 2016/17 Treasury Management Outturn report;  
Appendix 2 - The Prudential Indicator Outturn Report for 2016/17  
Appendix 3 – Self Assessment Return

**9. AUTHOR:**

|                |                           |
|----------------|---------------------------|
| Lesley Russell | Treasury Accountant       |
| Mark Howcroft  | Assistant Head of Finance |

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## Treasury Management Outturn Report 2016/17

### Introduction

The Authority's treasury management strategy for 2016/17 was approved at a meeting of the Authority on 10<sup>th</sup> March 2016. In this strategy the Authority confirmed its continued adoption of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.

This report fulfils the Authority's legal obligation to have regard to the CIPFA Code.

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

### External Context

**Economic background:** Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45<sup>th</sup> President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29<sup>th</sup> March 2017.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.

In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.



Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the ILO unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

**Financial markets:** Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23<sup>rd</sup> June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.

After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31<sup>st</sup> March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.

Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

**Credit background:** Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios,

although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

On the advice of Arlingclose, new investments with Deutsche Bank and Standard Chartered Bank were suspended in March 2016 due to the banks' relatively higher credit default swap (CDS) levels and disappointing 2015 financial results. The Authority's did not have any deposits with these banks at that time. Standard Chartered was reintroduced to the counterparty list in March 2017 following its strengthening financial position, but Deutsche Bank was removed altogether from the list.

In July, following a review of unrated building societies' annual financial statements, 3 building societies were removed from the Authority's list due to a deterioration in credit indicators. The maximum advised maturity was also lowered for eleven other societies from 6 months to 100 days due to the uncertainty facing the UK housing market following the EU referendum.

### **Local Context**

On 31<sup>st</sup> March 2017, the Authority had net borrowing of £84.8m arising from its revenue and capital income and expenditure, an increase on 2016 of £1.4m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table 1 below.

**Table 1: Balance Sheet Summary**

|                                | <b>31.3.16<br/>Actual<br/>£m</b> | <b>2016/17<br/>Movement<br/>£m</b> | <b>31.3.17<br/>Actual<br/>£m</b> |
|--------------------------------|----------------------------------|------------------------------------|----------------------------------|
| General Fund CFR               | 114.1                            | 20.5                               | 134.6                            |
| Less: Other debt liabilities * | (1.3)                            | (0.6)                              | (1.9)                            |
| <b>Borrowing CFR</b>           | <b>112.8</b>                     | <b>19.9</b>                        | <b>132.7</b>                     |
| Less: Usable reserves          | (22.8)                           | (12.2)                             | (35.0)                           |
| Less: Working capital          | (6.6)                            | (6.3)                              | (12.9)                           |
| <b>Net borrowing</b>           | <b>83.4</b>                      | <b>1.4</b>                         | <b>84.8</b>                      |

\* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

Net borrowing has remained level during the year. Although the CFR has increased due to borrowing funded spend on the 21st Century schools project

(£13.5m), the solar farm (£4.5m) and new vehicles (£1.6m), these have been offset by an increase in the capital receipts reserve (£13.6m) and working capital has also increased due to the timing of receipts and payments allowing net borrowing to remain at a similar level.

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31<sup>st</sup> March 2017 and the year-on-year change is shown in table 2 below.

Table 2: Treasury Management Summary

|                           | <b>31.3.16<br/>Balance<br/>£m</b> | <b>2016/17<br/>Movement<br/>£m</b> | <b>31.3.17<br/>Balance<br/>£m</b> |
|---------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| Long-term borrowing       | 68.2                              | 1.6                                | 69.8                              |
| Short-term borrowing      | 26.6                              | (7.1)                              | 19.5                              |
| <b>Total borrowing</b>    | <b>94.8</b>                       | <b>(5.5)</b>                       | <b>89.3</b>                       |
| Long-term investments     | 0.0                               | 0.0                                | 0.0                               |
| Short-term investments    | 4.1                               | 0.0                                | 0.1                               |
| Cash and cash equivalents | 7.3                               | (6.9)                              | 4.4                               |
| <b>Total investments</b>  | <b>11.4</b>                       | <b>(6.9)</b>                       | <b>4.5</b>                        |
| <b>Net borrowing</b>      | <b>83.4</b>                       | <b>1.4</b>                         | <b>84.8</b>                       |

Note: the figures in the table are based on the balance sheet in the Authority's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments

As explained above, net borrowing has remained level during the year. Investment balances were managed down during the year in order to reduce the net cost of borrowing/investing. This has resulted in the small fall in gross borrowing.

## **Borrowing Activity**

At 31<sup>st</sup> March 2017, the Authority held £89.3m of loans, a decrease of £5.5m on the previous year, as part of its strategy for funding previous years' capital programmes. The year-end borrowing position and the year-on-year change is shown in table 3 below.

**Table 3: Borrowing Position**

|                                | <b>31.3.16<br/>Balance<br/>£m</b> | <b>2016/17<br/>Movement<br/>£m</b> | <b>31.3.17<br/>Balance<br/>£m</b> | <b>31.3.17<br/>Rate<br/>%</b> | <b>31.3.17<br/>Average<br/>Maturity<br/>years</b> |
|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-------------------------------|---|
| Public Works Loan Board        | 52.7                              | (0.9)                              | 51.8                              | 4.4%                          | 16 yrs  |
| Other WG Loans                 | 2.5                               | 2.4                                | 4.9                               | 0.0%                          | 9 yrs   |
| Banks (LOBO)                   | 13.6                              | 0.0                                | 13.6                              | 4.8%                          | 25 yrs  |
| Local authorities (short-term) | 26.0                              | (7.0)                              | 19.0                              | 0.6%                          | < 1yr   |
| <b>Total borrowing</b>         | <b>94.8</b>                       | <b>(5.5)</b>                       | <b>89.3</b>                       |                               |   |

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

In furtherance of these objectives new borrowing was only taken out when internal borrowing had been utilised as far as possible. Minimum cash balances were maintained to ensure sufficient cash was available to pay unforeseen charges. New borrowing was mainly required to cover maturing short and long term loans and mainly took the form of short term borrowing from other Local Authorities at low interest rates.

It was decided early in 2017 to take out £5.0m of 5 year PWLB maturity debt at slightly higher interest rates. This was done to take advantage of the Project rate on offer up to 31 March 2017 (0.2% lower than the normal rate attainable). This also tied in a small amount of medium term debt to a fixed rate, thus reducing the interest rate risk on the Authority's debt. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

The "cost of carry" analysis performed by the Authority's treasury management advisor Arlingclose did not indicate any value in borrowing in advance for future years' planned expenditure and therefore none was taken.

The Authority continues to hold £13.6m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the

interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during 2016/17.

### **Other Debt Activity**

The Authority has bid for and received £4.5m of loans from the Welsh Government in 2016/17 to build a solar farm. This was offered at 0% interest rate which is a significant saving for the Authority.

### **Investment Activity**

Despite maximising internal borrowing, the Authority still holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2016/17, the Authority's investment balance averaged £19m. This is due to timing differences between income and expenditure and the difficulty in achieving forecasts for both. 2016/17 was not a typical year with a very large receipt, and a large capital project & related grant income being the subject of protracted negotiations. Efforts have been made to better forecast both income and expenditure to reduce this further by matching the timing of new debt to periods of reduced cash levels. The year-end investment position and the year-on-year change is shown in table 4 below.

**Table 4: Investment Position**

|   | <b>31.3.16<br/>Balance<br/>£m</b> | <b>2016/17<br/>Movement<br/>£m</b> | <b>31.3.17<br/>Balance<br/>£m</b> | <b>31.3.17<br/>Rate<br/>%</b> | <b>31.3.17<br/>Average<br/>maturity<br/>years</b> |
|---|-----------------------------------|------------------------------------|-----------------------------------|-------------------------------|---|
| Banks & building societies<br>(unsecured) | 3.2                               | (2.1)                              | 1.1                               |                               |   |
| Government (incl. local<br>authorities)   | 3.0                               | 0.4                                | 3.4                               |                               |   |
| Money Market Funds                        | 5.2                               | (5.2)                              | 0.0                               |                               |   |
| <b>Total investments</b>                  | <b>11.4</b>                       | <b>(6.9)</b>                       | <b>4.5</b>                        | <b>0.35%</b>                  | <b>&lt; 1 year</b>                                |

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

The overall treasury aim for 2016/17 was to reduce investment balances and therefore interest rate risk and debt costs. The investment vehicles available for short term cash investments are limited to the Debt management office, money market funds and call accounts. For 1-6 months cash, certificates of deposit and

term deposits with banks and building societies, loans to other Local Authorities and t-bills are also an option which can yield slightly higher rates. Where cash was available for these longer periods these longer maturity investments were selected to optimise returns at a low risk level. The Debt management interest rate fell from 0.25% to 0.15% in August 2016 and further to 0.1% in March further squeezing returns. At this point money market funds maintained a slightly higher return so were used where possible.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in table 5 below.

Table 5: Investment Benchmarking

|                    | <b>Value weighted Average Credit Rating</b> | <b>Time weighted Average Credit Rating</b> | <b>Bail-in Exposure</b> | <b>WAM* (days)</b> |
|--------------------|---|--|-------------------------|--------------------|
| 31.03.2016         | AA-   | AA   | 74%                     | 2                  |
| 30.06.2016         | AA-   | A+   | 71%                     | 27                 |
| 30.09.2016         | AA-   | AA   | 80%                     | 14                 |
| 31.12.2016         | A+  | A+   | 100%                    | 3                  |
| 31.03.2017         | AA  | AA   | 23%                     | 3                  |
| <b>Similar LAs</b> | <b>AA-</b>                                  | <b>AA-</b>                                 | <b>54%</b>              | <b>88</b>          |
| <b>All Las</b>     | <b>AA-</b>                                  | <b>AA-</b>                                 | <b>60%</b>              | <b>47</b>          |

\*Weighted average maturity

### Other Investment Activity

Although not classed as treasury management activities and therefore not covered by the CIPFA Code, the Authority also holds £41.9m of Investment Properties such as County Farms and Industrial Units, which are held to earn income or to appreciate in value. These properties increased in value by £0.8m during the year being mainly due to expenditure incurred during the year. The Authority also spent £4.3m on a Solar Farm asset in 2016/17. This was built primarily to earn income but the Code requires is to be held as Land & buildings once operational.

The Investment Properties earned rental income of £529,000 during 2016/17 and made a net profit of £405,000. This represents a rate of return of 1.0%. This is higher than the return currently earned on treasury investments which reflects the additional risks and burden to the Authority of holding such investments. Rental income on Investment Properties is restricted in the short term by long term rental agreements with tenants. The solar farm has only been operational a short time so the net return is not yet fully known.

## Performance Report

The Authority measures the financial performance of its treasury management activities in terms of its impact on the revenue budget as shown in table 6 below.

Table 6: Performance

|                                  | <b>Actual<br/>£'000</b> | <b>Budget<br/>£'000</b> | <b>Over/<br/>(under)</b> | <b>Reason</b>   |
|----------------------------------|-------------------------|-------------------------|--------------------------|---|
| <b>Interest on investments</b>   | <b>(69)</b>             | <b>(53)</b>             | <b>(16)</b>              | Mainly due to higher cash balances than forecast  |
| <b>Interest on external debt</b> | <b>2,926</b>            | <b>3,496</b>            | <b>(570)</b>             | £300k due to delay and reduction in long term debt taken out;<br>£50k due to reduced rate on variable rate debt; £120k due to a reduction in short term debt rates from 1% to 0.6%;<br>£100k due to slippage in the capital program |
| <b>GRAND TOTAL</b>               | <b>2,857</b>            | <b>3,443</b>            | <b>(586)</b>             |   |

## Compliance Report

The Head of Finance/Section 151 Officer is pleased to report that all treasury management activities undertaken during 2016/17 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

The approved investment counterparties and limits for Specified Investments and for Non-specified investments as set out in the 2016/17 Treasury Management Strategy were all adhered to.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: External Debt Limits

|                      | <b>2016/17<br/>Maximum<br/>£m</b> | <b>31.3.17<br/>Actual<br/>£m</b> | <b>2016/17<br/>Operational<br/>Boundary<br/>£m</b> | <b>2016/17<br/>Authorised<br/>Limit<br/>£m</b> | <b>Complied</b> |
|----------------------|-----------------------------------|----------------------------------|--|--|-----------------|
| Borrowing            | 94.8                              | 89.3                             | 113.0  | 134.0  | ✓               |
| PFI & finance leases | 1.3                               | 1.9                              | 1.1  | 2.6  | ✓               |
| <b>Total debt</b>    | <b>96.1</b>                       | <b>91.2</b>                      | <b>114.1</b>                                       | <b>136.6</b>                                   | ✓               |

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt was above the operational boundary for no days during 2016/17.

### **Treasury Management Indicators**

The Authority measures and manages its exposures to treasury management risks using the following indicators.

**Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

|                                 | <b>31.3.17<br/>Actual</b> | <b>2016/17<br/>Target</b> | <b>Complied</b> |
|---------------------------------|---------------------------|---------------------------|-----------------|
| Portfolio average credit rating | AA-                       | A-                        | ✓               |

**Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of principal borrowed / invested was:

|  | <b>31.3.17<br/>Actual<br/>£m</b> | <b>2016/17<br/>Limit<br/>£m</b> | <b>Complied</b> |
|--|----------------------------------|---------------------------------|-----------------|
| Upper limit on fixed interest rate exposure        | 56.3                             | 100.0                           | ✓               |
| Upper limit on Net variable interest rate exposure | 28.5                             | 50.0                            | ✓               |

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.



**Maturity Structure of Fixed Rate Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

|                                | <b>31.3.17<br/>Actual<br/>£ / %</b> | <b>Lower<br/>Limit<br/>%</b> | <b>Upper<br/>Limit<br/>%</b> | <b>Complied</b> |
|--------------------------------|-------------------------------------|------------------------------|------------------------------|-----------------|
| Under 12 months – LOBO'S       | 13.6 /<br>24.2%                     | 0                            | 50                           | ✓               |
| Under 12 months - Other        | 0.0 / 0.0%                          |                              |                              |                 |
| 12 months and within 24 months | 1.0 / 1.8%                          | 0                            | 40                           | ✓               |
| 24 months and within 5 years   | 8.9 / 15.8%                         | 0                            | 45                           | ✓               |
| 5 years and within 10 years    | 12.1 /<br>21.5%                     | 0                            | 30                           | ✓               |
| 10 years and above             | 20.7 /<br>36.8%                     | 0                            | 100                          | ✓               |

Time periods start at the 31<sup>st</sup> March 2017. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sums invested for more than 364 days:

|  | <b>2016/17</b> |
|--|----------------|
| Actual principal invested for more than one year   | Nil            |
| Limit on principal invested for more than one year | £5m            |
| Complied   | ✓              |

### Prudential Indicator Outturn Report 2016/17

**Introduction:** The *Local Government Act 2003* requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

This report compares the approved indicators with the outturn position for 2016/17. Actual figures have been taken from or prepared on a basis consistent with, the Authority's draft statement of accounts.

**Capital Expenditure:** The Authority's capital expenditure and financing may be summarised as follows. Further detail is provided in Revenue and Capital Outturn report.

| Capital Expenditure and Financing | 2016/17 Estimate<br>£m | 2016/17 Actual<br>£m | Difference<br>£m |
|-----------------------------------|------------------------|----------------------|------------------|
| <b>Total Expenditure</b>          | <b>42.3</b>            | <b>41.7</b>          | <b>(0.6)</b>     |
| Capital Receipts                  | 6.3                    | 2.9                  | (3.4)            |
| Grants & Contributions            | 13.5                   | 14.1                 | 0.6              |
| Reserves & Revenue                | 0.5                    | 0.9                  | 0.4              |
| Borrowing                         | 22.0                   | 23.8                 | 1.8              |
| <b>Total Financing</b>            | <b>42.3</b>            | <b>41.7</b>          | <b>(0.6)</b>     |

**Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

| Capital Financing Requirement | 31.03.16 Actual<br>£m | 31.03.17 Estimate<br>£m | 31.03.17 Actual<br>£m | Difference to Estimate<br>£m | Movement in 2016/17 |
|-------------------------------|-----------------------|-------------------------|-----------------------|------------------------------|---------------------|
| <b>Total CFR</b>              | <b>114.1</b>          | <b>124.8</b>            | <b>134.6</b>          | <b>9.8</b>                   | <b>20.5</b>         |

The CFR rose by £20.5m during the year as capital expenditure financed by debt outweighed resources put aside for debt repayment. The Actual CFR at 31 March 2017 was £9.8m higher than estimated in the 2016/17 Treasury Strategy due to an increase in borrowing of £1.8m and also due to a £7.3m set aside of capital receipts budgeted but not carried out.

**Actual Debt:** The Authority's actual debt at 31<sup>st</sup> March 2017 was as follows:

| <b>Debt</b>        | <b>31.03.17<br/>Estimate<br/>£m</b> | <b>31.03.17<br/>Actual<br/>£m</b> | <b>Differenc<br/>e<br/>£m</b> |
|--------------------|-------------------------------------|-----------------------------------|-------------------------------|
| Borrowing          | 105.0                               | <b>89.3</b>                       | (15.7)                        |
| Finance leases/PFI | 1.1                                 | <b>1.8</b>                        | 0.7                           |
| <b>Total Debt</b>  | <b>106.1</b>                        | <b>91.1</b>                       | <b>(15.0)</b>                 |

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

| <b>Debt and CFR</b>           | <b>31.03.17<br/>Estimate<br/>£m</b> | <b>31.03.17<br/>Actual<br/>£m</b> | <b>Differenc<br/>e<br/>£m</b> |
|-------------------------------|-------------------------------------|-----------------------------------|-------------------------------|
| Total debt                    | 106.1                               | <b>91.1</b>                       | (15.0)                        |
| Capital financing requirement | 124.8                               | <b>134.6</b>                      | 9.8                           |
| <b>Headroom</b>               | <b>18.7</b>                         | <b>43.5</b>                       | <b>24.8</b>                   |

Total debt remained below the CFR during the forecast period.

**Operational Boundary for External Debt:** The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

| <b>Operational Boundary and Total Debt</b> | <b>31.03.17<br/>Boundary<br/>£m</b> | <b>31.03.17<br/>Actual Debt<br/>£m</b> | <b>Complied</b> |
|--|-------------------------------------|--|-----------------|
| Borrowing                                  | 113.0                               | <b>89.3</b>                            | ✓               |
| Other long-term liabilities                | 1.1                                 | <b>1.8</b>                             | ✓               |
| <b>Total Debt</b>                          | <b>114.1</b>                        | <b>91.1</b>                            | ✓               |

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the *Local Government Act 2003*. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

| <b>Authorised Limit and Total Debt</b> | <b>31.03.17<br/>Boundary<br/>£m</b> | <b>31.03.17<br/>Actual Debt<br/>£m</b> | <b>Complied</b> |
|--|-------------------------------------|--|-----------------|
| Borrowing                              | 134.0                               | <b>89.3</b>                            | ✓               |
| Other long-term liabilities            | 2.6                                 | <b>1.8</b>                             | ✓               |
| <b>Total Debt</b>                      | <b>136.6</b>                        | <b>91.1</b>                            | ✓               |

**Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

| <b>Ratio of Financing Costs to Net Revenue Stream</b> | <b>31.03.17<br/>Estimate<br/>%</b> | <b>31.03.17<br/>Actual<br/>%</b> | <b>Difference<br/>%</b> |
|---|------------------------------------|----------------------------------|-------------------------|
| General Fund  | 4.8                                | <b>4.3</b>                       | (0.5)                   |

**Adoption of the CIPFA Treasury Management Code:** The Authority confirmed its continued adoption the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in March 2016.

## Effective Scrutiny of Treasury Management

### Self-assessment by members responsible for the scrutiny of treasury management

The CIPFA Treasury Management Code 2011 requires public service organisations to nominate a body to be responsible for the scrutiny of treasury management strategy and policies. This is a relatively new responsibility for many organisations and to undertake this role effectively the nominated committee will require support, training and guidance. CIPFA's publication *Audit Committees, Practical Guidance for Local Authorities and Police*<sup>1</sup> published in 2013 provides guidance to the audit committee if it is nominated to take on the scrutiny role. It also identifies core areas of knowledge that committee members would require to undertake this role effectively.

Effective scrutiny is important. As well as demonstrating compliance with the Code, the scrutiny is an important part of ensuring effective governance of treasury management.

- It helps develop a better understanding of the treasury risks faced by the organisation.
- It helps ensure better decision making on strategy & policy matters.
- It improves accountability and transparency.
- It improves knowledge and understanding of treasury matters amongst the members of the governing body.

This self-assessment has been designed to support the development of effective scrutiny. There are a number of ways that it can be used, including:

- Self-assessment by the committee responsible for undertaking the scrutiny.
- Self-assessment by the responsible committee with additional input from the audit committee (where the audit committee doesn't undertake this function directly).
- Review as part of an internal audit of treasury management.
- Review by the treasury officers / finance team responsible for reporting to the committee.

The most important thing is that the review is used to identify any areas where support or training is needed to ensure the development of effective scrutiny.

<sup>1</sup> <http://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-2013-edition-book>

| Aspects of delivering effective scrutiny  | Yes | No | Partly | Comments / examples | Action plan for improvement or development |
|---|-----|----|--------|---------------------|--|
| <b>Clearly defined responsibility</b>   |     |    |        |                     |  |
| Has the organisation nominated a committee to be responsible for scrutiny in compliance with the CIPFA Code of Practice?                        |     |    |        |                     |  |
| Has the committee responsible for scrutiny appropriate and up to date terms of reference outlining its role in relation to treasury management? |     |    |        |                     |  |
| <b>Knowledge &amp; training</b>   |     |    |        |                     |  |
| Do those responsible for scrutiny have an appropriate level of knowledge of the following areas:  |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Regulatory requirements</li> </ul>   |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Treasury risks</li> </ul>  |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>The organisation's treasury management strategy</li> </ul>   |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>The organisation's policies and procedures in relation to treasury management.</li> </ul>                |     |    |        |                     |  |
| Have committee members been provided with training on their role? <sup>2</sup>  |     |    |        |                     |  |

<sup>2</sup> See [Treasury Management Panel Bulletin December 2009](#) for information on key skills

| Aspects of delivering effective scrutiny   | Yes | No | Partly | Comments / examples | Action plan for improvement or development |
|--|-----|----|--------|---------------------|--|
| <b>Support for effective scrutiny</b>  |     |    |        |                     |  |
| Has adequate time been made on the committee agenda to allow sufficient scrutiny to take place?  |     |    |        |                     |  |
| Have reports and briefings been provided in good time to committee members?  |     |    |        |                     |  |
| Have reports and briefings been presented to the committee with adequate explanations and minimal jargon.  |     |    |        |                     |  |
| <b>Coverage of the required areas</b>  |     |    |        |                     |  |
| During the past year has the committee undertaken scrutiny in the following areas:   |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Reviewed whether appropriate policy and procedures have been adopted.</li> </ul>  |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Reviewed the robustness of the process for strategy development, for example whether option appraisals and opportunity costing have been used.</li> </ul> |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Received regular briefings on performance, issues and trends affecting treasury management.</li> </ul>  |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Reviewed the organisation's risk profile and treasury risks and how these are managed (eg Use of CIPFA's Treasury Risk Toolkit).</li> </ul>               |     |    |        |                     |  |

| Aspects of delivering effective scrutiny   | Yes | No | Partly | Comments / examples | Action plan for improvement or development |
|--|-----|----|--------|---------------------|--|
| <ul style="list-style-type: none"> <li>Reviewed the role of external advisors and the adequacy of other sources of financial information.</li> </ul>   |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Reviewed assurances on treasury management, including internal audit reports and management reports.</li> </ul>   |     |    |        |                     |  |
| <p>During the past year has the committee scrutinised how effectively decision making bodies are performing their roles as defined by clauses 2 and 3 in the code of practice?<br/>e.g. Does the committee know if the nominated body responsible for implementation and monitoring (clause 3 in the code of practice) has carried this role out satisfactorily?</p> |     |    |        |                     |  |
| <b>Quality of Scrutiny</b>   |     |    |        |                     |  |
| Is the committee able to demonstrate its effectiveness in providing scrutiny in any of the following ways?   |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Questioning and constructive challenge.</li> </ul>  |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Recommendations for additional actions.</li> </ul>  |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Ensuring that adequate plans are in place to provide assurance.</li> </ul>  |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Follow up of recommendations or action plans.</li> </ul>  |     |    |        |                     |  |



| Aspects of delivering effective scrutiny  | Yes | No | Partly | Comments / examples | Action plan for improvement or development |
|---|-----|----|--------|---------------------|--|
| <ul style="list-style-type: none"> <li>Providing a report to full council on the scrutiny undertaken</li> </ul>   |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Other examples</li> </ul>  |     |    |        |                     |  |
| <b>Impact of Scrutiny</b>   |     |    |        |                     |  |
| <p>Is the committee able to demonstrate the impact of undertaking scrutiny?</p> <p>Examples might include:</p> <ul style="list-style-type: none"> <li>Improvements in internal controls as a result of scrutiny of policies and procedures.</li> <li>Improvements made to reports to make them more understandable.</li> <li>Members of full council are more able to understand the risks shaping the organisation's treasury strategy.</li> </ul> |     |    |        |                     |  |

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Completed by:

Date:

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## AGENDA ITEM TBC

|                                 |                                      |
|---------------------------------|--------------------------------------|
| <b>SUBJECT:</b>                 | <b>STATEMENT OF ACCOUNTS 2016-17</b> |
| <b>MEETING:</b>                 | <b>Audit Committee</b>               |
| <b>DATE:</b>                    | <b>6<sup>th</sup> July 2017</b>      |
| <b>DIVISIONS/WARD AFFECTED:</b> | <b>All Authority</b>                 |

### 1. PURPOSE:

1.1 The purpose of this report is to:

- Consider the annual accounts for the Authority for 2016-17

Members are asked to note that the figures provided may be subject to change (particularly those that have their own audit process e.g. Trust Funds and Joint Committees) during our external audit process.

### 2. RECOMMENDATIONS:

2.1 That the draft Monmouthshire County Council Statement of Accounts for 2016-17, as presented for audit, be reviewed. (Appendix 1).

2.2 That the draft statements of accounts listed below are reviewed:

- Monmouthshire County Council Welsh Church Act Fund (Appendix 2)

2.3 We are yet to receive final figures in relation to following Trust Funds, and the draft Statement of Accounts current highlights these in yellow as still needing to be supplied.

- Monmouthshire Farm School Endowment Trust Fund
- Llanelly Hill Social Welfare Centre Accounts

### 3. KEY ISSUES

3.1 Under current legislation, the accounts closure process has to be concluded each year by 30<sup>th</sup> June. The Authority is also required to complete and prepare a set of accounts by this date. The Council has met this requirement. Council approval of the accounts follows the audit process which must be completed by 30<sup>th</sup> September.

3.2 These accounts are therefore presented for information at this stage. However once the External Audit process is complete, the Audited Statement of Accounts will be approved by Council in September 2016.

3.3 The Statement of Accounts, shown in Appendix 1, is a highly technical document and its form and content are heavily regulated. The main regulations come through the:

- Code of Practice on Local Authority Accounting in the United Kingdom
- Service Reporting Code of Practice
- supported by International Financial Reporting Standards (IFRS).

3.4 In complying with these Standards, the accounts are highly technical and do not always make easy reading. With this in mind a supporting presentation has been prepared to assist with the scrutiny process.

3.5 The formal Statement of Accounts includes the following prescribed reporting focus,

- Annual Governance Statement
- Income & Expenditure Statement
- Balance Sheet
- Cashflow Statement
- Movement in Reserves Statement

3.6 The Income and Expenditure Statement largely reflects the periodic monitoring report at outturn, however there are some additional aspects that appear in the formal Accounting Statements e.g. depreciation, amortisation, impairment and internal recharges.

3.7 2016-17 saw significant cost pressures within the service budgets, which are expected to continue into 2017-18. Members and Officers will therefore need to ensure that the budget is carefully managed in order to ensure that the current stable corporate financial position is maintained.

3.8 The Authority also acts as sole or custodian trustee for a number of charitable trust funds. These trust funds require independent audit scrutiny and examination. The accounts have to be prepared in accordance with the Charity SORP (Statement of Recommended Practice) 2005.

3.9 The Monmouthshire County Council Welsh Church Act Fund accounts and the Llanelly Hill Social Welfare Centre Accounts will be approved by Council at its meeting in September 2017. Whilst the Monmouthshire Farm School Endowment Trust Fund is commonly considered by the Monmouthshire Farm School Endowment Trust Fund Committee during July.

#### **4. REASONS**

4.1 To review the Council's accounts as presented to external audit, enabling the external audit process to be undertaken and reported in due course.

#### **5. RESOURCE IMPLICATIONS**

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

#### **6. CONSULTEES**

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

#### **7. BACKGROUND PAPERS**

Statutory and legislative guidance.

Appendices:

1. Statement of Accounts (prior to audit) 2016-17
2. Monmouthshire County Council Welsh Church Fund Accounts 2016-17

**3. AUTHORS:**

|               |                                |
|---------------|--------------------------------|
| Joy Robson    | Head of Finance (S151 officer) |
| Mark Howcroft | Assistant Head of Finance      |

**4. CONTACT DETAILS**

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# MONMOUTHSHIRE COUNTY COUNCIL

## DRAFT ANNUAL ACCOUNTS

Published 6th June 2017

### 2016/17



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## 1 EXPLANATORY FOREWORD

### 1.1 Introduction

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

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

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

### 1.2 The Accounting Statements

The Authority's accounts for the year 2016/17 are set out in sections 5 to 17. They consist of:

#### *Movement in Reserves Statement*

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

#### *Comprehensive Income and Expenditure Statement*

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

#### *Balance Sheet*

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

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

## Cash Flow Statement

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

## Notes to the Accounts

The core financial statements outlined above are supported by notes to further assist the reader in interpreting the Authority's financial position for the year ended 31st March 2017. The notes are sectioned to aid the user of the accounts to navigate the extensive supporting notes.

### 1.3 Code of Practice on Local Authority Accounting

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

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

### 1.4 2016/17 Net Revenue Expenditure

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

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

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

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

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

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

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

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

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

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

## 1.5 Reserves

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

## 1.6 2016/17 Capital Expenditure

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

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

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

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

## 1.7 Loan Debt

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

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

## 1.8 Pension Liabilities

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

The pension liability at the end of the year amounted to £217,236,000 (£188,225,000 in 2015/16). The Authority is being charged increased employer contributions in order to contribute to the redressing of the balance of the pension fund. Further details are given in section 14 of the notes to the Accounts.

## 1.9 Conclusions

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

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

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

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

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

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**Date**

## 2 STATEMENT OF RESPONSIBILITIES

### 2.1 The Authority's Responsibilities

The Authority is required to:-

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

### 2.2 The Head of Finance's Responsibilities

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

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

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

The Head of Finance has also:

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

## CERTIFICATION OF ACCOUNTS

I certify that the accounts set out within sections 5 to 17 gives a true and fair view of the financial position of the Council as at the 31st March 2017 and its income and expenditure for the year ended 31st March 2017.

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

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**Date**

I confirm that these accounts were approved by the Leader of the Council on **21st September 2017** on behalf of Monmouthshire County Council.

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

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**Date**

### 3 ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017

#### Executive Summary

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

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

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

- improve performance management arrangements and improve strategic planning;
- continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;
- review the 'Check In Check Out' process to deliver a clear process of assessing and improving performance.

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

- 1 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) and the Society of Local Authority Chief Executives and Senior Managers (S.O.L.A.C.E.), the 'Delivering Good Governance in Local Government Framework 2016' and Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.
- 2 The Statement itself demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving, but also recognise that there is further work to do. Progress against the 2015/16 action plan is shown at Appendix 1. The main areas for improvement in 2016/17 identified by the Council are shown at paragraph 81 and an action plan to address known gaps is shown at Appendix 2.

#### Scope of Responsibility

- 3 Monmouthshire County Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This has been updated in recent years through the Wales Programme for Improvement 2005 and even more recently through the Local Government (Wales) Measure 2009 to encompass responsibility for securing continuous improvement based on the needs of and in engagement with communities.
- 4 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

- 5 The Code of Corporate Governance, which is consistent with the principles of the C.I.P.F.A. / S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government', was approved by Council in July 2011; the Code was revised and updated in May 2014. This will need to be revised in accordance with the 2016 Framework and Guidance. A copy of the previous code is available from the Chief Internal Auditor. This statement explains how the Council has complied with the revised Framework and Guidance (2016) and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

### The Purpose of the Governance Framework

- 6 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its population outcomes, priorities and objectives and to consider whether those objectives have met the outcomes and led to the delivery of appropriate, cost effective services.
- 7 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, outcomes and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 8 The governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

### The Governance Framework

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

Overarching requirements for acting in the public interest:

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

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

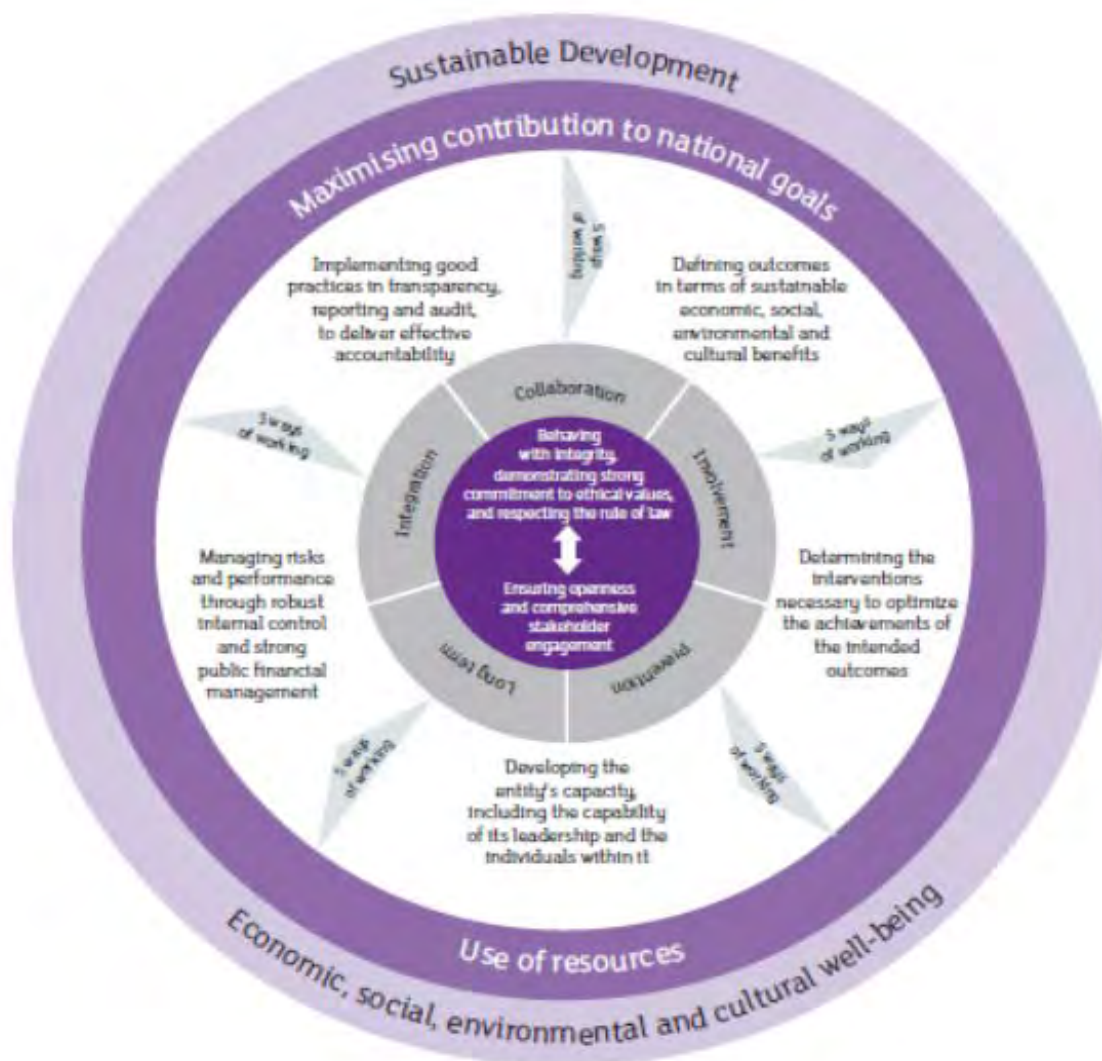
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- 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 sustainability 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 Wales.



- 11 The Authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 12 The key elements of the Council's governance arrangements are set out in The Improvement Plan; the latest version, Building Sustainable and Resilient Communities 2015-2017, was approved by Council in May 2015. Six monthly progress updates were presented to select committees during the year to enable scrutiny of progress and to allow Chief Officers and executive members to be held to account. The Council's four priorities are:

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

- 13 The Council subscribes to a vision shared with other public service partners of working to deliver ‘Sustainable resilient communities’. This is the cornerstone of the County’s Single Integrated Plan where three themes have been adopted:

**Nobody is Left Behind**

**People are Confident,**

**Capable and Involved,**

**Our County Thrives.**

**Review of Effectiveness**

- 14 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.
- 15 The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 16 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:
- i) The Monitoring Officer has reviewed the Council’s Constitution and ethical governance arrangements during the year. A new constitution was approved by Council in September 2014;
  - ii) periodic reviews of the financial controls including the financial procedure rules by the Chief Finance Officer (Head of Finance); financial procedure rules were approved by Council in September 2014;
  - iii) Revisions and updates to strengthen the strategic risk Management Policy were approved by Cabinet in March 2015;
  - iv) Formal risk management and regular ongoing review of the processes involved;
  - v) Scrutiny Service Plan 2015-2018
  - vi) 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;
  - vii) the work of the Council’s Select and other Committees, including its Audit and Standards committees;
  - viii) 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;
  - ix) The opinions and recommendations of other inspection, regulation and review agencies which are reported to Council, Cabinet and Audit Committee as appropriate.
  - x) regular monitoring of performance against the Improvement Plan and service plans and of key targets, and reporting of this to senior management and members;
  - xi) corporate self-evaluation was carried out in Autumn 2014 and the findings addressed through an action plan that is being monitored by Strategic Leadership Team –;
  - xii) An annual Head of Service Challenge Process involving the Leader, Chief Executive and Executive Members which evaluates and challenges performance to drive improvements in services;
  - xiii) Audit Committee annual report;
  - xiv) Evaluating the effectiveness of Safeguarding in Monmouthshire was taken through Cabinet;
  - xv) Annual appraisal of the effectiveness of the authority’s performance management arrangements reported annually to Audit Committee.

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

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

- 18 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.
- 19 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.
- 20 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.
- 21 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures
- 22 There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.
- 23 There were 8 complaints against councillors that were referred to the Public Services Ombudsman for Wales in 2016/17. No further action was required on 7 of them; the Council is awaiting the determination on 1 referral. None were referred to the Standards Committee in 2016/17.
- 24 Policy and decision-making is facilitated through (i) the Cabinet, the meetings of which are open to the public 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: Four select committees 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.
- 25 The Constitution is updated periodically by the Monitoring Officer; it was reviewed and updated between January 2014 and June 2014, and was approved by Council in September 2014. It 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.
- 26 To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; to ensure sound financial management is a key factor in decisions, the Head of Finance attends Cabinet and Council meetings.

27 The ethical governance framework includes:

- codes of conduct for officers and members
- a protocol governing Member/Officer relations,
- a whistle-blowing policy widely communicated within the Council and which is regularly reviewed.
- registers of personal and business interests for Members
- an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied.
- equalities awareness training

28 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

29 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.

30 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.

31 27 Internal Audit opinions were issued in 2016/17; 3 were deemed to be unsatisfactory.

32 The overall opinion on the adequacy of the internal control environment for 2016/17 was **REASONABLE**. Management agreed to implement the recommendations made in audit reports in order to address the weaknesses identified. The Internal Audit opinions issued in 2016/17 were revised during 2016/17 to reflect the level of assurance gained from the audit review and were as follows; more detail can be found in the Annual Internal Outturn Report for 2016/17, as reported to Audit Committee:

|                             | 2014-15   | 2015-16   | 2016-17   |
|-----------------------------|-----------|-----------|-----------|
| Substantial<br>(Very Good)  | 1         | 0         | 3         |
| Considerable<br>(Good)      | 9         | 9         | 10        |
| Reasonable                  | 12        | 14        | 7         |
| Limited<br>(Unsatisfactory) | 6         | 3         | 7         |
| (Unsound)                   | 0         | 0         | N/A       |
|                             |           |           |           |
| <b>Total</b>                | <b>28</b> | <b>26</b> | <b>27</b> |

33 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.

34 The Internal Audit team had a full complement of staff for the full year; 75% of the 2016/17 plan was achieved, which was a slight improvement on the previous year (74%). The Chief Internal Auditor's overall audit opinion is based on the number of audits undertaken and their individual opinions; he was able to give an overall opinion on the adequacy of the control environment.

35 A 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.

- 36 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**

- 37 The agendas are published in advance of all meetings on the Council's website.
- 38 The Scrutiny Annual Report is produced for the Council meeting in July each year. 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
- 39 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.
- 40 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.
- 41 There were several extensive public engagement events undertaken in 2015/16 and 2016/17 for the budget. MCC's model of engagement in understanding its communities' views and the way it now operates as an organisation was shared with many delegates at a Welsh sustainability conference as exemplar. The development of 'Your County Your Way' and Whole Place approach has encouraged the community within Monmouthshire to actively contribute to making stepped changes to improve the way in which services are provided; the intention is to transform public service delivery. This links back to the population outcomes for Monmouthshire in the Single Integrated Plan.
- 42 Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Audit Committee process before being endorsed by Council. All Council decisions, reports and questions asked by Members are available on the website. Financial information, Improvement Plan progress, Council activities, achievements, developments, updates and events were included on the Council's intranet and website, with all Council, Cabinet and Scrutiny Committees now live streamed on You Tube.
- 43 All public meetings of the Council are live streamed on YouTube and are available to view on the Council's YouTube channel at any time after the meeting, which provides greater transparency of the Council's business. The Council, Cabinet, Audit Committee, Select Committees and Planning / Licensing Committees are streamed live on the internet.
- 44 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.

45 The Council’s website contains links to the following areas in the interests of openness.

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

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

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

47 The Medium Term Financial Plan (MTFP) supports the vision for Monmouthshire and extensive public engagement continued in 2016/17 for the 2017/18 budget and Medium Term Financial Plan which engaged with the public in their own community; this included website, social media, drop in sessions and open meeting. The Chief Executive and Leader of the Council also held consultation roadshows across the whole County with staff. These were key to providing people with the opportunity to become informed.

48 The Improvement Plan, Building Sustainable and Resilient Communities, 2016-17 involved a public consultation which took place between the 1st April – 22nd April 2016.

49 During 2016/17 the Public Service Board (PSB) terms of reference and action plans were published online on the Our Monmouthshire page of the website to ensure transparency.

50 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 is now considered in all Cabinet Member reports through a Future Generations Evaluation which includes Equalities and Sustainability Impact Assessments.

51 Implementing Open Data 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, and environmental benefits**

- 52 The Council's Improvement Plan for 2016/17, Building Sustainable and Resilient Communities, was approved by Council in June 2016. This plan outlines the council's responsibility to publish its Improvement Objectives in line with the plans for the year ahead as outlined in section 15(7) of the Local Government (Wales) Measure 2009 and shows how the council is delivering the 7 aspects of improvement.
- 53 The Single Integrated Plan sets out the vision of the Local Service Board – a partnership of the key public service providers in Monmouthshire which includes the Council – it has three key themes; nobody is left behind, people are confident, capable and involved; and our County thrives. It is developed by and agreed by all our partner organisations who are members of the Board. The LSB became the Public Service Board (PSB) in April 2016.
- 54 The Council's strategic partners and wider stakeholders were fully engaged in the development of the Single Integrated Plan 2013-17 (SIP) incorporating key themes and outcomes to realise the shared vision. The organisation's Stage 1 Improvement Plan underpins the Council's contribution to the SIP by setting Annual Improvement Objectives for 2016/17. The Stage 1 Improvement Plan was presented to Council in June 2016 and was reviewed, Stage 2, at six months through the year in November and December 2016 through the Council's four Select committees.
- 55 In the 2015 Corporate Assessment WAO issued a Proposal for Improvement that the Authority should "Improve performance management arrangements by: ensuring planned improvements are tangible; improving target setting to better reflect desired improvement; ensuring resources are allocated to deliver Council priorities through the MTFP and improving data quality arrangements to ensure that performance reporting is accurate and that decisions are made based on robust information.
- 56 The Annual Improvement Plan Objectives for 2016/17 are supported by service plans to operationally deliver these objectives. Planned improvements and targets are aligned to the Annual Improvement Objectives. Service plans were developed in 2016/17 covering all service areas and were updated quarterly and made available on the Council's Hub. These were quality assessed as part of the service planning process.
- 57 In the 2015 Corporate Assessment Wales Audit Office issued a Proposals for Improvement that the Authority should "Improve strategic planning by ensuring clear links between strategies and agreed priorities; and developing cohesive strategies to underpin and support robust decision making".
- 58 Reports were taken through the Scrutiny process during the year which linked service plans to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents available through the Council's website.
- 59 In 2015/16 the Council was an early adopter of the Wellbeing of Future Generations Act which came into effect in April 2016. Preparation included increased awareness raising with Council members and officers.
- 60 The Council is embracing the benefits of digital communications including social media use. It is also developing additional digital channels by introducing a Customer Services app, enabling people to interact and transact with the Council using mobile devices. We are also further developing the Council's website making it easier to navigate and including more transactional functions. Social media continues to thrive during 2016/17 through Twitter, Facebook and You Tube to raise awareness of forthcoming events, to provide live streaming of Cabinet, Council and other political meetings, to promote the activities and services provided and to show support and encouragement for community groups.
- 61 Enhancing the digital services with economic (effective and efficient processes aiding business interaction), environmental (less travel and print consumables) and social (digital customer centric services). Measured via the Digital PO SIP and performance planning process.

- 62 To ensure the best use is made of resources and that taxpayers and service users receive excellent value for money, there are a number of mechanisms within the Council to support this. The option appraisals for the 21<sup>st</sup> Century Schools considered cost and quality to determine the best outcome for the service; budget mandates were in place to monitor and capture the savings assessments; the IT Board reviewed business cases for future IT investment;
- 63 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 the 4 Select committees quarterly. The budget monitoring reporting cycle periodically contains some output measures and unit cost data, so that economic comparison of costs with other Councils can be made. Previously the Council has compared very favourably to others. The updated MTFP was reviewed and approved by Cabinet over the course of the budget setting period (Sept 2016 to Jan 2017) in response to feedback from engagement and scrutiny sessions and the budget was set in January 2017 by Council for 2017/18.
- 64 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.
- 65 Based on 2015/16 National Performance indicator data the council has seen service performance improve, or remain at the maximum level, in 84% of comparable National Performance indicators and declined for 14% of them. When comparing against other local authorities Monmouthshire was ranked in the top quartile for 44% of the published indicators and the bottom quartile for 16% of indicators. 63% of indicators met the targets that had been set, while 23% missed their targets.
- 66 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/>)
- 67 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 2015/16 which have been published on the website accompanying decision making reports.
- 68 The Wales Audit Office (WAO) issued the Council with Certificate of Compliance following an audit of the Council’s Improvement Plan 2016 - 2018 which went to Audit Committee in June 2016, confirming the Council had discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and had acted in accordance with Welsh Government guidance sufficiently to discharge its duties.
- 69 The WAO reported on their follow on review from the Governance Corporate Assessment made in 2015, through Audit Committee in June 2016. They concluded that the Council has made progress in improving its Governance arrangements although more work is needed to strengthen the transparency of decision making and recording.
- 70 Also reported to Audit Committee in June 2016 was the Council’s response and progress report on the WAO’s Corporate Assessment 2015. There were 9 proposals for improvement. The report gave assurances that action had either been taken or was committed to making the necessary improvements.
- 71 The Local Service Board (LSB) review includes the monitoring of targets to ensure policies are delivering the agreed outcomes. The Council was an “early adopter” of the Wellbeing of Future Generations Act 2015, working with the WLGA; in line with the Act the LSB became a Public Services Board with effect from 1<sup>st</sup> April 2016.



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

- 72 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).
- 73 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.
- 74 Regular reporting into Cabinet, Scrutiny and Audit Committee enables the achievement of the Council's objectives to be challenged and appropriate action plans put in place to address any identified issues so that the intended outcomes can be achieved. The Improvement Objectives and Performance indicators - 2016/17 were taking through Select quarterly. The Strategic Risk Assessment 2016 was also taken through Select during the year.
- 75 The provision of high quality of services has been measured by the Welsh Government National survey for Wales. This stated that in 15/16 57% of Monmouthshire residents agree the local authority provides high quality services (Wales average 53%). In 14/15 57% agreed.
- 76 Dealing with customer complaints helps Monmouthshire to identify and deal with failures in service delivery. The Council's complaint / compliment procedure is available on the web site. Out of 107 complaints received in 2016/17, 103 were resolved informally [96%]; this compared with 103 out of 107 complaints resolved informally in 2015/16. 2 complaints were referred to the Ombudsman who decided not to investigate. 91% of Stage 1 complaints received were dealt with within 25 working days of receipt. Within Social Services, 43 complaints were received in 2015/16, 86% were dealt with informally.

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

- 77 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.
- 78 Developing the digital capabilities of people and systems to enable effectiveness, efficiency and enhanced customer services ( measured via the Digital Programme SIP)
- 79 There is continued support for Members' development through briefing sessions and other learning opportunities. A comprehensive training programme was developed for the intake of new members following Council elections in May 2017. There is also ongoing training and development which meets the needs of officers and members through the corporate programme. Coaching and leadership skills training will be rolled out to all managers in due course. Check in, Check Out provides a value-based performance assessment approach between staff and line managers and aims to ensure employees have clear and effective understanding of their contribution to the objectives of their teams and subsequently the Council.
- 80 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 "Ensure that the planned revisions and changes made to 'Check In Check Out' deliver a clear process of assessing and improving the performance of all staff and that department, team and individual objective setting is in line with the Council's corporate objectives." The action the Council is taking to response to the proposal was reported to Cabinet in January 2016. Based on feedback received the process has been evaluated and been further developed in 2016/17.

- 81 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

- 82 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. The Information Sharing protocol has been developed to ensure information is only shared appropriately, safely and compliantly.
- 83 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.
- 84 An exercise was undertaken by the Policy and Partnership Team in 2013/14 to determine the full extent of the Council's collaboration and partnership arrangements and their respective governance arrangements. A Partnership Audit was undertaken and reported into the Audit Committee in May 2014; 100 partnership / collaboration arrangements were identified. Although the governance arrangements for the majority of partnerships identified have been captured, further work is on-going to clarify the governance arrangements for all of the partnerships; this was reported to Members through the Audit Committee. Governance arrangements have been put in place around all key partnerships the Council is involved with. Monmouthshire's Partnership Structure is now shown on The Hub and was reported through Strong Communities Select in April 2016.
- 85 Wales Audit Office made a proposal for improvement to the Council as part of their Annual Improvement Report 2014-15, published in November 2015, to "Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources." The action the Council is taking in response to the proposal was reported to Cabinet in January 2016. Their Corporate Assessment on the Council, reported through Audit Committee in January 2016, stated "The Council demonstrates ambition in its vision, enthusiasm to deliver and commitment to working collaboratively, but this needs to be supported by a clearly joined-up strategic approach and effective delivery mechanisms."

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

- 86 There are robust arrangements for effective financial control through the Council's accounting procedures and financial regulations. These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets. The Chief Finance Officer is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Procedures for tendering and contract letting are included in the Contract Procedure Rules and Financial Regulations. The Council's Treasury Management arrangements follow professional practice, are subject to regular review and are contained in the Treasury Management Strategy approved by Council each year.
- 87 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".

- 88 The action the Council is taking in response to the proposal was reported to Cabinet in January 2016. This identified the 'Modern Gov' system has been implemented and improved the documentation of minutes, agendas and reports for meetings on the Council's website. A decision-log of Cabinet meetings is published on the website following each Cabinet meeting detailing the decisions that have been which include any amendments made to the proposed decision. Not publishing minutes for Cabinet has been a longstanding practice of the Council which has raised no issues of transparency and openness in the decision making process and the Council does not have any plans to change this process for recording decisions at Cabinet.
- 89 The anti-fraud and corruption strategy (approved by Cabinet March 2012) provides a deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention; an update was presented to the Audit Committee in March 2017 which is being taken to Cabinet in June for approval. The Council's Council Tax Reduction Anti-Fraud Policy was approved by Cabinet in June 2015.
- 90 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.
- 91 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.
- 92 The Chief Internal Auditor will ensure Internal Audit complies with the Public Sector Internal Audit Standards.
- 93 The Council has an objective and professional relationship with its external auditors and statutory inspectors.
- 94 Managing our information resource through strategies and policies to enable effective decision making which is managed via the draft information strategy and action plan.

## Risk Management

- 95 The Council's Strategic Risk Management Policy was updated and approved by Cabinet in March 2015. The revisions provide greater clarity on how the risk levels are to be assessed. The policy requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing high level strategic risks to the Council's priorities, services and major projects. The risk controls necessary to manage them are identified and monitored to ensure risk mitigation.
- 96 A Whole Authority Strategic Risk Assessment for 2016-2017 has been compiled as a starting point from service improvement plans. In addition a wide range of performance information including reports from regulators and inspectors, data and performance analysis and feedback from the Authority's partners and service users was used. In order to mitigate the risks, proposed action was recorded and factored back into the respective service improvement plan. This was presented to Cabinet in March 2017. As well as being approved by Cabinet the risk assessment was presented to Council alongside consideration of the budget.
- 97 The Council's Strategic Risk Assessment for 2016-2017 contains 13 distinct risks. Following the revised policy these were updated and reviewed throughout the year with the latest version being made available to members via The Hub.

| Ref       | Risk   | Year    | Risk Level (Pre – mitigation) | Risk Level (Post – mitigation) |
|-----------|--|---------|-------------------------------|--------------------------------|
| <b>1</b>  | The Authority is unable to deliver its political priorities in the future because it does not yet have clarity on its future business model or longer term financial plan. | 2016/17 | Low                           | Low                            |
|           |  | 2017/18 | Medium                        | Low                            |
|           |  | 2018/19 | Medium                        | Low                            |
| <b>2</b>  | Some services may become financially unsustainable in the short to medium term as a result of reducing budgets and increasing demand                                       | 2016/17 | Low                           | Low                            |
|           |  | 2017/18 | Medium                        | Low                            |
|           |  | 2018/19 | Medium                        | Low                            |
| <b>3a</b> | Potential that the Authority is unable to deliver its new schools capital programme due to capital receipts not generating the required income                             | 2016/17 | Medium                        | Medium                         |
|           |  | 2017/18 | Medium                        | Medium                         |
| <b>3b</b> | Pressure on capital budget from 21 <sup>st</sup> Century schools programme will impact on other areas requiring capital investment.  | 2018/19 | High                          | Medium                         |
| <b>4</b>  | Potential that the Council does not make sufficient progress in areas of weakness identified by regulators leading to underperformance                                     | 2016/17 | low                           | Low                            |
|           |  | 2017/18 | Medium                        | Low                            |
|           |  | 2018/19 | Medium                        | Low                            |
| <b>5a</b> | Potential for significant harm to vulnerable children or adults due to factors outside our control.  | 2016/17 | Medium                        | Medium                         |
|           |  | 2017/18 | Medium                        | Medium                         |
| <b>5b</b> | Potential for significant harm to vulnerable children or adults due to failure of services and/or partners to act accountably for safeguarding                             | 2018/19 | Medium                        | Medium                         |
| <b>6</b>  | Failure to meet the needs of individual learners may result in them not achieving their full potential.  | 2016/17 | Medium                        | Low                            |
|           |  | 2017/18 | Medium                        | Low                            |
|           |  | 2018/19 | Medium                        | Low                            |
| <b>7a</b> | Schools do not have the necessary ICT infrastructure meaning they are unable to maximise their offer to learner’s needs.   | 2016/17 | Medium                        | Medium                         |
|           |  | 2017/18 | Medium                        | Medium                         |
|           |  | 2018/19 | Medium                        | Low                            |

|               |  |         |        |        |
|---------------|--|---------|--------|--------|
| <b>7b</b>     | Insufficient ICT infrastructure and skills in the county have the potential to lead to social and economic disadvantages   | 2016/17 | Medium | Medium |
|               |  | 2017/18 | Medium | Medium |
|               |  | 2018/19 | Medium | Medium |
| <b>8</b>      | Reductions in our workforce due to budgetary pressures will impact on our capacity to deliver transformational change and improve performance.   | 2016/17 | Medium | Medium |
|               |  | 2017/18 | Medium | Medium |
|               |  | 2018/19 | Medium | Low    |
| <b>9a</b>     | Not having appropriate governance mechanisms does not make it easy for communities to work with us when we are co- delivering and co-developing services which will impact on our shared ability to deliver sustainable and resilient communities.   | 2016/17 | Medium | Medium |
|               |  | 2017/18 | Medium | Medium |
|               |  | 2018/19 | Medium | Low    |
| <b>9b</b>     | Not having appropriate governance mechanisms when establishing new collaborative or alternative delivery models that are often complex could impact on our shared ability to deliver objectives.   | 2016/17 | Medium | Medium |
|               |  | 2017/18 | Medium | Medium |
|               |  | 2018/19 | Medium | Low    |
| <b>10</b>     | The current configuration of the recycling service becomes unviable because of legislation requirements and financial constraints.   | 2016/17 | Low    | Low    |
|               |  | 2017/18 | Low    | Low    |
|               |  | 2018/19 | Medium | Low    |
| <b>11 new</b> | Political, legislative and financial uncertainty for council services and local businesses as a result of Britain leaving the European Union.  | 2016/17 | High   | High   |
|               |  | 2017/18 | High   | High   |
|               |  | 2018/19 | High   | High   |
| <b>12 new</b> | Information security breaches due to mismanagement of information or external parties gaining access to the network. This could result in critical and sensitive data being lost, compromising the delivery or availability of Council services and the interaction with external agencies and partners. | 2016/17 | Medium | Medium |
|               |  | 2017/18 | Medium | Low    |
|               |  | 2018/19 | Medium | Low    |
| <b>13 new</b> | Some businesses in the County are unable to continue trading as a result of increases in business rates due to draft business rate revaluations.   | 2016/17 | Low    | Low    |
|               |  | 2017/18 | Medium | Medium |
|               |  | 2018/19 | Medium | Medium |

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

- 98** The South East Wales Education Achievement Service (EAS) Business Plan 2016-2019 was presented to Cabinet in April 2016. The plan sets out the priorities, programmes and outcomes to be achieved by the EAS on behalf of the South East Wales Consortium.
- 99** An update of progress for 2015/16 and the plan for 2016-17 for the People and Organisational Development Strategy 2014-17 was presented to Cabinet in April 2016. This was approved by Council in April 2015 and remains true to its core purpose in meeting the rapidly changing demands placed on its workforce. The comprehensive progress report summarised the outcomes achieved in 2015/16 as well as the next steps in delivering a coherent and cohesive People Services offer to the organisation.
- 100** The iCounty Strategy Business Plan for 2016/19, along with a report on MCC's Digital and Technology service and how it aligns with MCC's iCounty, People and Place strategies was also presented to Cabinet in April 2016. The plan supports the 3 pillars of iCounty:
- a) Improving internal services, data delivery and infrastructure
  - b) Digitally enabled, inclusive and connected communities
  - c) Creating products and commercial assets
- 101** The Business Plan also aligns with the People, Asset Management, MTFP and SRS strategies as well as linking in with MCC's Business and Service Improvement Plans.
- 102** Cabinet were presented with an overview of the performance of the whole authority safeguarding 2015/16 in July 2016 along with the proposed changes to the whole authority safeguarding approach.
- 103** 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.
- 104** The Whole Authority Report complaints, comments and compliments 2015/16 was presented to Audit Committee in November 2016 which identified the number and types of feedback received and dealt with from 1 April 2015 until 31 March 2016. The report also provided a summary of the number of Freedom of Information Act (FOI) requests received and dealt with by the Council during this period.

## Main Areas for Improvement

- 105** The Council will continue to monitor and review its governance arrangements and identify any gaps. These will be addressed during the year to further strengthen governance in Monmouthshire County Council:
- improve performance management arrangements and improve strategic planning;
  - continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;
  - review the 'Check In Check Out' process to deliver a clear process of assessing and improving performance.

## Action Plan 2015/16

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

## Monitoring & Evaluation

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

**Signed:** .....**2017**  
**Leader**

**Signed:** .....**2017**  
**Chief Executive**



**Main Areas of Improvement for 2015/16 addressed**

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

| <b>Governance Principle</b>   |  | <b>Progress</b>  |
|---|--|--|
| <p><b>Principle 1:</b></p> <p><b>Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area</b></p> | <p>Undertake actions identified in the Council's action plan to address the Wales Audit Office proposals for improvement from the Corporate Assessment report to "Improve performance management arrangements..." and "Improve strategic planning.."</p> <p>Undertake actions identified in the Council's action plan to address the Wales Audit Office next steps identified from the Wellbeing of Future Generations Act preparedness work undertaken.</p> <p>To review the appropriateness of the governance arrangements of the Public Services Board.</p> | <p>The council has now adopted a new sustainable development policy and incorporated this into its policy framework. This will ensure greater alignment of future programmes to The Act. During 2016-2017 we are undertaking two substantial assessments of need and wellbeing within the County as a consequence of the Wellbeing of Future Generations Act and the Social Services and Well-being Act. The information that is gained during this work will provide a much deeper evidence base and inform the development of the council's well-being objectives by 31st March 2017 and will form the basis of a high level strategic approach to fulfil our duties under the Act.</p> <p>Future Generations Evaluation assessments are now prepared for reports to Cabinet.</p> <p>In the medium term the development of the PSB's wellbeing plan by March 2018 will require the PSB to allocate and prioritise resources to meet their wellbeing objectives and establish clear delivery plans to achieve this.</p> |



|   |  |   |
|---|--|---|
| <p><b>Principle 2:</b></p> <p><b>Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens</b></p> | <p>Undertake actions identified in the Council's action plan to address the Wales Audit Office proposals for improvement from the Corporate Assessment report to "Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources"</p> <p>Review the governance arrangements in place around all key partnerships the Council is involved with.</p>  | <p>Monmouthshire's Partnership Structure is now shown on The Hub and was reported through Strong Communities Select in April 2016.</p>  |
| <p><b>Principle 3:</b></p> <p><b>Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;</b></p>                          | <p>The Internal Audit team will work with the Procurement Team to continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules</p>   | <p>Internal Audit have provided training to schools and school governors but further work needs to be undertaken with the procurement team to raise awareness across the whole Council.</p> |
| <p><b>Principle 4:</b></p> <p><b>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation</b></p>                                      | <p>Undertake actions identified in the Council's action plan to address the Wales Audit Office proposals for improvement from the Corporate Assessment report to "Strengthen the governance and challenge arrangements.."</p>  |   |
| <p><b>Principle 5:</b></p> <p><b>Developing the capacity and capability of members and officers to be effective</b></p>   | <p>Undertake actions identified in the Council's action plan to address the Wales Audit Office proposals for improvement from the Corporate Assessment report to "Ensure that the planned revisions and changes made to 'Check In Check Out' deliver a clear process of assessing and improving the performance of all staff and that department, team and individual objective setting is in line with the Council's corporate objectives."</p> |   |

**Appendix 2**

**Action Plan 2016/17**

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

| Governance Principle |  | Progress |
|----------------------|--|----------|
|                      |  |          |
|                      |  |          |
|                      |  |          |
|                      |  |          |
|                      |  |          |
|                      |  |          |

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

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 based on International Financial Reporting Standards (IFRSs).

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

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

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

### Scope of the audit of the accounting statements

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

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

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

In my opinion the accounting statements and related notes:

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

### Opinion on other matters

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

### Matters on which I report by exception

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

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

### Certificate of completion of audit

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

Signature \_\_\_\_\_

Date \_\_\_\_\_

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

| <b>Movement In Reserves Statement for the Year Ended 31st March 2017</b> |      |                              |                            |                                  |                               |                           |                        |
|--|------|------------------------------|----------------------------|----------------------------------|-------------------------------|---------------------------|------------------------|
|  | Note | Council Fund Balance<br>£000 | Earmarked Reserves<br>£000 | Capital Receipts Reserve<br>£000 | Total Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Reserves<br>£000 |
| <b>Balance at 1st April 2015</b>   |      | 8,132                        | 10,980                     | 17,629                           | 36,741                        | 2,974                     | 39,715                 |
| <b><i>Movement in reserves during 2015/16</i></b>                        |      |                              |                            |                                  |                               |                           |                        |
| <b>Total Comprehensive Income and Expenditure</b>                        |      | (6,432)                      | -                          | -                                | (6,432)                       | 1,606                     | (4,827)                |
| Adjustments between accounting basis & funding basis under regulations   | 10.2 | 4,855                        |                            | (12,206)                         | (7,351)                       | 7,350                     | -                      |
| <b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>    |      | (1,577)                      | -                          | (12,206)                         | (13,783)                      | 8,956                     | (4,827)                |
| Transfers to/(from) Earmarked Reserves                                   | 10.4 | 1,712                        | (1,712)                    |                                  | -                             |                           | -                      |
| <b>Increase/(Decrease) in 2015/16</b>                                    |      | 136                          | (1,712)                    | (12,206)                         | (13,783)                      | 8,956                     | (4,827)                |
| <b>Balance at 31st March 2016 carried forward</b>                        |      | 8,267                        | 9,269                      | 5,423                            | 22,959                        | 11,930                    | 34,889                 |
| <b><i>Movement in reserves during 2016/17</i></b>                        |      |                              |                            |                                  |                               |                           |                        |
| <b>Total Comprehensive Income and Expenditure</b>                        |      | (2,424)                      | -                          | -                                | (2,424)                       | (14,788)                  | (17,213)               |
| Adjustments between accounting basis & funding basis under regulations   | 10.2 | 73                           | -                          | 13,729                           | 13,801                        | (13,801)                  | 0                      |
| <b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>    |      | (2,351)                      | -                          | 13,729                           | 11,377                        | (28,590)                  | (17,213)               |
| Transfers to/(from) Earmarked Reserves                                   | 10.4 | 1,464                        | (1,464)                    | -                                | -                             | -                         | -                      |
| <b>Increase/(Decrease) in 2016/17</b>                                    |      | (887)                        | (1,464)                    | 13,729                           | 11,377                        | (28,590)                  | (17,213)               |
| <b>Balance at 31st March 2017 carried forward</b>                        |      | 7,381                        | 7,804                      | 19,152                           | 34,336                        | (16,660)                  | 17,676                 |

| Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2017 |                      |                         |   |      |                           |                      |                         |
|---|----------------------|-------------------------|---|------|---------------------------|----------------------|-------------------------|
| 2015/16 (Restated)  |                      |                         |   |      | 2016/17                   |                      |                         |
| Gross Expenditure<br>£000   | Gross Income<br>£000 | Net Expenditure<br>£000 |   | Note | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 64,704  | (12,926)             | 51,778                  | Children & Young People   |      | 68,974                    | (11,122)             | 57,852                  |
| 53,336  | (8,344)              | 44,991                  | Social Care & Health  |      | 58,818                    | (15,310)             | 43,507                  |
| 15,185  | (5,364)              | 9,821                   | Enterprise  |      | 14,139                    | (8,262)              | 5,877                   |
| 43,953  | (17,465)             | 26,488                  | Chief Executives Unit   |      | 55,361                    | (27,095)             | 28,266                  |
| 37,932  | (29,049)             | 8,883                   | Resources   |      | 37,439                    | (25,419)             | 12,021                  |
| 1,540   | (650)                | 890                     | Corporate   |      | 2,162                     | (250)                | 1,912                   |
| <b>216,650</b>  | <b>(73,798)</b>      | <b>142,852</b>          | <b>Cost of Services</b>   | 11.1 | <b>236,894</b>            | <b>(87,459)</b>      | <b>149,434</b>          |
|   |                      |                         | <b>Other operating expenditure:</b>   |      |                           |                      |                         |
|   |                      |                         | <i>Precepts &amp; Levies:</i>   |      |                           |                      |                         |
| 9,430   |                      | 9,430                   | Gwent Police Authority  |      | 9,925                     |                      | 9,925                   |
| 4,188   |                      | 4,188                   | South Wales Fire & Rescue Authority   |      | 4,209                     |                      | 4,209                   |
| 1,870   |                      | 1,870                   | Community and Town Councils   |      | 2,150                     |                      | 2,150                   |
| 112   |                      | 112                     | National Parks  |      | 106                       |                      | 106                     |
| 100   |                      | 100                     | Internal Drainage Boards  |      | 98                        |                      | 98                      |
| 1,476   | (1,215)              | 262                     | Gains/losses on the disposal of non-current assets                          |      | 17,420                    | (20,511)             | (3,091)                 |
|   |                      | <b>15,962</b>           | <b>Total Other operating expenditure</b>                                    |      |                           |                      | <b>13,397</b>           |
| 24,873  | (15,683)             | 9,190                   | Financing and investment income and expenditure                             | 11.2 | 15,956                    | (7,309)              | 8,647                   |
|   |                      |                         | <b>Taxation &amp; non-specific grant income:</b>                            |      |                           |                      |                         |
|   | (61,004)             | (61,004)                | Council Tax   | 11.4 |                           | (64,076)             | (64,076)                |
|   | (26,737)             | (26,737)                | Non-domestic rates redistribution   | 11.5 |                           | (27,981)             | (27,981)                |
|   | (73,832)             | (73,832)                | General government grants   | 11.6 |                           | (76,998)             | (76,998)                |
|   |                      | <b>6,432</b>            | <b>(Surplus) or Deficit on Provision of Services</b>                        |      |                           |                      | <b>2,424</b>            |
|   |                      |                         | <b>Other Comprehensive Income and Expenditure:</b>                          |      |                           |                      |                         |
|   |                      | (16,255)                | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets |      |                           |                      | (7,200)                 |
|   |                      | 14,649                  | (Gains)/losses on remeasurement of pension assets / liabilities             | 14.2 |                           |                      | 21,988                  |
|   |                      | <b>(1,606)</b>          | <b>Total Other Comprehensive Income and Expenditure</b>                     |      |                           |                      | <b>14,788</b>           |
|   |                      | <b>4,825</b>            | <b>Total Comprehensive Income and Expenditure</b>                           |      |                           |                      | <b>17,213</b>           |

| <b>Balance Sheet as at 31st March 2017</b> |   |             |                        |
|--|---|-------------|------------------------|
| <b>31st March 2016</b>                     |   | <b>Note</b> | <b>31st March 2017</b> |
| <b>£000s</b>                               |   |             | <b>£000s</b>           |
| 171,547                                    | Other land and buildings                            | 12.1        | 173,547                |
| 3,608                                      | Vehicles, plant, furniture and equipment            | 12.1        | 4,786                  |
| 60,648                                     | Infrastructure                                      | 12.1        | 61,417                 |
| 3,944                                      | Community assets                                    | 12.1        | 4,021                  |
| 10,079                                     | Assets under construction                           | 12.1        | 40,724                 |
| -  | - Surplus assets not held for sale                  | 12.1        | 360                    |
| 4,795                                      | Heritage Assets                                     | 12.12       | 4,882                  |
| 41,099                                     | Investment Property                                 | 12.7        | 41,932                 |
| 754  | Intangible Assets                                   |             | 647                    |
| 40   | Long-Term Investments                               | 13.1        | 40                     |
| 312  | Long Term Debtors                                   |             | 4,240                  |
| <b>296,825</b>                             | <b>Long term assets</b>                             |             | <b>336,595</b>         |
| 3,999                                      | Short Term Investments                              | 13.1        | -                      |
| 413  | Inventories   |             | 349                    |
| 19,543                                     | Short Term Debtors                                  | 13.5        | 20,028                 |
| 7,621                                      | Cash and Cash Equivalents                           | 15.3        | 6,498                  |
| 20,683                                     | Assets Held for Sale                                | 12.8        | 2,933                  |
| <b>52,259</b>                              | <b>Current Assets</b>                               |             | <b>29,808</b>          |
| (1,025)                                    | Cash and Cash Equivalents                           | 15.3        | (30)                   |
| (29,852)                                   | Short Term Borrowing                                | 13.1        | (20,267)               |
| (22,244)                                   | Short Term Creditors                                | 13.6        | (28,437)               |
| (2,124)                                    | Provisions  | 13.7        | (3,598)                |
| <b>(55,245)</b>                            | <b>Current Liabilities</b>                          |             | <b>(52,332)</b>        |
| (188,225)                                  | Liability related to defined benefit pension scheme | 14.4        | (217,236)              |
| (132)                                      | Provisions  | 13.7        | (353)                  |
| (65,708)                                   | Long Term Borrowing                                 | 13.1        | (69,682)               |
| (1,236)                                    | Other Long Term Liabilities                         | 13.1        | (1,846)                |
| (1,830)                                    | Capital Grants Receipts in Advance                  | 11.7(b)     | (5,286)                |
| (1,819)                                    | Revenue Grants Receipts in Advance                  |             | (1,992)                |
| <b>(258,950)</b>                           | <b>Long Term Liabilities</b>                        |             | <b>(296,395)</b>       |
| <b>34,889</b>                              | <b>Net Assets</b>                                   |             | <b>17,676</b>          |
| 8,267                                      | Council Fund Balance                                | 10.3        | 7,381                  |
| 9,269                                      | Earmarked Reserves                                  | 10.4        | 7,804                  |
| 5,423                                      | Capital Receipts Reserve                            | 10.6        | 19,152                 |
| <b>22,959</b>                              | <b>Usable Reserves</b>                              |             | <b>34,337</b>          |
| 47,671                                     | Revaluation Reserve                                 | 10.7        | 48,771                 |
| (188,225)                                  | Pensions Reserve                                    | 10.9        | (217,236)              |
| 155,410                                    | Capital Adjustment Account                          | 10.8        | 151,889                |
| -  | - Deferred Capital Receipts Reserve                 |             | 4,000                  |
| (934)                                      | Financial Instrument Adjustment Account             |             | (839)                  |
| (1,992)                                    | Accumulating Absence Adjustment Account             | 10.10       | (3,245)                |
| <b>11,930</b>                              | <b>Unusable Reserves</b>                            |             | <b>(16,660)</b>        |
| <b>34,889</b>                              | <b>Total Reserves</b>                               |             | <b>17,676</b>          |

**Cash Flow Statement for the Year Ended 31st March 2017**

| 31st March 2016<br>£000 |   | Note | 31st March 2017<br>£000 |
|-------------------------|---|------|-------------------------|
| 6,432                   | Net (surplus) or deficit on the provision of services   | 15.1 | 2,424                   |
| (13,497)                | Adjustments to net surplus or deficit on the provision of services for non-cash movements   | 15.1 | (51,217)                |
| 75                      | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 15.1 | 50,980                  |
| (6,990)                 | <b>Net cash flows from Operating Activities</b>   | 15.1 | 2,187                   |
| 15,137                  | Purchase of property, plant and equipment, investment property and intangible assets  |      | 34,512                  |
| 16,000                  | Purchase of short-term and long-term investments  |      | 14,000                  |
| 2,132                   | Other payments for investing activities   |      | 781                     |
| (1,809)                 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets                                    |      | (16,677)                |
| (16,073)                | Proceeds from short-term and long-term investments  |      | (17,999)                |
| (509)                   | Other receipts from investing activities  |      | (21,653)                |
| 14,876                  | <b>Net Cash (Inflow)/Outflow from Investing Activities</b>  |      | (7,036)                 |
|                         | <b>Financing Activities</b>   |      |                         |
| 40,842                  | Repayments of short- and long-term borrowing  |      | 37,938                  |
| 30                      | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts          |      | 30                      |
| (35,054)                | Cash receipts of short- and long-term borrowing   |      | (32,455)                |
| (161)                   | Other receipts from financing activities  |      | (536)                   |
| 5,656                   | <b>Net Cash (Inflow)/Outflow from Financing Activities</b>  |      | 4,977                   |
| 13,542                  | <b>Net (increase) / decrease in cash and cash equivalents</b>   |      | 128                     |
| 20,138                  | Cash and cash equivalents at the beginning of the reporting period  |      | 6,596                   |
| 6,596                   | <b>Cash and cash equivalents at the end of the reporting period</b>   | 15.3 | 6,468                   |



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

## 10 MOVEMENT IN RESERVES STATEMENT NOTES

### 10.1 Movement in Reserves

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

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

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

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

| Movements in 2016/17:  | Council Fund<br>Balance<br>£000 | Usable<br>Reserves<br>£000 | Unusable<br>Reserves<br>£000 |
|--|---------------------------------|----------------------------|------------------------------|
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                                 |                            |                              |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>            |                                 |                            |                              |
| Charges for depreciation and impairment of Property, Plant and Equipment assets                                | 11,940                          | -                          | (11,940)                     |
| Charges for impairment of Heritage Assets  | 8                               | -                          | (8)                          |
| Revaluation movements on Property Plant and Equipment (charged to SDPS)  | 28                              | -                          | (28)                         |
| Revaluation movements on Assets Held for Sale (charged to SDPS)  | -                               | -                          | 0                            |
| Movements in the market value of Investment Properties   | (133)                           | -                          | 133                          |
| Amortisation and impairment of intangible assets   | 181                             | -                          | (181)                        |
| Capital grants and contributions applied   | (13,431)                        | -                          | 13,431                       |
| Revenue expenditure funded from capital under statute  | 781                             | -                          | (781)                        |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 17,367                          | -                          | (17,367)                     |

|   |           |               |                 |
|---|-----------|---------------|-----------------|
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>  |           |               |                 |
| Statutory provision for the financing of capital investment (MRP)   | (3,278)   | -             | 3,278           |
| Capital expenditure charged against the Council Fund  | (894)     | -             | 894             |
| <b>Adjustments involving the Capital Receipts Reserve:</b>  |           |               |                 |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES   | (20,677)  | 16,677        | 4,000           |
| Use of the Capital Receipts Reserve to finance new capital expenditure  | -         | (2,949)       | 2,949           |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b>  |           |               |                 |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements                           | (95)      | -             | 95              |
| <b>Adjustments involving the Pensions Reserve:</b>  |           |               |                 |
| Reversal of items relating to retirement benefits debited or credited to the CIES   | 17,774    | -             | (17,774)        |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | (10,751)  | -             | 10,751          |
| <b>Adjustment involving the Accumulated Absences Account:</b>   |           |               |                 |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 1,253     | -             | (1,253)         |
| <b>Adjustment between the Capital Adjustment Account and the Revaluation Reserve:</b>   |           |               |                 |
| Depreciation of non-current asset revaluation gains   | -         | -             | -               |
| <b>Total adjustments between accounting basis &amp; funding basis under regulations</b>   | <b>73</b> | <b>13,729</b> | <b>(13,801)</b> |

| <b>Movements in 2015/16:</b>   | <b>Council Fund Balance</b> | <b>Usable Reserves</b> | <b>Unusable Reserves</b> |
|--|-----------------------------|------------------------|--------------------------|
|  | <b>£000</b>                 | <b>£000</b>            | <b>£000</b>              |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                             |                        |                          |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>            |                             |                        |                          |
| Charges for depreciation and impairment of Property, Plant and Equipment assets                                | 5,752                       | -                      | (5,752)                  |
| Charges for impairment of Heritage Assets  | 5                           | -                      | (5)                      |
| Revaluation movements on Property Plant and Equipment (charged to SDPS)  | 2,516                       | -                      | (2,516)                  |
| Revaluation movements on Assets Held for Sale (charged to SDPS)  | 245                         | -                      | (245)                    |
| Movements in the market value of Investment Properties   | 1,515                       | -                      | (1,515)                  |
| Amortisation and impairment of intangible assets   | 111                         | -                      | (111)                    |
| Capital grants and contributions applied   | (6,190)                     | -                      | 6,190                    |
| Revenue expenditure funded from capital under statute  | 2,132                       | -                      | (2,132)                  |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 1,793                       | -                      | (1,793)                  |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>       |                             |                        |                          |
| Statutory provision for the financing of capital investment (MRP)  | (5,486)                     | 0                      | 5,486                    |
| Capital expenditure charged against the Council Fund   | (920)                       | -                      | 920                      |
| <b>Adjustments involving the Capital Receipts Reserve:</b>   |                             |                        |                          |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES                            | (1,808)                     | 1,808                  | 0                        |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | 0                           | (7,765)                | 7,765                    |

|   |              |                 |              |
|---|--------------|-----------------|--------------|
| Set aside of capital receipts   | -            | (6,250)         | 6,250        |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash  | -            | 2               | (2)          |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b>  |              |                 |              |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements                           | (80)         | -               | 80           |
| <b>Adjustments involving the Pensions Reserve:</b>  |              |                 |              |
| Reversal of items relating to retirement benefits debited or credited to the CIES   | 16,633       | -               | (16,633)     |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | (10,471)     | -               | 10,471       |
| <b>Adjustment involving the Accumulated Absences Account:</b>   |              |                 |              |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (892)        | -               | 892          |
| <b>Adjustment between the Capital Adjustment Account and the Revaluation Reserve:</b>   |              |                 |              |
| Depreciation of non-current asset revaluation gains   | -            | -               | -            |
| <b>Total adjustments between accounting basis &amp; funding basis under regulations</b>   | <b>4,855</b> | <b>(12,206)</b> | <b>7,351</b> |

### 10.3 Usable Reserves available for Revenue Purposes

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

Each of the Authority's Schools is directly governed by a Board of Governors, which is responsible for managing the school's finances. The balance on the Council Fund includes £269,000 in respect of underspent (or overspent) budgets which have been delegated to schools. These balances are at the disposal of the respective schools and represent an earmarked reserve which is not available for the Authority to use generally.

|   | At 1st April<br>2015<br>£000 | In Year<br>Movement<br>£000 | At 31st<br>March 2016<br>£000 | In Year<br>Movement<br>£000 | At 31st<br>March 2017<br>£000 |
|---|------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| Amount of Council Fund Balance held by Schools under Local Management Schemes | 1,140                        | 16                          | 1,156                         | (887)                       | 269                           |
| Amount of Council Fund Balance generally available for new expenditure        | 6,991                        | 120                         | 7,111                         | 0                           | 7,111                         |
| <b>Total Council Fund Balance</b>   | <b>8,132</b>                 | <b>137</b>                  | <b>8,267</b>                  | <b>(887)</b>                | <b>7,381</b>                  |
| Earmarked Revenue Reserves  | 10,980                       | (1,711)                     | 9,269                         | (1,465)                     | 7,804                         |
| <b>Total Usable Reserves available for Revenue Purposes</b>                   | <b>19,112</b>                | <b>(1,575)</b>              | <b>17,536</b>                 | <b>(2,352)</b>              | <b>15,184</b>                 |

## 10.4 Transfers to/from Earmarked Reserves

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

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

The transfers to and from Earmarked Reserves in 2016/17 can be summarised as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 10.5 School Balances

The balance on the Council Fund includes £268,787 in respect of underspent (or overspent) budgets which have been delegated to schools. These balances are at the disposal of the respective schools and represent an earmarked reserve which is not available for the Authority to use generally. Details of the movements of these reserves are shown below:

|                                 | At 1st<br>April 2015<br>£ | In Year<br>Movement<br>£ | At 31st<br>March 2016<br>£ | In Year<br>Movement<br>£ | At 31st<br>March 2017<br>£ |
|---------------------------------|---------------------------|--------------------------|----------------------------|--------------------------|----------------------------|
| <b>Comprehensives</b>           |                           |                          |                            |                          |                            |
| Caldicot                        | 81,368                    | 127,492                  | 208,860                    | (175,124)                | 33,736                     |
| Chepstow                        | (388,688)                 | (25,379)                 | (414,066)                  | 332,999                  | (81,068)                   |
| King Henry VIII                 | 42,966                    | 64,403                   | 107,368                    | (246,723)                | (139,355)                  |
| Monmouth                        | 109,851                   | (64,079)                 | 45,772                     | (146,345)                | (100,573)                  |
| <b>Sub Total Comprehensives</b> | <b>(154,504)</b>          | <b>102,437</b>           | <b>(52,067)</b>            | <b>(235,193)</b>         | <b>(287,259)</b>           |
| <b>Primaries</b>                |                           |                          |                            |                          |                            |
| Archbishop R Williams           | 37,847                    | 46,641                   | 84,489                     | (34,832)                 | 49,657                     |
| Cantref                         | 54,403                    | (12,416)                 | 41,987                     | 10,779                   | 52,766                     |
| Castle Park                     | (39,729)                  | 18,282                   | (21,446)                   | (24,669)                 | (46,115)                   |
| Chepstow Alliance               | 28,092                    | (28,092)                 | 0                          | 0                        | -                          |
| Cross Ash                       | 65,890                    | (14,621)                 | 51,269                     | (5,648)                  | 45,620                     |
| Deri View                       | 21,762                    | 64,292                   | 86,054                     | (58,757)                 | 27,297                     |
| Dewstow                         | 126,594                   | (13,997)                 | 112,598                    | (22,473)                 | 90,125                     |
| Durand                          | 53,761                    | 6,759                    | 60,520                     | (6,589)                  | 53,931                     |
| Gilwern                         | 38,913                    | 2,385                    | 41,298                     | (1,662)                  | 39,636                     |
| Goytre Fawr                     | 28,832                    | 25,088                   | 53,920                     | (28,549)                 | 25,371                     |

|  |                  |                 |                  |                  |                 |
|--|------------------|-----------------|------------------|------------------|-----------------|
| Kymin View                                 | 44,634           | (25,860)        | 18,774           | (8,480)          | 10,294          |
| Llandogo                                   | (12,346)         | 900             | (11,446)         | 1,710            | (9,736)         |
| Llanfair Kilgeddin CV                      | 11,922           | 54,902          | 66,824           | (66,824)         | 0               |
| Llanfoist                                  | 74,267           | 19,523          | 93,789           | (25,734)         | 68,056          |
| Llantilio Pertholey                        | 47,225           | (10,049)        | 37,176           | (16,209)         | 20,967          |
| Llanvihangel Crucorney                     | (15,040)         | (8,565)         | (23,605)         | 20,488           | (3,117)         |
| Magor Vol Aided                            | 36,462           | 19,546          | 56,008           | (20,828)         | 35,179          |
| New Pembroke Primary                       | 33,549           | 2,652           | 36,201           | (27,375)         | 8,826           |
| Osbaston Church in Wales                   | 55,997           | (18,653)        | 37,344           | (18,774)         | 18,570          |
| Our Lady's & St Michael's Catholic Primary | 40,813           | (10,159)        | 30,654           | 14,851           | 45,505          |
| Overmonnow                                 | 326              | (19,427)        | (19,101)         | 23,060           | 3,959           |
| Raglan                                     | 62,747           | (44,378)        | 18,369           | (130,346)        | (111,977)       |
| Rogiet                                     | 69,879           | (10,265)        | 59,613           | (25,429)         | 34,184          |
| Shirenewton                                | 78,279           | 3,281           | 81,560           | 5,809            | 87,369          |
| St Mary's (Chepstow)                       | 18,509           | 6,877           | 25,385           | (38,577)         | (13,192)        |
| The Dell                                   | 83,210           | (32,944)        | 50,266           | (4,172)          | 46,094          |
| Thornwell                                  | 48,997           | (46,745)        | 2,253            | (22,787)         | (20,534)        |
| Trellech                                   | 72,889           | 13,392          | 86,281           | (519)            | 85,762          |
| Undy                                       | 41,679           | (25,038)        | 16,641           | (66,677)         | (50,037)        |
| Usk CV                                     | 23,815           | 47,480          | 71,295           | (15,187)         | 56,108          |
| Ysgol Gymraeg Y Fenni                      | 66,203           | (7,462)         | 58,741           | (9,774)          | 48,966          |
| Ysgol Gymraeg Ffin                         | 18,152           | (4,984)         | 13,168           | (80,578)         | (67,410)        |
| <b>Sub Total Primaries</b>                 | <b>1,318,530</b> | <b>(1,655)</b>  | <b>1,316,875</b> | <b>(684,754)</b> | <b>632,122</b>  |
| <b>Special</b>                             |                  |                 |                  |                  |                 |
| Mounton House                              | (25,953)         | (128,901)       | (154,854)        | 12,437           | (142,417)       |
| Pupil Referral Unit                        | 1,958            | 44,250          | 46,208           | 20,132           | 66,340          |
| <b>Sub Total Special</b>                   | <b>(23,994)</b>  | <b>(84,651)</b> | <b>(108,646)</b> | <b>32,569</b>    | <b>(76,076)</b> |
| <b>Total</b>                               | <b>1,140,033</b> | <b>16,130</b>   | <b>1,156,163</b> | <b>(887,377)</b> | <b>268,787</b>  |

## 10.6 Capital Receipts Reserve

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

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

## 10.7 Revaluation Reserve

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

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

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

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

## 10.8 Capital Adjustment Account

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

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

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

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



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

## 10.9 Pensions Reserve

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

| 2015/16<br>£000  |  | 2016/17<br>£000  |
|------------------|--|------------------|
| (167,414)        | Balance at 1 April   | (188,225)        |
| (13,032)         | Remeasurement gains or (losses) on pension assets and liabilities  | (21,988)         |
| (16,633)         | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (17,774)         |
| (1,617)          | Effect of business combinations and disposals  | 0                |
| 10,471           | Employer's pensions contributions and direct payments to pensioners payable in the year  | 10,751           |
| <b>(188,225)</b> | <b>Balance at 31 March</b>   | <b>(217,236)</b> |

## 10.10 Accumulated Absences Account

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

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

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

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

| 2015/16  |  |                                     |  | 2016/17  |  |                                     |
|--|--|-------------------------------------|--|--|--|-------------------------------------|
| Net Expenditure Chargeable to the general fund<br>£000 | Adjustments between the Funding & Accounting Basis<br>£000 | Net Expenditure in the CIES<br>£000 |  | Net Expenditure Chargeable to the general fund<br>£000 | Adjustments between the Funding & Accounting Basis<br>£000 | Net Expenditure in the CIES<br>£000 |
| 50,552   | 1,227  | 51,778                              | Children & Young People                                | 49,798   | 8,054  | 57,852                              |
| 41,063   | 3,928  | 44,991                              | Social Care & Health                                   | 42,752   | 755  | 43,507                              |
| 5,209  | 4,612  | 9,821                               | Enterprise   | 5,376  | 501  | 5,877                               |
| 21,053   | 5,436  | 26,488                              | Chief Executives Unit                                  | 21,328   | 6,938  | 28,266                              |
| 5,417  | 3,466  | 8,883                               | Resources  | 5,268  | 6,752  | 12,020                              |
| 18,021   | (17,130)   | 890                                 | Corporate  | 19,537   | (17,625)   | 1,912                               |
| <b>141,315</b>   | <b>1,537</b>   | <b>142,852</b>                      | <b>Cost of Services</b>                                | <b>144,059</b>   | <b>5,375</b>   | <b>149,434</b>                      |
| 138  | 15,824   | 15,962                              | Other operating expenditure                            | 75   | 13,322   | 13,397                              |
| 7,904  | 1,287  | 9,190                               | Financing and investment income and expenditure        | 5,637  | 3,011  | 8,648                               |
| (149,477)  | (12,096)   | (161,573)                           | Taxation and non-specific grant income and expenditure | (149,771)  | (19,283)   | (169,055)                           |
| <b>(141,435)</b>                                       | <b>5,014</b>   | <b>(136,421)</b>                    | <b>Other Income &amp; Expenditure</b>                  | <b>(144,059)</b>                                       | <b>(2,951)</b>   | <b>(147,010)</b>                    |
| <b>(120)</b>   | <b>6,552</b>   | <b>6,432</b>                        | <b>Surplus or Deficit</b>                              | <b>0</b>   | <b>2,424</b>   | <b>2,424</b>                        |
| (6,991)  |  |                                     | Opening General Fund Balance                           | (7,111)  |  |                                     |
| (120)  |  |                                     | Surplus or Deficit on General Fund                     | 0  |  |                                     |
| <b>(7,111)</b>   |  |                                     | <b>Closing General Fund Balance</b>                    | <b>(7,111)</b>   |  |                                     |

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

| 2015/16                                  |   |                           |                           |   | 2016/17                                  |   |                           |                           |
|--|---|---------------------------|---------------------------|---|--|---|---------------------------|---------------------------|
| Adjustments for Capital Purposes<br>£000 | Net Change for Pensions Adjustments<br>£000 | Other differences<br>£000 | Total Adjustments<br>£000 |   | Adjustments for Capital Purposes<br>£000 | Net Change for Pensions Adjustments<br>£000 | Other differences<br>£000 | Total Adjustments<br>£000 |
| 813                                      | (444)                                       | 858                       | 1,227                     | Children & Young People                                       | 6,938                                    | (83)  | 1,198                     | 8,054                     |
| 281                                      | 455   | 3,192                     | 3,928                     | Social Care & Health  | 641                                      | 482   | (368)                     | 755                       |
| 2,256                                    | 224   | 2,131                     | 4,612                     | Enterprise  | 320                                      | 221   | (40)                      | 501                       |
| 5,837                                    | 376   | (777)                     | 5,436                     | Chief Executives Unit   | 4,720                                    | 436   | 1,782                     | 6,938                     |
| 1,575                                    | 105   | 1,786                     | 3,466                     | Resources   | 311                                      | 109   | 6,332                     | 6,752                     |
| 0  | (412)                                       | (16,719)                  | (17,130)                  | Corporate   | 0  | (733)                                       | (16,892)                  | (17,625)                  |
| <b>10,762</b>                            | <b>304</b>                                  | <b>(9,528)</b>            | <b>1,537</b>              | <b>Cost of Services</b>                                       | <b>12,931</b>                            | <b>432</b>                                  | <b>(7,988)</b>            | <b>5,375</b>              |
| 124                                      | 0   | 15,700                    | 15,824                    | Other operating expenditure                                   | (3,148)                                  | 0   | 16,470                    | 13,322                    |
| (5,837)                                  | 5,534                                       | 1,590                     | 1,287                     | Financing and investment income and expenditure               | (3,483)                                  | 6,591                                       | (97)                      | 3,011                     |
| (6,190)                                  | 0   | (5,906)                   | (12,096)                  | Taxation and non-specific grant income and expenditure        | (13,431)                                 | 0   | (5,852)                   | (19,283)                  |
| <b>(11,904)</b>                          | <b>5,534</b>                                | <b>11,384</b>             | <b>5,014</b>              | <b>Other Income &amp; Expenditure</b>                         | <b>(20,062)</b>                          | <b>6,591</b>                                | <b>10,521</b>             | <b>(2,951)</b>            |
| <b>(1,142)</b>                           | <b>5,838</b>                                | <b>1,855</b>              | <b>6,552</b>              | <b>Adjustments between the Funding &amp; Accounting Basis</b> | <b>(7,131)</b>                           | <b>7,023</b>                                | <b>2,533</b>              | <b>2,424</b>              |

## 11.2 Financing and Investment Income and Expenditure

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

| 31st March 2016           |                      |                         |   | Note      | 31st March 2017           |                      |                         |
|---------------------------|----------------------|-------------------------|---|-----------|---------------------------|----------------------|-------------------------|
| Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |   |           | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 3,289                     | (9)                  | 3,280                   | Interest payable and similar charges  | 13.2/16.7 | 2,931                     | (9)                  | 2,922                   |
| 5,534                     | -                    | 5,534                   | Pensions interest cost and expected return on pensions assets                               | 14.2/16.7 | 6,591                     | -                    | 6,591                   |
| -                         | (151)                | (151)                   | Interest receivable and similar income  | 13.2      | -                         | (70)                 | (70)                    |
| 4,948                     | (3,899)              | 1,049                   | Income and expenditure in relation to investment properties and changes in their fair value | 12.7      | 667                       | (1,274)              | (607)                   |
| 11,102                    | (11,610)             | (508)                   | (Surpluses)/deficits on trading undertakings not included in the Net Cost of Services       | 11.3      | 5,768                     | (5,937)              | (169)                   |
| 0                         | (14)                 | (14)                    | Other investment income   | 13.2      | -                         | (20)                 | (20)                    |
| <b>24,873</b>             | <b>(15,683)</b>      | <b>9,190</b>            | <b>Total Financing and Investment Income and Expenditure</b>                                |           | <b>15,957</b>             | <b>(7,310)</b>       | <b>8,647</b>            |

## 11.3 Significant Trading Operations

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

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

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

### Grounds Maintenance

The Authority's Grounds Maintenance function was awarded to an in-house unit after a competitive tender process. The trading objective is to maximise the opportunities available to ensure the most efficient service possible and also to deliver benefits of a clean and green environment for MCC residents. The unit competes successfully in the private sector carrying out work that includes play areas, horticulture and fencing.

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

### Building Cleaning

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

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

**Building Control**

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

The service has returned a chargeable surplus of £14,000 (£12,000 surplus in 2015/16). The building control trading account reserve has a £26,000 surplus as at 31st March 2017. In line with the regulations the section will review future pricing policy in order to ensure that reserves remain at an acceptable level going forward.

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

**Retail Markets**

The authority operates 3 retail markets in Monmouth, Caldicot and Abergavenny. The Markets run twice per week at each site and has the aim of providing traders with the environment to allow them to operate to their full potential benefiting not only themselves but their customers. The Authority views it's markets as an integral part of the life and economic regeneration of Monmouthshire towns.

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

**Industrial Units**

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

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

**Highways External Clients**

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

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

**Trade Refuse**

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

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

**Summary**

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

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

#### 11.4 Council Tax

Council tax derives from charges raised according to the value of residential properties. Each dwelling has been classified into one of nine valuation bands according to its capital value at 1 April 2003 for this specific purpose. Charges are calculated by taking the amount of income required for the Authority, Office of Police and Crime Commissioner for Gwent and Town and Community Councils for the forthcoming year and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent, totalled across all bands and adjusted for discounts. The tax base was 45,102 for 2016/17 (44,561 for 2015/16).

This average basic amount for a Band D property, £1,405.95 (£1,348.56 in 2015/16), is multiplied by the proportion specified for the particular band to give the individual amount due.

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

| Band                 | A        | B     | C     | D      | E       | F       | G       | H       | I    |
|----------------------|----------|-------|-------|--------|---------|---------|---------|---------|------|
| Multiplier           | 6/9      | 7/9   | 8/9   | 1.0    | 11/9    | 13/9    | 15/9    | 18/9    | 21/9 |
| Chargeable Dwellings | 501      | 3159  | 6668  | 8406   | 6909    | 7224    | 5083    | 1696    | 654  |
| Valuation (£000)     | up to 44 | 44-65 | 65-91 | 91-123 | 123-162 | 162-223 | 223-324 | 324-424 | 424+ |

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

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

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

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate, 0.486p per £ in 2016/17 (0.482p per £ in 2015/16) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Authority is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Assembly Government. The Welsh Government redistributes the sums payable to the local authorities on the basis of a fixed amount per head of population.

The NNDR income after relief and provisions of £20,066,000 (£21,060,000 for 2015/16) was based on an average rateable value of £56,274,091 (£56,515,324 for 2015/16).

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

#### 11.6 General Government Grants

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

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

| <b>11.7 Grant Income</b>  |   |                 |
|---|---|-----------------|
| <b>Capital Grants and Contributions</b>   |   |                 |
| The Authority has credited the following capital grants & contributions to the Comprehensive Income and Expenditure Statement in 2016/17: |   |                 |
| 2015/16<br>£000   |   | 2016/17<br>£000 |
| 1,462   | WAG General Capital Grant   | 1,461           |
| 379   | Section 106 Developer Contributions   | 713             |
| 5,195   | WAG Grants  | 11,869          |
| 171   | Other Contributions   | 8               |
| <b>7,208</b>  | <b>Total</b>  | <b>14,051</b>   |
| <b><i>Credited to the Comprehensive Income and Expenditure Statement:</i></b>   |   |                 |
| (1,018)   | Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute  | (619)           |
| (6,190)   | Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income | (13,431)        |
| <b>(7,208)</b>  | <b>Total</b>  | <b>(14,051)</b> |

| <b>Capital Grants and Contributions Received in Advance</b>  |                              |                 |
|--|------------------------------|-----------------|
| The Authority has also received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the provider. The balances at the year-end are as follows: |                              |                 |
| 2015/16<br>£000  |                              | 2016/17<br>£000 |
| <b><i>Capital Grants Receipts in Advance:</i></b>  |                              |                 |
| 0  | Welsh Government             | 3,692           |
| <b><i>Developer Contributions held in Advance:</i></b>   |                              |                 |
| 1,830  | S106 Developer contributions | 1,593           |
| <b>1,830</b>   | <b>Total</b>                 | <b>5,285</b>    |

| <b>Revenue Grants and Contributions</b>  |   |                 |
|--|---|-----------------|
| The Authority credited the following revenue grants and contributions to the Net Cost of Services within the Comprehensive Income and Expenditure Statement: |   |                 |
| 2015/16<br>£000  |   | 2016/17<br>£000 |
| <b><i>Central Government:</i></b>  |   |                 |
| 22,435   | Housing benefit subsidy                             | 21,610          |
| <b><i>Welsh Assembly Government:</i></b>   |   |                 |
| 3,266  | Sixth Form Funding (DCELLS)                         | 3,264           |
| 2,820  | SEG / WEG (PDG)                                     | 4,062           |
| 2,244  | Supporting People                                   | 2,136           |
| 2,080  | Early Years / Foundation Phase                      | -               |
| 1,751  | Sustainable Waste Management                        | 1,604           |
| 218  | Rural Development Plan                              | 251             |
| 1,172  | Flying Start Grant                                  | 1,160           |
| 717  | Concessionary Fares (PTSG)                          | 697             |
| 727  | Families First                                      | 651             |
| 3,184  | Other WAG grants                                    | 3,562           |
| <b><i>Home Office:</i></b>   |   |                 |
| 210  | Afghan / Syrian Relocation Programme (Main Project) | 172             |
| 119  | Police and Crime Commissioner                       | 145             |
| 4,763  | <b><i>Other Grants &amp; Contributions</i></b>      | <b>2,068</b>    |
| <b>45,708</b>  | <b>Revenue Grants and Contributions Receivable</b>  | <b>41,382</b>   |

## 12 NON-CURRENT ASSET & CAPITAL FINANCING NOTES

### 12.1 Property, Plant and Equipment

#### Revaluations

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

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

- The 2016/17 revaluations were carried out or approved by qualified valuers within the Authority's Estates section or external qualified valuers. The basis for valuation is set out in the accounting policies within section 17 of the notes to the accounts.
- All assets requiring valuations have been revalued in the 5 year period ending 31st March 2017. The valuations carried out during 2016/17 primarily included the leisure centres, community hubs, offices & depots and some other land & buildings.

|                                    | Other Land and Buildings<br>£000 | Vehicles, Plant, Furniture<br>& Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets Under<br>Construction<br>£000 | Total Property, Plant and<br>Equipment<br>£000 |
|------------------------------------|----------------------------------|---|-------------------------------|--------------------------|------------------------|--------------------------------------|--|
| Carried at historical cost         | 66                               | 4,786   | 61,417                        | 4,021                    | 360                    | 40,724                               | 111,374  |
| <b>Valued at fair value as at:</b> |                                  |   |                               |                          |                        |                                      |  |
| 31 March 2017                      | 87,480                           | -   | -                             | -                        | -                      | -                                    | 87,480   |
| 31 March 2016                      | 61,586                           | -   | -                             | -                        | -                      | -                                    | 61,586   |
| 31 March 2015                      | 15,456                           | -   | -                             | -                        | -                      | -                                    | 15,456   |
| 31 March 2014                      | 8,548                            | -   | -                             | -                        | -                      | -                                    | 8,548  |
| 31 March 2013                      | 411                              | -   | -                             | -                        | -                      | -                                    | 411  |
| <b>Total Cost or Valuation</b>     | <b>173,547</b>                   | <b>4,786</b>                                      | <b>61,417</b>                 | <b>4,021</b>             | <b>360</b>             | <b>40,724</b>                        | <b>284,855</b>                                 |

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

The following tables summarise the movements in the Authority's property, plant and equipment portfolio by asset type for the years ending 31st March 2017 and 31st March 2016.

##### Movements in 2016/17:

|  | Other Land and<br>Buildings<br>£000 | Vehicles, Plant,<br>Furniture &<br>Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets Under<br>Construction<br>£000 | Total Property,<br>Plant and<br>Equipment<br>£000 | PH Assets<br>Included in<br>Property, Plant<br>and Equipment*<br>£000 |
|--|-------------------------------------|--|----------------------------------|--------------------------|------------------------|--------------------------------------|---|---|
| <b>Cost or Valuation:</b>                  |                                     |  |                                  |                          |                        |                                      |   |   |
| At 1st April 2016                          | 185,047                             | 11,964   | 83,617                           | 3,944                    | (0)                    | 10,079                               | 294,651   | 1,310   |
| Additions                                  | 2,328                               | 2,117  | 4,454                            | 86                       | -                      | 30,522                               | 39,507  | -   |
| Revaluation increases/ (decreases) to RRA  | 84                                  | 43   | -                                | (8)                      | 385                    | -                                    | 505   | 65  |
| Revaluation increases/ (decreases) to SDPS | (3,341)                             | -  | -                                | -                        | 78                     | (0)                                  | (3,263)   | -   |
| Impairment losses/(reversals) to SDPS      | (4,282)                             | -  | (2,181)                          | -                        | 56                     | -                                    | (6,406)   | -   |



|   |                |                |                 |              |            |               |                 |              |
|---|----------------|----------------|-----------------|--------------|------------|---------------|-----------------|--------------|
| Reclassified (to)/from Held for Sale            | 1,173          | (96)           | -               | (1)          | (750)      | -             | 325             | -            |
| Other reclassifications                         | (831)          | -              | -               | -            | 590        | 123           | (118)           | -            |
| <b>At 31st March 2017</b>                       | <b>180,177</b> | <b>14,028</b>  | <b>85,891</b>   | <b>4,021</b> | <b>360</b> | <b>40,724</b> | <b>325,200</b>  | <b>1,375</b> |
| <b>Accumulated Depreciation:</b>                |                |                |                 |              |            |               |                 |              |
| At 1st April 2016                               | (13,500)       | (8,356)        | (22,969)        | -            | -          | -             | (44,824)        | (94)         |
| Depreciation charge                             | (9,409)        | (949)          | (1,505)         | -            | -          | -             | (11,863)        | (45)         |
| Depreciation written out on revaluation to RRA  | 6,590          | -              | -               | -            | 105        | -             | 6,695           | -            |
| Depreciation written out on revaluation to SDPS | 3,229          | -              | -               | -            | 7          | -             | 3,235           | -            |
| Depreciation written out on impairment to SDPS  | 6,329          | -              | -               | -            | -          | -             | 6,329           | -            |
| Reclassified (to)/from Held for Sale            | -              | 63             | -               | -            | -          | -             | 63              | -            |
| Other reclassifications                         | 131            | -              | -               | -            | (111)      | -             | 20              | -            |
| <b>At 31st March 2017</b>                       | <b>(6,629)</b> | <b>(9,242)</b> | <b>(24,474)</b> | <b>0</b>     | <b>0</b>   | <b>0</b>      | <b>(40,345)</b> | <b>(139)</b> |
| <b>Net Book Value:</b>                          |                |                |                 |              |            |               |                 |              |
| <b>At 31st March 2017</b>                       | <b>173,548</b> | <b>4,786</b>   | <b>61,417</b>   | <b>4,021</b> | <b>360</b> | <b>40,724</b> | <b>284,855</b>  | <b>1,236</b> |
| <b>At 1st April 2016</b>                        | <b>171,547</b> | <b>3,608</b>   | <b>60,649</b>   | <b>3,944</b> | <b>0</b>   | <b>10,079</b> | <b>249,826</b>  | <b>1,216</b> |

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

**Information on Assets Held**

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

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

## 12.2 Summary of Capital Expenditure treatment

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

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

| 2015/16<br>£000 |   | 2016/17<br>£000 |
|-----------------|---|-----------------|
|                 | <b>Enhancing value:</b>                               |                 |
| 11,633          | Property, plant and equipment                         | 37,048          |
| 127             | Investment properties                                 | 244             |
| 196             | Intangible assets                                     | 46              |
| 0               | Assets held for sale                                  | -               |
| 148             | Heritage assets                                       | 87              |
|                 | <b>Not enhancing value:</b>                           |                 |
| 3,371           | Property, plant and equipment                         | 2,459           |
| 208             | Investment properties                                 | 364             |
| 0               | Intangible assets                                     | 28              |
| 9               | Assets held for sale                                  | 0               |
| 5               | Heritage assets                                       | 8               |
| 3,149           | Revenue Expenditure Funded from Capital under Statute | 1,401           |
| <b>18,845</b>   | <b>Total Capital Expenditure</b>                      | <b>41,684</b>   |

## 12.3 Capital Expenditure and Capital Financing

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

| 31st<br>March<br>2016<br>£000 |   | 31st<br>March<br>2017<br>£000 |
|-------------------------------|---|-------------------------------|
| 122,860                       | Opening Capital Financing Requirement                 | 114,076                       |
|                               | <b>Capital investment:</b>                            |                               |
| 15,003                        | Property, Plant and Equipment                         | 39,507                        |
| 335                           | Investment Properties                                 | 608                           |
| 9                             | Assets held for sale                                  | 0                             |
| 153                           | Heritage Assets                                       | 95                            |
| 196                           | Intangible Assets                                     | 74                            |
| 3,149                         | Revenue Expenditure Funded from Capital under Statute | 1,401                         |
|                               | <b>Sources of finance:</b>                            |                               |
| (7,765)                       | Capital receipts                                      | (2,949)                       |
| (7,208)                       | Government grants and other contributions             | (14,051)                      |
| (920)                         | Direct revenue contributions                          | (894)                         |
|                               | <b>Other:</b>   |                               |
| (5,486)                       | Minimum revenue provision                             | (3,278)                       |
| (6,250)                       | Capital receipt set aside                             | 0                             |
| <b>114,076</b>                | <b>Closing Capital Financing Requirement</b>          | <b>134,588</b>                |

| <b>Explanation of movements in year:</b> |   |               |
|--|---|---------------|
| 2,420                                    | Increase in underlying need to borrowing - supported by Government financial assistance   | 2,400         |
| 532                                      | Increase in underlying need to borrowing - unsupported by Government financial assistance | 21,391        |
| (5,486)                                  | Less: Minimum revenue provision   | (3,278)       |
| (6,250)                                  | Less: Capital receipt set aside   | 0             |
| <b>(8,784)</b>                           | <b>Increase / (decrease) in Capital Financing Requirement</b>                             | <b>20,512</b> |

#### **12.4 Minimum Revenue Provision**

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

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

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

In December 2016, Council approved a change to the MRP policy relating to Supported borrowing from 4% reducing balance to the use of the straight line method over 50 years. This has not impacted 2016/17 but there will be a reduction of the MRP charge required in 2017/18.

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

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

#### **12.5 Capital Commitments**

At 31st March 2017, the Authority has entered into major contracts for the construction of Property, Plant and Equipment in 2017/18 and later years budgeted to cost £16,943,000 (£2,392,000 at 31st March 2016).

#### **12.6 Financing Capital Expenditure**

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

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

## 12.7 Investment Properties

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

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

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

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

| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
| 42,716          | Balance at start of the year   | 41,098          |
| 335             | Additions  | 608             |
| (434)           | Disposals  | (5)             |
| (1,515)         | Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure | 133             |
| (4)             | Transfers (to)/from Property, Plant and Equipment  | 98              |
| <b>41,098</b>   | <b>Balance at end of the year</b>  | <b>41,932</b>   |

Capital receipts totalling £160,000 were credited to the Capital receipts reserve during 2016/17 in relation to investment properties (£53,500 in 2015/16).

## 12.8 Assets Held for Sale

Assets held for sale comprise those assets that are available for immediate sale and where the sale is highly probable and will be actively marketed at its market value. The in-year movement and balance of assets held for sale as at 31st March 2017 are shown below:

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

## 12.9 Private Finance Initiatives

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

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

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

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

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

The Authority's share in the assets used to provide services at the facility are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.1(b).

## 12.10 Leases - Authority as Lessee

### Operating Leases

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

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £386,000 (£410,000 in 2015/16).

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

| 2015/16<br>£000 |   | 2016/17<br>£000 |
|-----------------|---|-----------------|
| 398             | Not later than one year                           | 386             |
| 516             | Later than one year and not later than five years | 565             |
| 634             | Later than five years                             | 68              |
| <b>1,548</b>    |   | <b>1,019</b>    |

## 12.11 Leases - Authority as Lessor

### Operating Leases

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

The minimum lease payments receivable includes rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. During the financial year £568,000 of minimum lease payments were receivable by the Authority (£592,000 in 2015/16).

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

| 2015/16<br>£000 |   | 2016/17<br>£000 |
|-----------------|---|-----------------|
| 584             | Not later than one year                           | 438             |
| 1,531           | Later than one year and not later than five years | 1,332           |
| 6,481           | Later than five years                             | 9,719           |
| <b>8,596</b>    |   | <b>11,489</b>   |

## 12.12 Heritage Assets

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

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

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

|   | Property<br>Heritage<br>Assets<br>£000 | Museum<br>Exhibits<br>£000 | Civic<br>Regalia,<br>Artwork &<br>Collect'n<br>£000 | Total<br>£000 |
|---|--|----------------------------|---|---------------|
| <b>Cost or Valuation:</b>                                 |  |                            |   |               |
| 1st April 2015  | 3                                      | 4,464                      | 180   | 4,647         |
| Additions   | 153                                    | -                          | -   | 153           |
| Revaluation increases/ (decreases) recognised in the SDPS | -                                      | -                          | -   | 0             |
| Impairment losses/(reversals) recognised in the SDPS      | (5)                                    | -                          | -   | (5)           |
| <b>31st March 2016</b>                                    | <b>151</b>                             | <b>4,464</b>               | <b>180</b>  | <b>4,795</b>  |
| <b>Cost or Valuation:</b>                                 |  |                            |   |               |
| Additions   | 95                                     | -                          | -   | 95            |
| Impairment losses/(reversals) recognised in the SDPS      | (8)                                    | -                          | -   | (8)           |
| <b>31st March 2017</b>                                    | <b>238</b>                             | <b>4,464</b>               | <b>180</b>  | <b>4,882</b>  |

### Property Heritage Assets

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

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

These assets were last valued during 2011/12 on a fair value - existing use value (EUV) basis and were carried out internally by the Authority's Estates Section under the supervision of the Estates & Sustainability Manager, Mrs D. Hill-Howells MRICS.

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

### Museum Exhibits

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

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

### Civic Regalia, Artwork & Collections

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

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

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

### **12.13 Schools Non-Current Assets**

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

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

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

The net book value of school non-current assets as at 31st March 2017, shown in the Authority's balance sheet, is £140,402,511 (£117,585,000 (Restated) as at 31st March 2016).



## 13 FINANCIAL INSTRUMENTS, CURRENT ASSETS & LIABILITIES NOTES

### 13.1 Categories of Financial Instruments

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

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

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

The following categories of financial instrument are carried in the Balance Sheet as at 31st March 2017:

| Long-Term<br>31st March<br>2016<br>£000 | Short-Term<br>31st March<br>2016<br>£000 |  | Note | Long-Term<br>31st March<br>2017<br>£000 | Short-Term<br>31st March<br>2017<br>£000 |
|---|--|--|------|---|--|
|   |  | <b>Investments</b>                       |      |   |  |
| -                                       | 3,999                                    | Loans & receivables                      | 13.4 | -                                       | -  |
| 40                                      | -  | Unquoted equity investments              | 13.4 | 40                                      | -  |
| -                                       | 7,621                                    | Cash & cash equivalents                  | 15.3 | -                                       | 6,498                                    |
| <b>40</b>                               | <b>11,620</b>                            | <b>Total Investments</b>                 |      | <b>40</b>                               | <b>6,498</b>                             |
|   |  | <b>Debtors</b>                           |      |   |  |
| 312                                     | 19,543                                   | Receivables                              | 13.5 | 4,240                                   | 20,028                                   |
| <b>312</b>                              | <b>19,543</b>                            | <b>Total Debtors</b>                     |      | <b>4,240</b>                            | <b>20,028</b>                            |
|   |  | <b>Borrowings</b>                        |      |   |  |
| (65,708)                                | (29,852)                                 | Financial liabilities at amortised cost  | 13.4 | (69,682)                                | (20,267)                                 |
| -                                       | (1,025)                                  | Cash & cash equivalents                  | 15.3 | -                                       | (30)                                     |
| <b>(65,708)</b>                         | <b>(30,877)</b>                          | <b>Total Borrowings</b>                  |      | <b>(69,682)</b>                         | <b>(20,297)</b>                          |
|   |  | <b>Other Long Term Liabilities</b>       |      |   |  |
| (833)                                   | 0  | PFI and finance lease liabilities        |      | (803)                                   | 0  |
| (404)                                   | 0  | Other Long Term Liabilities              |      | (1,043)                                 | 0  |
| <b>(1,237)</b>                          | <b>0</b>                                 | <b>Total Other Long Term Liabilities</b> |      | <b>(1,845)</b>                          | <b>0</b>                                 |
|   |  | <b>Creditors</b>                         |      |   |  |
| 0                                       | (22,244)                                 | Payables                                 | 13.6 | 0                                       | (28,437)                                 |
| <b>0</b>                                | <b>(22,244)</b>                          | <b>Total Creditors</b>                   |      | <b>0</b>                                | <b>(28,437)</b>                          |

### 13.2 Income, Expense, Gains and Losses

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

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

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

### 13.3 Fair Values of Financial Instruments

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

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

The fair values calculated are as follows:

#### Borrowings

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

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

#### Loans and Receivables

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

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

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

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

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

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

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

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

#### a) Credit Risk

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

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

The authority does not expect any losses from non-performance by any of its counterparties in relation to investments held as at 31st March 2017.

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

#### b) Liquidity Risk

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

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

| 31st March<br>2016<br>£000 |                         | 31st March<br>2017<br>£000 |
|----------------------------|-------------------------|----------------------------|
| 53,203                     | Public Works Loan Board | 52,223                     |
| 13,813                     | Market Loans            | 13,818                     |
| 2,458                      | Welsh Government        | 4,973                      |
| 26,086                     | Other local authorities | 18,935                     |
| <b>95,560</b>              | <b>Total</b>            | <b>89,949</b>              |

| <b>The Loans Mature as follows:-</b> |                            |               |
|--------------------------------------|----------------------------|---------------|
| 29,852                               | Less than one year         | 20,267        |
| 3,108                                | Between one and two years  | 1,537         |
| 16,876                               | Between two and five years | 24,027        |
| 8,150                                | Between five and ten years | 9,860         |
| 37,573                               | More than ten years        | 34,257        |
| <b>95,560</b>                        | <b>Total</b>               | <b>89,949</b> |

The financial liabilities with Welsh Government are interest free loans:- Salix loans that have been provided to fund capital schemes targeted towards energy efficiencies initiatives; a loan of £433,000 for Street Lighting upgrades and a loan of £4,455,000 which has funded the Oak Grove solar farm construction . Accounting requirements require financial liabilities in the form of loans to be carried at amortised cost. However, these interest free loans have not been carried at amortised cost on the grounds that the figures quoted are not materially different.

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

### **c) Market Risk**

#### **i) Interest rate risk**

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance. The Authority held no investments carried at fair value at the 31st March 2017 (£nil at 31st March 2016).

The Authority has a number of strategies for managing interest rate risk. The 2017/18 Treasury strategy includes monetary limits for net variable Interest rate exposure, which is difference between the levels of variable rate debt and variable rate investments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of central government grant payable on financing costs (supported borrowing) will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

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

At 31st March 2017, if interest rates had been 1% higher with all other variables held constant, the most significant financial effect would be:

- Financial Liabilities - a reduction in fair value of £9,231,000 (£25,177,000 reduction in 2015/16).
- Financial Assets - the difference between the carrying and fair value will be immaterial due to the short term nature of investments.

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

#### **ii) Price risk**

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

#### **iii) Foreign exchange risk**

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

**13.5 Debtors**

The nature and value of payments due to the Council for the year but not received as at 31st March 2017, repayable within 12 months of the balance sheet date, is summarised below:

| 31st March 2016                        |                    |               |   | 31st March 2017 |                    |               |
|--|--------------------|---------------|---|-----------------|--------------------|---------------|
| Gross<br>£000                          | Impairment<br>£000 | Net<br>£000   |   | Gross<br>£000   | Impairment<br>£000 | Net<br>£000   |
| <b>Central Government Bodies:</b>      |                    |               |   |                 |                    |               |
| 407                                    | 0                  | 407           | HM Customs & Excise                     | 2,376           | 0                  | 2,376         |
| 1,812                                  | 0                  | 1,812         | NNDR Debtor                             | 1,265           | 0                  | 1,265         |
| 365                                    | 0                  | 365           | Council Tax and Housing Benefit Subsidy | 0               | 0                  | 0             |
| 6,110                                  | 0                  | 6,110         | Welsh Government                        | 4,958           | 0                  | 4,958         |
| 14                                     | 0                  | 14            | Other                                   | 8               | 0                  | 8             |
| <b>Other entities and individuals:</b> |                    |               |   |                 |                    |               |
| 4,144                                  | 0                  | 4,144         | Other Local Authorities                 | 4,128           | 46                 | 4,174         |
| 344                                    | 0                  | 344           | NHS Bodies                              | 1,313           | (13)               | 1,300         |
| 528                                    | (67)               | 461           | Revenue debtors                         | 2,500           | (62)               | 2,438         |
| 616                                    | 0                  | 616           | Capital debtors                         | 216             | 0                  | 216           |
| 2,706                                  | (1,970)            | 736           | Council tax arrears                     | 2,481           | (1,798)            | 683           |
| 505                                    | (87)               | 418           | Social Services debtors                 | 626             | (110)              | 517           |
| 3,566                                  | (322)              | 3,244         | Corporate sundry debtors                | 1,555           | (260)              | 1,295         |
| 185                                    | (135)              | 50            | Rent arrears                            | 215             | (168)              | 47            |
| 1,429                                  | (608)              | 821           | Housing benefit overpayments            | 1,333           | (582)              | 751           |
| <b>22,732</b>                          | <b>(3,189)</b>     | <b>19,543</b> | <b>Total Debtors</b>                    | <b>22,974</b>   | <b>(2,947)</b>     | <b>20,028</b> |

The aged analysis of the debtors outstanding as at 31st March 2017 is as follows:

|   | Not<br>Overdue<br>£000 | Up to 3<br>Months<br>£000 | 3 Months -<br>12 Months<br>£000 | Over 12<br>Months<br>£000 | Over 24<br>Months<br>£000 | Total<br>£000 |
|---|------------------------|---------------------------|---------------------------------|---------------------------|---------------------------|---------------|
| <b>Central Government Bodies:</b>       |                        |                           |                                 |                           |                           |               |
| HM Customs & Excise                     | 2,376                  | 0                         | 0                               | 0                         | 0                         | <b>2,376</b>  |
| NNDR Debtor                             | 801                    | 0                         | 375                             | 80                        | 9                         | <b>1,265</b>  |
| Council Tax and Housing Benefit Subsidy | 0                      | 0                         | 0                               | 0                         | 0                         | <b>0</b>      |
| Welsh Government                        | 4,958                  | 0                         | 0                               | 0                         | 0                         | <b>4,958</b>  |
| Other                                   | 8                      | 0                         | 0                               | 0                         | 0                         | <b>8</b>      |
| <b>Other entities and individuals:</b>  |                        |                           |                                 |                           |                           |               |
| Other Local Authorities                 | 3,496                  | 474                       | 65                              | 92                        | 2                         | <b>4,128</b>  |
| NHS Bodies                              | 1,085                  | 175                       | 39                              | 0                         | 13                        | <b>1,313</b>  |
| Revenue debtors                         | 2,438                  | 0                         | 0                               | 37                        | 25                        | <b>2,500</b>  |
| Capital debtors                         | 216                    | 0                         | 0                               | 0                         | 0                         | <b>217</b>    |
| Council tax arrears                     | 0                      | 0                         | 1,066                           | 411                       | 1,004                     | <b>2,481</b>  |
| Social Services sundry debtors          | 111                    | 134                       | 204                             | 86                        | 91                        | <b>626</b>    |
| Corporate sundry debtors                | 742                    | 198                       | 237                             | 133                       | 244                       | <b>1,555</b>  |
| Rent arrears                            | 29                     | 8                         | 26                              | 16                        | 135                       | <b>215</b>    |
| Housing benefit overpayments            | 83                     | 148                       | 270                             | 224                       | 607                       | <b>1,333</b>  |
| <b>Total</b>                            | <b>16,344</b>          | <b>1,138</b>              | <b>2,282</b>                    | <b>1,080</b>              | <b>2,130</b>              | <b>22,974</b> |

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2017 is as follows:

|                                | Not Overdue<br>£000 | Up to 3 Months<br>£000 | 3 Months - 12 Months<br>£000 | Over 12 Months<br>£000 | Over 24 Months<br>£000 | Total<br>£000  |
|--------------------------------|---------------------|------------------------|------------------------------|------------------------|------------------------|----------------|
| Other Local Authorities        | 0                   | (1)                    | 49                           | (1)                    | (1)                    | 46             |
| NHS Bodies                     | 0                   | 0                      | 0                            | 0                      | (13)                   | (13)           |
| Revenue debtors                | 0                   | 0                      | 0                            | (37)                   | (25)                   | (62)           |
| Council Tax Arrears            | 0                   | 0                      | (407)                        | (387)                  | (1,004)                | (1,798)        |
| Social Services sundry debtors | (4)                 | (20)                   | (27)                         | (16)                   | (43)                   | (110)          |
| Corporate sundry debtors       | 0                   | (4)                    | (67)                         | (52)                   | (138)                  | (260)          |
| Rent arrears                   | 0                   | (3)                    | (14)                         | (16)                   | (135)                  | (168)          |
| Housing benefit overpayments   | 0                   | 0                      | (96)                         | (53)                   | (433)                  | (582)          |
| <b>Total</b>                   | <b>(4)</b>          | <b>(28)</b>            | <b>(562)</b>                 | <b>(562)</b>           | <b>(1,791)</b>         | <b>(2,947)</b> |

### 13.6 Creditors

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

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

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

### 13.7 Provisions and Contingent Liabilities

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

|                                   | Note  | As at 1st April 2016<br>£000 | Additional Provisions Made<br>£000 | Amounts Used<br>£000 | Unused Amounts Reversed<br>£000 | As at 31st March 2017<br>£000 |
|-----------------------------------|-------|------------------------------|------------------------------------|----------------------|---------------------------------|-------------------------------|
| Insurance Claims                  | 13.8a | 258                          | 594                                | (38)                 | (139)                           | 675                           |
| Insurance Claims - MMI            | 13.8b | 7                            | 24                                 | 0                    | 0                               | 31                            |
| Accumulating Compensated Absences | 13.8c | 1,992                        | 3,245                              | (1,992)              | 0                               | 3,245                         |
| <b>Total</b>                      |       | <b>2,256</b>                 | <b>3,863</b>                       | <b>(2,030)</b>       | <b>(139)</b>                    | <b>3,951</b>                  |

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

| Current<br>31st March 2016<br>£000 | Long Term<br>31st March 2016<br>£000 |                                   | Current<br>31st March 2017<br>£000 | Long Term<br>31st March 2017<br>£000 |
|------------------------------------|--------------------------------------|-----------------------------------|------------------------------------|--------------------------------------|
| 129                                | 129                                  | Insurance Claims                  | 338                                | 338                                  |
| 4                                  | 3                                    | Insurance Claims - MMI            | 16                                 | 16                                   |
| 1,992                              | 0                                    | Accumulating Compensated Absences | 3,245                              | 0                                    |
| <b>2,124</b>                       | <b>132</b>                           | <b>Total</b>                      | <b>3,598</b>                       | <b>353</b>                           |

**a) Insurance Claims**

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

To satisfy IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a full actuarial assessment of open insurance claims was carried out at 30th September 2015 by the Authority's insurance brokers. The Authority has used this data to project future potential liabilities on the basis of current claims received, policy excesses and stop losses (the capped loss we can incur in any policy year). This assessment has allowed the Authority to reflect the estimated cost of liabilities at 31 March 2017. Provision has only been made where the Authority's insurers indicate a settlement is likely. The result is that the total provision is at the most likely level to be paid out in the future. Any movement in provisions has been charged against the services to which the claims relate.

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

The provision in place at 31st March 2017 was £675,000 (£258,000 at 31st March 2016) and the balance on the insurance and risk management reserve as at 31st March 2017 was £1,053,000 (£1,206,000 as at 31st March 2016). These balances are deemed to provide sufficient cover for the Authority's claims exposure.

The total number of open claims made against the Authority as at 31st March 2017 was 181 (205 open claims as at 31st March 2016).

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

| 2015/16<br>£000 |                      | 2016/17<br>£000 |
|-----------------|----------------------|-----------------|
| 199             | Public Liability     | 292             |
| 27              | Employer's Liability | 383             |
| 32              | Property             | 0               |
| <b>258</b>      | <b>Total</b>         | <b>675</b>      |

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

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

In addition to the levy paid for settled claims, a percentage payment is also applied to outstanding claims which are subsequently settled against the Authority. As at the 31st March 2017, a provision of £31,000 has been made for outstanding claims of this nature.

**c) Accumulating Compensated Absences**

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

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

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

The value of the provision made in respect of such employee benefits at the 31st March 2017 was £3,245,000 (£1,992,000 at 31st March 2016).



**d) Asbestos Indemnity**

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

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

The resultant provision is one where the authority has negotiated a limited contingent liability of £6.003million, as updated annually by RPI, for a period of 15 years from the date of transfer of 20th January 2008. 6 years remain of this period.

There are no immediate financial implications and professional advice suggests a low risk of future liability arising. Low risk does not however equate to "no risk" and there is a potential future liability of up to £6.184 million as updated by RPI (£6.003 million as at 31st March 2016) , in the event the asbestos indemnity is called upon.

The latest available information indicates spend to date by Monmouthshire Housing Association (for the period 21st January 2008 to 31st March 2017) is £73,572 (previously £60,503 for the period 21st January 2008 to 31st March 2016).

**13.8 Agency Transactions**

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

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

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

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

Loans are interest free

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

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

The maximum loan amount per applicant is £150,000

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

|                                 | Agency funds from WG | Interest Earned | Loans Issued | Repayment to WG | Total      |
|---------------------------------|----------------------|-----------------|--------------|-----------------|------------|
|                                 | £000s                | £000s           | £000s        | £000s           | £000s      |
| Home Improvement Loans          | 1,250                | 10              | (91)         | (1,159)         | 10         |
| Vibrant and Viable Places Loans | 621                  | 3               | (49)         | 0               | 575        |
| <b>Total</b>                    | <b>1,871</b>         | <b>13</b>       | <b>(140)</b> | <b>(1,159)</b>  | <b>585</b> |

The gross amount owed to Welsh Government (£725,000) is included within Long term creditors. The net amounts owed by Loan recipients to Monmouthshire County Council (£140,000) are held within Debtors.



## 14 POST-EMPLOYMENT BENEFIT NOTES

### 14.1 Participation in Pension Schemes

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

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

#### *Teachers*

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

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

The latest available figure for total net scheme liability is £271,633 million as at the 31 March 2016 (£275,445 million at 31 March 2015). The latest actuarial valuation of the scheme (undertaken every 4 years), as at 31 March 2012 was published on the 9th June 2014. Key results from the actuarial valuation include an increase in employer contribution from 14.1% to 16.4% of pensionable pay commencing 1 September 2015 and an employer cost cap of 10.9% of pensionable pay. The reported deficiency in the balance of assets less liabilities of the scheme was reported as £15,000 million at 31 March 2012 (£3,260 million at 31 March 2004, the previous actuarial valuation).

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

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

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

#### *Greater Gwent Pension Fund*

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

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

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

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

**14.2 Pension Fund Stakeholders**

The total defined benefit obligation for the Authority's share of the Greater Gwent Pension fund (excluding unfunded liabilities) as at the 31st March 2017 is split as follows:

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

A breakdown of the investments held by the Greater Gwent pension fund, quoted and unquoted is given in 14.9 giving an indication of the level of diversification and therefore risk within the fund.

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

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

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

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

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

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

#### 14.4 Expected future pension contributions

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2018 is £9,373,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2018 are £486,000.

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

#### 14.5 Actuarial Assumptions

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

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

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

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

The discount rate used to value fund liabilities is based on market yields on high quality corporate bonds, estimated using the iBoxx AA corporate bond index.

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

**14.6 Sensitivity Analysis**

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

| Change in assumption at 31st March 2017    | Approximate % increase to Employer | Approximate monetary amount (£000) |
|--|------------------------------------|------------------------------------|
| 0.5% decrease in Real Discount Rate        | 10%                                | 52,735                             |
| 0.5% increase in the Salary Increase Rate  | 2%                                 | 9,047                              |
| 0.5% increase in the Pension Increase Rate | 8%                                 | 42,854                             |

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

**14.7 Investments held by the pension fund**

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

| 31st March 2016 |               | Category                                  | Quoted in Active markets | 31st March 2017 |               |
|-----------------|---------------|---|--------------------------|-----------------|---------------|
| £000            | %             |   |                          | £000            | %             |
| 49,063          | 19.3%         | Equities                                  | Yes                      | 60,314          | 18.9%         |
|                 |               | <b>Investment funds &amp; Unit Trusts</b> |                          |                 |               |
| 148,020         | 58.2%         | Equities                                  | No                       | 184,311         | 57.7%         |
| 39,278          | 15.4%         | Bonds                                     | No                       | 56,545          | 17.7%         |
| 8,555           | 3.4%          | Other                                     | No                       | 8,467           | 2.7%          |
| 7,493           | 2.9%          | Property                                  | No                       | 8,113           | 2.5%          |
| 1,863           | 0.7%          | Cash accounts                             | No                       | 1,582           | 0.5%          |
| 0               | 0.1%          | Alternatives                              | No                       | 0               | 0.0%          |
| <b>254,271</b>  | <b>100.0%</b> | <b>Total</b>                              |                          | <b>319,332</b>  | <b>100.0%</b> |

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

| Local Government Pension Scheme | Teachers Unfunded Discretionary Benefits |   | Local Government Pension Scheme | Teachers Unfunded Discretionary Benefits |
|---------------------------------|--|---|---------------------------------|--|
| 2015/16<br>£000                 | 2015/16<br>£000                          |   | 2016/17<br>£000                 | 2016/17<br>£000                          |
| 259,755                         | 0  | As at 1st April                             | 254,271                         | 0  |
| 0                               | 0  | Settlement costs                            | 0                               | 0  |
| 8,599                           | 0  | Interest on plan assets                     | 8,894                           | 0  |
| 9,954                           | 517                                      | Employers contributions                     | 10,270                          | 481                                      |
| 2,760                           | 0  | Contributions by scheme participants        | 2,836                           | 0  |
| (15,710)                        | 0  | Gains / (losses) on remeasurement of assets | 56,125                          | 0  |
| 0                               | 0  | Administration expenses of plan assets      | 0                               | 0  |
| (11,087)                        | (517)                                    | Benefits paid                               | (13,063)                        | (481)                                    |
| 254,271                         | 0  | As at 31st March                            | 319,333                         | 0  |

**The Movement in Fund Liability**

| (422,166) | (5,003) | As at 1st April                                     | (436,585) | (5,911) |
|-----------|---------|---|-----------|---------|
| (10,813)  | 0       | Current service cost                                | (11,106)  | 0       |
| (286)     | 0       | Past service (cost) / gain (including curtailments) | (77)      | 0       |
| 0         | 0       | Settlement gains                                    | 0         | 0       |
| 0         | 0       | Curtailment costs                                   | 0         | 0       |
| (13,986)  | (147)   | Interest on pension liabilities                     | (15,286)  | (199)   |
| (2,760)   | 0       | Contributions by scheme participants                | (2,836)   | 0       |
| 3,956     | (1,278) | Gains / (losses) on remeasurement of liabs          | (78,326)  | 212     |
| 11,087    | 517     | Benefits paid                                       | 13,063    | 481     |
| (1,617)   | -       | Effect of business combinations & disposals         | 0         | -       |
| (436,585) | (5,911) | As at 31st March                                    | (531,153) | (5,417) |

There were £1,039,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2016 £1,051,000 was payable) and £1,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£15,000 at 31 March 2016).

Of the £531,000,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2017, there are £5,087,000 of unfunded liabilities (£5,240,000 as at 31st March 2016). £354,000 of employer contributions were made in respect of these liabilities during the year.

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

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

|   | 2012/13<br>£000  | 2013/14<br>£000  | 2014/15<br>£000  | 2015/16<br>£000  | 2016/17<br>£000  |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>Local Government Pension Scheme</b>          |                  |                  |                  |                  |                  |
| Present value of scheme liabilities             | (358,822)        | (349,554)        | (422,166)        | (436,585)        | (531,152)        |
| Fair value of scheme assets                     | 219,030          | 232,758          | 259,755          | 254,271          | 319,333          |
| <b>Surplus / (deficit) in the scheme</b>        | <b>(116,794)</b> | <b>(139,792)</b> | <b>(116,796)</b> | <b>(162,411)</b> | <b>(182,314)</b> |
| <b>Teachers Unfunded Discretionary Benefits</b> |                  |                  |                  |                  |                  |
| Present value of scheme liabilities             | (5,194)          | (5,082)          | (5,003)          | (5,911)          | (5,417)          |
| Fair value of scheme assets                     | -                | -                | -                | -                | -                |
| <b>Surplus / (deficit) in the scheme</b>        | <b>(4,904)</b>   | <b>(5,194)</b>   | <b>(5,082)</b>   | <b>(5,003)</b>   | <b>(5,911)</b>   |
| <b>Total</b>                                    |                  |                  |                  |                  |                  |
| Present value of scheme liabilities             | (364,016)        | (354,636)        | (427,169)        | (442,496)        | (536,569)        |
| Fair value of scheme assets                     | 219,030          | 232,758          | 259,755          | 254,271          | 319,333          |
| <b>Surplus / (deficit) in the scheme</b>        | <b>(121,698)</b> | <b>(144,986)</b> | <b>(121,878)</b> | <b>(167,414)</b> | <b>(188,225)</b> |

|  |  |  |  |  |  |                 |
|--|--|--|--|--|--|-----------------|
| <b>Year on year increase in net liability (or deficit)</b> |  |  |  |  |  | <b>(29,011)</b> |
|--|--|--|--|--|--|-----------------|

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

## 15 NOTES TO THE CASH FLOW STATEMENT

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

| 2015/16<br>(Restated)<br>£000 |  | 2016/17<br>£000 |
|-------------------------------|--|-----------------|
| 6,432                         | Net (surplus) or deficit on the provision of services  | 2,424           |
|                               | <b>Non-cash transactions:</b>  |                 |
| (8,911)                       | Depreciation of non-current assets   | (11,864)        |
| 391                           | Impairment and downward valuations   | (141)           |
| (111)                         | Amortisation of intangible non-current assets  | (153)           |
| 215                           | Increase/decrease in impairment for provision for bad debts  | 234             |
| (11)                          | Increase/(decrease) in inventories   | (64)            |
| 6,109                         | Increase/(decrease) in debtors   | (10,116)        |
| (2,785)                       | (Increase)/decrease in creditors   | (3,162)         |
| 1,075                         | (Increase)/decrease in provisions  | (1,695)         |
| (6,162)                       | Pension liability  | (7,023)         |
| (1,793)                       | Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised | (17,367)        |
| (1,515)                       | Movement in the value of investment properties   | 133             |
|                               | <b>Items classified in another classification in the cash flow statement</b>   |                 |
| (2,132)                       | Other payments for investing activities  | (781)           |
| 399                           | Other receipts from investing activities   | 35,084          |
| 1,808                         | Proceeds from the sale of property, plant and equipment, investment property and intangible assets                   | 16,677          |
| <b>(6,990)</b>                | <b>Net cash flows from Operating Activities</b>  | <b>2,186</b>    |

### 15.2 Returns on Investments and Servicing of Finance

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

| 2015/16<br>£000 |   | 2016/17<br>£000 |
|-----------------|---|-----------------|
|                 | <b>Returns on Investments received:</b>           |                 |
| (91)            | Interest received                                 | (72)            |
| (14)            | Other interest and investment income              | (19)            |
|                 | <b>Servicing of Finance paid:</b>                 |                 |
| 3,237           | Interest paid                                     | 3,029           |
| 23              | Interest element of finance lease rental payments | 22              |
| <b>3,155</b>    |   | <b>2,960</b>    |

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

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

|                                  | At 31st<br>March 2016 | In Year<br>Movement | At 31st<br>March 2017 |
|----------------------------------|-----------------------|---------------------|-----------------------|
|                                  | £000                  | £000                | £000                  |
| <b>Current Assets</b>            |                       |                     |                       |
| Cash held by the Authority       | 212                   | 9                   | 221                   |
| Bank current accounts            | 1                     | 1,819               | 1,820                 |
| Short-term call account deposits | 7,408                 | (2,951)             | 4,457                 |
| <b>Current Liabilities</b>       |                       |                     |                       |
| Bank current account overdrafts  | (1,025)               | 995                 | (30)                  |
| <b>Total</b>                     | <b>6,596</b>          | <b>(128)</b>        | <b>6,468</b>          |



## 16 OTHER NOTES TO THE ACCOUNTS

### 16.1 Members Allowances

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

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

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

### 16.2 Audit Costs

The Authority has incurred the following costs during 2016/17 in relation to the audit of the Statement of Accounts, certification of grant claims, statutory inspections and to non-audit services provided by the Authority's external auditors:

| 2015/16<br>£000 |   | 2016/17<br>£000 |
|-----------------|---|-----------------|
| 176             | Fees payable to the appointed auditor with regard to external audit services - financial audit          | 176             |
| 103             | Fees payable to the appointed auditor with regard to external audit services - Local Government Measure | 103             |
| 48              | Fees payable to the appointed auditor for certification of grant claims & returns                       | 50              |
| 327             | <b>Total</b>  | <b>329</b>      |

### 16.3 S31 and S33 Pooled Budget Arrangements

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

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

#### a) Mardy Park Rehabilitation Scheme

The Authority has entered into a pooled budget arrangement with the Aneurin Bevan Local Health Board for the provision of a Rehabilitation Scheme at Mardy Park. Under the arrangement funds are pooled under Section 33 of the NHS (Wales) Act 2006. This agreement came into effect from the 1st April 2004 and the Authority is the host for the partnership.

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

If at the end of any financial year or upon termination of the Agreement there is an overspend the Partners shall identify the reasons for the overspend. The Partners may agree that resources in the next financial year shall be applied in meeting the overspend. If this is not agreed the over spend shall be apportioned between the Partners in a just and equitable manner taking into account of the circumstances of and reasons for the overspend and the Partners shall make such payments to the Pooled Fund as shall be required to reflect this allocation.

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

| 2015/16<br>£000 |  | 2016/17<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Funding</b>                         |                 |
| (216)           | Monmouthshire County Council           | (209)           |
| (163)           | Monmouthshire Local Health Board       | (157)           |
| <b>(379)</b>    | <b>Total Funding</b>                   | <b>(366)</b>    |
|                 | <b>Expenditure</b>                     |                 |
| 310             | Employee related                       | 235             |
| 27              | Premises related                       | 46              |
| 10              | Supplies & Services                    | 21              |
| 10              | Agency & Contracted                    | 46              |
| 15              | Central and Support services recharges | 15              |
| 20              | Capital Financing                      | 15              |
| <b>392</b>      | <b>Total Expenditure</b>               | <b>378</b>      |
| <b>13</b>       | <b>Net (Under)/over spend</b>          | <b>12</b>       |

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

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

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

Torfaen County Borough Council is the host for the Partnership, who recorded gross expenditure of £3,216,000 (£2,681,000 for 2015/16) and gross income of £3,216,000 (£2,681,000 for 2015/16) for the financial year ended 31st March 2017. Monmouthshire County Council's contribution for the year was £286,000 (£350,000 for 2015/16).

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

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

The Facility is a unique project that replaced a number of out dated or separate facilities scattered throughout the County with a new building that has been financed by a private finance partner over a period of 30 years. Further information is contained in note 12.10 to the accounts.

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

#### **d) Gwent Frailty Programme**

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

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

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

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

## 16.4 Related Party Transactions

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

### Central & Welsh Government

Central & Welsh Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of core and specific grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. housing benefits). Details of grant income received from Central & Welsh Government and other government departments are set out in notes 11.6 and 11.7 to the Accounts.

### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in note 16.1 to the accounts. Where work or services have been commissioned, or where grants were made during the financial year in which members had an interest, members have a duty to declare such an interest. The Authority must ensure that contracts entered into were in full compliance with the Authority's standing orders and that grants were made with proper consideration of declarations of such interests.

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

### Companies and Joint Ventures

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

### Senior Officers

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

The Head of Finance (S151 officer), Monitoring Officer for the Authority, Chief Officer for Children & Young People, Head of Democracy & Regulatory Services, and Head of Policy & Engagement have no pecuniary interests.

The Chief Executive was the Acting Returning Officer and Electoral Registration Officer for Monmouthshire during 2016/17 and held the following position during the year:

- Non Executive Director of Innovationpoint (a wholly owned Welsh Government Subsidiary)
- Clerk to the Lord Lieutenancy of Gwent

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

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

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

- Is an independent Member of Aneurin Bevan Unitary Health Board

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

- Director to SRS Public

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

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

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

| 2015/16 Debtors<br>£000 | 2015/16 Creditors<br>£000 |                                | 2016/17 Debtors<br>£000 | 2016/17 Creditors<br>£000 |
|-------------------------|---------------------------|--------------------------------|-------------------------|---------------------------|
| 0                       | 187                       | Dragon Waste Limited           | 0                       | 194                       |
| 0                       | 0                         | SRS Business Solutions Limited | 0                       | 0                         |

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

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

## 16.5 Trust Funds

The Council acts as sole or custodian trustee for a number of trust funds. The funds do not represent assets of the Council and they have not been included in the Consolidated Balance Sheet. The below balances are based upon unaudited figures for the year ended 31st March 2017:

|   | Income<br>£000 | Expend<br>£000 | Assets<br>£000 | Liabilities<br>£000 |
|---|----------------|----------------|----------------|---------------------|
| <b>Welsh Church Act Fund</b>  | TBC            | TBC            | TBC            | TBC                 |
| The primary objective of the Charity is to assist groups and individuals for educational, social, recreational and other charitable purposes. The Trust owns tangible fixed assets comprising eight parcels of land. Five of these are agricultural, two are grazing and one is forestry. |                |                |                |                     |
| <b>Llanelly Hill Social Welfare Centre</b>  | TBC            | TBC            | TBC            | TBC                 |
| The primary objective of the fund is the provision of a Social welfare centre to the residents of Llanelly hill. The Trust's fixed assets comprise the social welfare centre premises and land upon which it is situated.   |                |                |                |                     |
| <b>Chairman's Charity</b>   | TBC            | TBC            | TBC            | TBC                 |
| The Chairman's Charity supports and raises funds for the Chairman's nominated Charity of the year.  |                |                |                |                     |
| <b>Funds for which Monmouthshire County Council acts as custodian trustee:</b>  |                |                |                |                     |
| <b>Monmouthshire Farm School Endowment</b>  | TBC            | TBC            | TBC            | TBC                 |
| <b>Appointeeship - Personal Monies</b>  | TBC            | TBC            | TBC            | TBC                 |
| <b>Appointeeship - Independent Living Fund Monies</b>   | TBC            | TBC            | TBC            | TBC                 |

## 16.6 Related Businesses and Operations

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

### Dragon Waste Limited

The Company was formed to carry out the Council's waste disposal function. The Council holds a 19% share holding in the company. The Company's latest available trading results are the accounts for the year ending 31st March 2016.

| 31st March<br>2015 |                               | 31st March<br>2016 |
|--------------------|-------------------------------|--------------------|
| £000<br>Final      |                               | £000<br>Draft      |
| 238                | Net Assets/(Liabilities)      | 282                |
| 5                  | Profit/(Loss) before Taxation | (28)               |
| 4                  | Profit/(Loss) after Taxation  | (23)               |
| 0                  | Dividends                     | 0                  |

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

The Authority owed £194,383 to Dragon Waste Limited at the 31st March 2017 (£186,666 owed to Dragon Waste as at 31st March 2016) in respect of Waste Management contract income.

Further information can be found in Dragon Waste Limited Financial Statements for the year ended 31 March 2015 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. 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. In 2016/17, Monmouthshire's contribution was £2.181m (£2.076m in 2015/16).

### SRS Business Solutions Limited

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

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

The Company's latest available trading results are the draft estimates for the year ending 31st March 2017.

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

No funds were owed to Monmouthshire C.C from SRS Business Solutions as at 31st March 2017.

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

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

In July 2011 the Authority established CMC<sup>2</sup>, a community interest company wholly owned by the Authority. The company aims to drive growth in emerging green and digital technologies and generate new income streams with which to reinvest in community projects and priorities.

CMC<sup>2</sup> is a company limited by guarantee and liability is therefore limited to £1 for its members.

In March 2012 the Authority approved the proposed medium-term business plan for the company for the period to 30th September 2013. The business plan proposed to assist the Authority in delivering savings and involves authority staff being used on CMC<sup>2</sup> projects.

At Cabinet meeting of 7th December 2016, the Executive approved the dissolution of CMC2 and the transfer of any outstanding liabilities/responsibilities to the Council, at the same time as passporting the part ownership of Y Prentis from CMC2 to Council. The dissolution of CMC2 has resulted in no net revenue effect in 2016-17, but has involved transfer of circa £90k cost and the novation of debtor for a similar amount.

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

### Y Prentis

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

The Company's latest available trading results are the financial statements for the period ending 30th September 2016.

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

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

### Education Achievement Service (EAS)

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

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

The Company's latest available trading results are the draft estimates for the period ending 31st March 2017.

| 31st March<br>2016 |                               | 31st March<br>2017 |
|--------------------|-------------------------------|--------------------|
| £000               |                               | £000               |
| Final              |                               | Draft              |
| 8,178              | Total Assets/(Liabilities)    | 10,107             |
| 102                | Profit/(Loss) before Taxation | 105                |
| 102                | Profit/(Loss) after Taxation  | 105                |
| 0                  | Dividends                     | 0                  |

### Gwent Archives

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

The Company's latest available trading results are the draft estimates for the period ending 31st March 2017.

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

#### 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 2016.

| 31st March<br>2015 |                               | 31st March<br>2016 |
|--------------------|-------------------------------|--------------------|
| £000<br>Final      |                               | £000<br>Draft      |
| 2,445              | Total Assets/(Liabilities)    | 2,573              |
| 5                  | Profit/(Loss) before Taxation | 128                |
| 5                  | Profit/(Loss) after Taxation  | 128                |
| 0                  | Dividends                     | 0                  |

#### Project Gwyrdd

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

The Company's latest available trading results are the draft estimates for the period ending 31st March 2017.

| 31st March<br>2016 |                               | 31st March<br>2017 |
|--------------------|-------------------------------|--------------------|
| £000<br>Final      |                               | £000<br>Draft      |
| 61                 | Total Assets/(Liabilities)    | 66                 |
| 23                 | Profit/(Loss) before Taxation | 5                  |
| 23                 | Profit/(Loss) after Taxation  | 5                  |
| 0                  | Dividends                     | 0                  |



### City Deal

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

The CCRD Investment Fund comprises two distinct elements:-

- £734 million – METRO scheme. This will comprise £503 million of Welsh Government funding provided over the first seven years from 2016/17 to 2022/23; £106 million from the European Development Fund, (which is committed and guaranteed following Brexit by both UK and Welsh Government); and £125 million from UK Government. This element will be the sole responsibility of Welsh Government.
- £495 million – Regional Cabinet Fund, comprising the ten constituent councils' commitment to borrow £120 million over the 20 year period of the Investment Fund, together with £375 million from the UK Government. This fund will be used for investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. This element will be the responsibility of the CCRD Regional Cabinet. The Council will make a 6.1% contribution to the £120 million based on its proportion of the regional population.

### 16.7 Interests in Joint Operations

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

In the 2015/16 financial statements these accounting requirements resulted in the consolidation of the transactions and balances of subsidiaries and of interests in associates and joint ventures. In a change in treatment from 2015/16, for 2016/17 it is deemed that the interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts for 2016/17 are not deemed necessary within these statements. In order to ensure compliance with the Code, a range of narrative disclosures have been made in other sections of the accounts (See note 16.6 for further information). The prior year information has been restated where necessary to ensure consistently in approach.

### 16.8 Senior Officer Remuneration

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

| Year ended 31st March 2017   | 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 |
|--|--------------------------------------|-------------------------------------|--------------------|--|---|--|
| <b>Post Holder</b>   | £                                    | £                                   | £                  | £  | £   | £  |
| Chief Executive Officer  | 111,100                              | 0                                   | 0                  | <b>111,100</b>                                     | 23,442  | <b>134,542</b>                                     |
| Chief Officer - Children and Young People (Apr-Jan)  | 66,819                               | 35,000                              | 0                  | <b>101,819</b>                                     | 14,265  | <b>116,084</b>                                     |
| Interim Chief Officer - Children and Young People (Feb-March), also Head of Strategic Partnerships | 72,989                               | 0                                   | 0                  | <b>72,989</b>                                      | 15,401  | <b>88,390</b>                                      |
| Chief Officer - Enterprise   | 85,369                               | 0                                   | 0                  | <b>85,369</b>                                      | 18,013  | <b>103,382</b>                                     |
| Chief Officer - Social Care and Health   | 81,592                               | 0                                   | 0                  | <b>81,592</b>                                      | 17,216  | <b>98,808</b>                                      |
| Chief Officer - Resources (June-March), also Head of Commercial and People Development (Apr-May)   | 74,874                               | 0                                   | 0                  | <b>74,874</b>                                      | 15,154  | <b>90,028</b>                                      |
| Head of Operations   | 61,745                               | 0                                   | 0                  | <b>61,745</b>                                      | 13,028  | <b>74,774</b>                                      |
| Head of Finance and Section 151 Officer  | 71,393                               | 0                                   | 0                  | <b>71,393</b>                                      | 15,064  | <b>86,457</b>                                      |
| Head of Democracy and Regulatory Services (Apr-May), becoming Head of People                       | 67,521                               | 0                                   | 0                  | <b>67,521</b>                                      | 14,247  | <b>81,768</b>                                      |
| Monitoring Officer, also Head of Legal Services  | 70,359                               | 0                                   | 0                  | <b>70,359</b>                                      | 14,846  | <b>85,205</b>                                      |
| <b>Total</b>   | <b>763,762</b>                       | <b>35,000</b>                       | <b>0</b>           | <b>798,762</b>                                     | <b>160,676</b>  | <b>959,438</b>                                     |



| Year ended 31st March 2016                              |   |  |                         |   |  |   |
|---|---|--|-------------------------|---|--|---|
| Post Holder   | Salary including fees and allowances<br>£ | Compensation for loss of employment<br>£ | Expense Allowances<br>£ | Total Remuneration excluding Pension contributions<br>£ | Pension Contributions (Based on Common Rate from Actuary)<br>£ | Total Remuneration including Pension contributions<br>£ |
| Chief Executive Officer                                 | 110,000                                   | 0  | 0                       | <b>110,000</b>  | 23,210   | <b>133,210</b>  |
| Chief Officer - Children and Young People               | 80,784                                    | 0  | 0                       | <b>80,784</b>   | 17,129   | <b>97,913</b>   |
| Chief Officer - Enterprise                              | 81,180                                    | 0  | 0                       | <b>81,180</b>   | 17,129   | <b>98,309</b>   |
| Chief Officer - Social Care and Health (Apr-Aug)        | 28,448                                    | 0  | 0                       | <b>28,448</b>   | 6,003  | <b>34,451</b>   |
| Chief Officer - Social Care and Health (Nov-March)      | 33,436                                    | 0  | 0                       | <b>33,436</b>   | 7,055  | <b>40,491</b>   |
| Head of Operations                                      | 69,104                                    | 0  | 0                       | <b>69,104</b>   | 14,654   | <b>83,758</b>   |
| Head of Finance and Section 151 Officer                 | 71,033                                    | 0  | 0                       | <b>71,033</b>   | 14,988   | <b>86,020</b>   |
| Head of Democracy and Regulatory Services               | 64,515                                    | 0  | 0                       | <b>64,515</b>   | 13,679   | <b>78,194</b>   |
| Head of Legal Services (also acting Monitoring Officer) | 70,351                                    | 0  | 0                       | <b>70,351</b>   | 14,844   | <b>85,195</b>   |
| Head of Strategic Partnerships                          | 60,027                                    | 0  | 0                       | <b>60,027</b>   | 12,728   | <b>72,755</b>   |
| <b>Total</b>  | <b>668,877</b>                            | <b>0</b>                                 | <b>0</b>                | <b>668,877</b>  | <b>141,419</b>   | <b>810,296</b>  |

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

Employers' pension contributions were paid at a rate of 21.1% of pensionable pay for staff within the Local Government Pension Scheme (21.1% for 2015/16). Expense allowances are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2016/17 (Nil in 2015/16).

A new requirement was introduced in 2014-15 to report the Chief Executive's remuneration as a proportion of the full time equivalent median salary of Monmouthshire County Council employees. In 2016-17, the median employee position has been calculated as £20,456, equating to spinal point 22 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5.43:1

## 16.9 Officers' Emoluments

The number of employees whose remuneration was £60,000 or more in bands of £5,000, during the year ended 31st March 2017, was:

| 2015/16             |                               | Remuneration Band   | 2016/17             |                               |
|---------------------|-------------------------------|---------------------|---------------------|-------------------------------|
| Number of employees | (Of which are teaching staff) |                     | Number of employees | (Of which are teaching staff) |
| 0                   | 0                             | £115,000 - £119,999 | 0                   | 0                             |
| 1                   | 0                             | £110,000 - £114,999 | 1                   | 0                             |
| 1                   | 1                             | £105,000 - £109,999 | 2                   | 1                             |
| 1                   | 1                             | £100,000 - £104,999 | 2                   | 1                             |
| 2                   | 1                             | £95,000 - £99,999   | 0                   | 0                             |
| 0                   | 0                             | £90,000 - £94,999   | 0                   | 0                             |
| 1                   | 1                             | £85,000 - £89,999   | 2                   | 1                             |
| 4                   | 2                             | £80,000 - £84,999   | 4                   | 2                             |
| 2                   | 1                             | £75,000 - £79,999   | 1                   | 1                             |
| 6                   | 2                             | £70,000 - £74,999   | 9                   | 3                             |
| 6                   | 5                             | £65,000 - £69,999   | 10                  | 6                             |
| 15                  | 7                             | £60,000 - £64,999   | 8                   | 5                             |
| <b>39</b>           | <b>21</b>                     | <b>Total</b>        | <b>39</b>           | <b>20</b>                     |

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

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

Employers' pension contributions were paid at a rate of 21.1% of pensionable pay for staff within the Local Government Pension Scheme (21.1% for 2015/16) and 16.4% of pensionable pay for staff within the Teachers' Pension Scheme (16.4% in 2015/16).

For the purposes of reporting remuneration, voluntary aided schools employees have been included in the remuneration notes 16.9 to 16.10, where appropriate, as if they were employees of the council even though their contract of employment is with their respective governing body.

## 16.10 Termination Benefits

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

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

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

| 2015/16                               |                                     |   | Exit package Cost band | 2016/17                               |                                     |   |
|---------------------------------------|-------------------------------------|---|------------------------|---------------------------------------|-------------------------------------|---|
| No. of Compulsory Redundancies agreed | No. of other departure costs agreed | Total Cost of Exit Packages in each payband<br>£000's |                        | No. of Compulsory Redundancies agreed | No. of other departure costs agreed | Total Cost of Exit Packages in each payband<br>£000's |
| 62                                    | 1                                   | 463   | £0 - £20,000           | 38                                    | 3                                   | 331   |
| 29                                    | 1                                   | 785   | £20,001 - £40,000      | 11                                    | 3                                   | 391   |
| 6                                     | 1                                   | 274   | £40,001 - £60,000      | 1                                     | 0                                   | 43  |
| 1                                     | 0                                   | 67  | £60,001 - £80,000      | 0                                     | 1                                   | 65  |
| 0                                     | 0                                   | 0   | £80,001 - £100,000     | 0                                     | 0                                   | 0   |
| 1                                     | 0                                   | 102   | £100,001 - £150,000    | 1                                     | 0                                   | 119   |
| 99                                    | 3                                   | 1,691   | Total                  | 51                                    | 7                                   | 949   |

## 16.11 Events after the Balance Sheet Date

The draft Statement of Accounts was authorised for issue by the Head of Finance on 2nd June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 17 STATEMENT OF ACCOUNTING POLICIES

### 17.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017.

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

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 17.2 Accounting Standards issued not yet adopted

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

### 17.3 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet where such balances are considered material.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 17.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 24 hours or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

## 17.5 Charges to Revenue for Non-Current Assets

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

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

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

## 17.6 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government and the impact of the decision for Britain to leave the European Union remains unclear. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired.
- The Council is deemed to control the services provided under its PFI arrangements and also to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.
- A provision is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is calculated by taking a sample of non-school employee records and extrapolating the data over the total non-school employee base. The sample return for 2016/17 was 16% (25% for 2015/16).

## 17.7 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31st March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item                                       | Uncertainties  | Effect if Actual Results Differ from Assumptions   |
|--|--|--|
| Revaluation of Property, plant & equipment | Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. | If the actual results differ from the assumptions the value of PPE will be over or understated. This would be adjusted when the assets were next revalued.   |
| Property, Plant and Equipment              | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.   | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.   |
| Pensions Liability                         | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.  | The assumptions interact in complex ways. Further information is provided in note 14 concerning the risks and sensitivity of changes in the pension assets and liabilities.  |
| Provisions                                 | The Council has included provisions for known insurance claims as at 31 March 2017. The value of these claims is based on information provided by our Insurance brokers on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. However the outcome of these cases is still uncertain as outstanding legal cases and negotiations remain on going.  | The Authority maintains the insurance and risk management reserve to assist in the control of the Authority's insurance risks. The provisions in place and the balance on the insurance and risk management reserve at 31st March 2017 are deemed to provide sufficient cover for the Authority's claims exposure. Notes 13.7(a) & 13.7(b) provide further information on the types of claims the Authority is exposed to. |

|         |   |   |
|---------|---|---|
| Arrears | At 31 March 2017, the Authority had a balance of £6.2m (£8.4m as at 31 March 2016) of debtors relating to council tax arrears, business rate arrears, rent arrears, corporate sundry debtors, social services sundry debtors and housing benefit overpayments. A review of these balances suggested that an impairment of doubtful debts of £2.9m (£3.1m as at 31 March 2016) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. | If collection rates were to deteriorate, there would be a consequential increase in the impairment of doubtful debts. |
|---------|---|---|

## 17.8 Employee Benefits

### *Benefits Payable During Employment*

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. A provision is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The provision is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The provision is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### *Termination Benefits*

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### *Post Employment Benefits*

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Torfaen County Borough Council

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees when they worked for the Authority and related to final salary and length of service.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### *The Local Government Pension Scheme*

All other staff, subject to certain qualifying criteria, are entitled to become members of the Local Government Pension Scheme which is administered by Torfaen County Borough Council. The pension costs charged to the Authority's accounts in respect of this group of employees is determined by the fund administrators and represents a fixed proportion of employees' contributions to this funded pension scheme.

The Local Government Scheme is accounted for as a defined benefit scheme:

- The Liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates, employee turnover rates, etc., and projections of earning for current employees.
- Liabilities are discounted to their value at current prices, using a single discount rate which is derived from the spot rates on a selection of AA rated corporate bonds of various durations which match the liabilities within the Authority's pension fund. This is known as the yield curve approach.
- The assets of the Greater Gwent (Torfaen) Pension Fund attributable to the Authority are included in the balance sheet at their fair value as determined by the Fund's actuary.
- The change in the net pensions liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Interest on plan assets – this is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - Gains or losses on remeasurement – changes in the net pensions liability (Liabilities less assets) that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
  - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.



In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further details are given in section 14 of the notes to the Financial Statements.

### *Discretionary Benefits*

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **17.9 Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **17.10 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

## **17.11 Financial Instruments**

### *Financial Liabilities*

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.



However, one stepped loan held by the Authority is carried at a higher amortised cost than the outstanding principal, and interest is charged at a marginally lower effective rate of interest than the interest payable under the terms of the loan contract.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund Balance to be spread over future years. The Authority has a policy of spreading any loss over the term that was remaining on the loan against which the premium was payable and any gain over lesser of the term remaining on the loan against which the discount was receivable or 10 years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets – Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Authority has made one loan at less than market rates (soft loans) for policy reasons. Due to the immaterial nature of the loan, it is recorded in the balance sheet at the value of the principal outstanding.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Where the impact is deemed to be material, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **17.12 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### 17.13 Heritage Assets

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture.

Heritage assets were previously shown in community assets but are now recorded in a separate category on the balance sheet as a non-current asset class. The Authority does not classify any operational assets as heritage assets.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets and as a result the Authority has chosen not to value heritage assets if the cost is deemed to be excessive.

A further condition for expenditure to be capitalised is that it exceeds the relevant de minimus limit in place. A de-minimus limit has been put in place of £10,000 for heritage assets.

The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value, hence the Authority does not consider it appropriate to charge depreciation for the assets.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. The trustees of the Authority's Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

### 17.14 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority for more than one financial year.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

## 17.15 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the latest price paid, with an allowance made for obsolescent and slow moving items. This is a departure from the requirements of the Code which require inventories to be shown at the lower of actual cost and net realisable value. However, the amounts concerned are not considered material.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## 17.16 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 17.17 Fair value measurement

The Council measures its assets held for sale, surplus assets, investment properties and available-for-sale financial instrument at fair value at each reporting date. Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement will be at highest and best use from the perspective of a market participant. The fair value of an investment property held under a lease is the lease interest.

It is assumed that any fair value measurement of an asset or liability uses the same assumptions that market participants acting in their economic best interest would use and that the transaction takes place in the principal market or failing that in the most advantageous market for the asset or liability.

Appropriate valuation techniques are used for which sufficient data is available. Inputs to the techniques are categorised within the fair value hierarchy that consists of three levels as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are accessible by the Council at the measurement date
- Level 2 inputs are quoted prices other than quoted prices within Level 1 that are observable either directly or indirectly
- Level 3 inputs are unobservable inputs for an asset or liability.

The use of relevant observable inputs is maximised and the use of unobservable inputs is minimised.

Any transfers between valuation levels will take place at the valuation date at the end of the reporting period.

## 17.18 Joint Operations

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

## 17.19 Leases

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

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

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

### *The Authority as Lessee - Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

#### *The Authority as Lessee - Operating Leases*

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

#### *The Authority as Lessor - Finance Leases*

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

Lease rentals receivable are apportioned between:

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

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

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

### *The Authority as Lessor - Operating Leases*

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

## **17.20 Overheads and Support Services**

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

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

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

## **17.21 Property, Plant and Equipment**

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

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

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

### *Measurement*

Assets are initially measured at cost, comprising:

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

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



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

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

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

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

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

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

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

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

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

### *Impairment*

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

### *Depreciation*

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

Depreciation is calculated on the following bases:

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

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

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

### *Components*

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

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

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

### *Disposals and Non-current Assets Held for Sale*

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

Assets held for Sale Assets are assets where the:

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



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

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

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

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

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

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

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

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

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

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

## **17.23 Private Finance Initiative (PFI) and Similar Contracts**

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

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

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

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

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

## 17.24 Provisions, Contingent Liabilities and Contingent Assets

### *Provisions*

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

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

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

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

### *Contingent Liabilities*

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

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

### *Contingent Assets*

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

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

#### **17.25 Reserves**

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

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

#### **17.26 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

#### **17.27 VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

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**The Monmouthshire County Council  
Welsh Church Act Fund**

**Annual Report and Financial Statements for the  
year ended the 31 March 2017**

Registered Charity Number: 507094

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

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**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**Trustee, Officers and Advisors**

**Trustee**

Monmouthshire County Council

**Secretary**

Robert Tranter  
Monitoring Officer  
Monmouthshire County Council

**Registered Office**

Innovation House  
Magor  
PO Box 106  
NP26 9AN

**Auditors**

Wales Audit Office  
24, Cathedral Road  
Cardiff  
CF11 9LJ

**Solicitor**

Robert Tranter  
Head of Legal Services  
Monmouthshire County Council

**Investment Custodian**

Monmouthshire County Council

**Bankers**

Barclays Bank  
1-5 St David's Way  
St David's Centre  
Cardiff  
CF10 2DP

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2017**

### **Report of the Trustee for the year ended 31 March 2017**

The Trustee presents its annual report and the audited financial statements for the year ended 31 March 2017 of The Monmouthshire County Council Welsh Church Act Fund ('the Charity').

The information with respect to the Trustee, officers and advisors set out on page 1 forms part of this report.

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on the 16<sup>th</sup> July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and the UK Generally Accepted Practice as it applies from the 1<sup>st</sup> January 2015.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

#### **Structure, Governance and Management**

The Charity is governed by the Welsh Church Act 1914 and the Welsh Church Act (Designation and Specification) Order 1996 and is registered with the Charity Commissioners under charity number 507094. A model scheme for the administration of the fund has been prepared and has been submitted to the Welsh Government for approval.

The Trust covers the Council administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and the City of Newport, with Monmouthshire County Council being designated as the host Authority. The Monmouthshire Welsh Church Act Fund was established on 1 April 1996, from the former Gwent Welsh Church Act Fund and part of the former Mid Glamorgan Welsh Church Act Fund.

Monmouthshire County Council as the Corporate Body is the Trustee for the Welsh Church Fund and therefore there are no policies and procedures adopted for the induction and training of trustees. The trustees also have regard to the Charity Commission's guidance on public benefit.

The management of the Fund is undertaken by officers of the Council and a proportion of their time is charged to the Fund.

#### **Objectives**

The primary object of the Charity for each year, as stated in its governing document, is to assist groups and individuals for educational, social, recreational and other charitable purposes. Grants are available from the Fund for capital or revenue purposes. Capital grants may be awarded to assist organisations in the furnishing and upkeep of buildings. Revenue grants are designed to further the aims of societies and to assist individuals in their various pursuits.

#### **Grants allocation policy**

An annual budget set by the Trustee for grant payments is split between the administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and Newport on a population basis.

A Committee set up by the Trustee approves grant applications on a basis in line with full Council meetings or as deemed required by the participating authorities. Grants are made in pursuance of the Charity's objectives.

The grant allocation of each financial year is considered in line with the long term financial viability of the trust and to maintain the ability to generate funds in future years for distribution by maintaining sufficient capital assets.



## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2017**

### **Review of activities and future developments**

The statement of financial activities for the year is set out on page 6 of the financial statements. A summary of the financial results and the work of the Charity are set out below.

The Fund has increased in value by £254,089 (£38,991 decrease in 2015/16); this increase in value is mainly due to the re-valuation of the investments assets of £214,418 (£133,455 decrease in 2015/16) as a result of market conditions at the year-end.

Income is principally comprised of investment income of £202,919 (£210,673 in 2015/16), The Trust has utilised the Trustee's own investment managers to manage the fund, thus, controlling management fees and therefore maximising returns whilst at the same time maintaining a balanced capital risk strategy.

Charitable expenditure for the year amounted to £187,849 (£129,522 in 2015/16) and principally comprised grant payments of £169,842 (£122,604 in 2015/16). This increase in expenditure was primarily due to Torfaen Borough Council changing their grant allocation policy to support only applicants who are deemed to be in need of financial assistance due to poverty.

As indicated previously, net gains on investments held amounted to £214,418 (£133,455 net loss in 2015/16). These non-realised investment losses have been as a result of the Trusts' current investment strategy, diversifying the portfolio across several investment categories in the last couple of financial years. The long term projections on these charity based investments as indicated by the Trustees' Treasury consultants continue to outperform the trust's old pooled investment strategy as reflected by the continuing increased investment returns received during the financial year.

### **Income generation**

The Charity's income was £208,821, compared to £225,935 in 2015/16. The full implementation of the market investment strategy that has mainly replaced the pooled investment strategy with Monmouthshire County Council has continued to produce larger returns in the financial markets due to investment in more specific charitable investment funds. This income generation forms the main basis of the following years grant allocations to ensure continuity and non-degradation of the funds capital assets and to perpetuate the charity as a 'going concern'.

### **Bad debt provision**

There are no bad debts arising in the year of account.

### **Investment powers, policy and performance**

Under the terms of the Trust Deed, the Trustee has general powers of investment, subject to the provisions of the Trustee Act 2000. The investment policy of the Trust is to maximise the rate of investment return, whilst employing a risk strategy that minimises any potential reduction in the capital value of the Fund.

The Trustee has reviewed its investment strategy and produced an investment and fund strategy for 2016/17, which was approved by Monmouthshire County Council in its capacity as sole and corporate trustee, on March 2<sup>nd</sup> 2016.

### **Changes in fixed assets**

The fixed asset investments were re-valued in the 2016-17 financial year in line with the Investment Asset policy of revaluation every year.

### **Reserves**

The Trustee's policy is to maintain the level of investments at a level that provides sufficient annual income to fund the Charity's charitable expenditure. The level of funds held at 31<sup>st</sup> March 2017 is £5,470,678. The Trustee has reviewed its Fund strategy and produced an investment and fund strategy for 2016/17 which states that the purpose of reserves is to maintain investments such that they realise sufficient income to provide grants to organisations at a consistent level. Whilst, the strategy is to ensure that there is no long-term detrimental effect on overall reserve balances, recommendation made by the Charity Commission has resulted in grants being made in excess of investment income in order to redress accumulated balances from previous years.

### **Governance of the Charity**

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2017**

Three representative councillors from each of the five administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and Newport are appointed by their respective councils annually to form a committee to oversee fund management. Members are appointed to the committee for the term of the Council.

### **Risk management**

The Trustee has undertaken a review of the major risks to which the Charity is exposed and its risk management and internal control procedures should be updated to ensure that systems are in place to mitigate the risks identified. The risk assessment was considered by Monmouthshire County Council on 2nd March 2016.

### **Auditors**

The Wales Audit Office was appointed as auditors to the Welsh Church Act Fund in 2007/08.

### **Statement of Trustee's responsibilities**

The Trustee is responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity and its financial activities for that period.

In preparing those financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operational existence.

The Trustee confirms that it has complied with the above requirements in preparing the financial statements.

The Trustee is responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable it to ensure that the financial statements comply with the Charities Act 1993 It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee certifies that:

- as far as it is aware, there is no relevant information of which the Charity's auditors are unaware; and
- as Trustee of the Charity, it has taken all the steps that it ought to have taken in order to make itself aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

**By order of the Trustee**

**Mrs Joy Robson  
Head of Finance – Monmouthshire County Council**

**Date:**

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**Report of the Auditor General for Wales to the Trustee of the  
Monmouthshire County Council Welsh Church Act Fund**

I have audited the financial statements of the Welsh Church Act Fund for the year ended 31<sup>st</sup> March 2016 which comprise the Statement of Financial Activities, the Balance Sheet, Cashflow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of trustee and independent auditor**

As explained more fully in the Trustee Responsibilities Statement [set out on page 2, the trustee is responsible for the preparation of financial statements which give a true and fair view.

I have been appointed as auditor under section 144 for LG Charities of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

In addition, I read all the financial and non-financial information in the Trustee Annual Report called The Monmouthshire County Council Welsh Church Act Fund Annual Report and Financial Statements for the year ended the 31 March 2017, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

**Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2017 and of its incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Charities Act 2011.

**Matters on which I am required to report by exception**

I have nothing to report in respect of the following matters where the Charities Act 2011 requires me to report to you if, in my opinion:

- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

**Emphasis of Matter**

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

Your attention is drawn to the fact that the Charity has prepared its financial statements in accordance with the Charities SORP 2015 in preference to the Charities SORP 2005 which is referred to in the extant regulations but has been withdrawn. We understand this has been done in order for the accounts to provide a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.

Ann-Marie Harkin  
On behalf of the Auditor General for Wales  
[Date]

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

**Statement of financial activities (Sofa) for the year ended 31**

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**March 2017**

|   | Notes | 2017<br>Unrestricted<br>Funds<br>£ | 2017<br>Restricted<br>Funds<br>£ | 2017<br>Endowment<br>Funds<br>£ | 2017<br>Total<br>Funds<br>£ | 2016<br>Total<br>Funds<br>£ |
|---|-------|------------------------------------|----------------------------------|---------------------------------|-----------------------------|-----------------------------|
| <b>Income &amp; Endowments from:</b>                                    |       |                                    |                                  |                                 |                             |                             |
| Donations & Legacies  |       | 0                                  | 0                                | 0                               | 0                           | 0                           |
| Charitable Activities   |       | 0                                  | 0                                | 0                               | 0                           | 0                           |
| Investment income   | 2     | 202,919                            | 0                                | 0                               | 202,919                     | 210,673                     |
| Other Trading Activities  |       | 3,060                              | 0                                | 0                               | 3,060                       | 2,768                       |
| Other incoming resources  |       | 2,842                              | 0                                | 0                               | 2,842                       | 12,494                      |
| <b>Total income &amp; Endowments</b>                                    |       | <b>208,821</b>                     | <b>0</b>                         | <b>0</b>                        | <b>208,821</b>              | <b>225,935</b>              |
| <b>Resources Expended</b>   |       |                                    |                                  |                                 |                             |                             |
| Raising funds:  |       |                                    |                                  |                                 |                             |                             |
| Investment Property Professional fees                                   |       | 1,247                              | 0                                | 0                               | 1,247                       | 0                           |
| Management and administration   |       | 2,500                              | 0                                | 0                               | 2,500                       | 2,951                       |
| Movement in bad debt provision  |       | 0                                  | 0                                | 0                               | 0                           | (942)                       |
|   |       | <b>3,747</b>                       | <b>0</b>                         | <b>0</b>                        | <b>3,747</b>                | <b>2,009</b>                |
| <b>Charitable expenditure</b>   |       |                                    |                                  |                                 |                             |                             |
| Costs of activities in furtherance of the Charity's objects             |       |                                    |                                  |                                 |                             |                             |
| Grants payable  | 3,4   | 169,842                            | 0                                | 0                               | 169,842                     | 122,604                     |
| Management and administration   |       | 4,285                              | 0                                | 0                               | 4,285                       | 4,433                       |
| <b>Other</b>  |       |                                    |                                  |                                 |                             |                             |
| Governance Costs  | 5     | 9,275                              | 0                                | 0                               | 9,275                       | 2,485                       |
| <b>Total Resources Expended</b>   |       | <b>187,149</b>                     | <b>0</b>                         | <b>0</b>                        | <b>187,149</b>              | <b>131,531</b>              |
| Gains/(losses) on investment assets                                     | 13    | 214,417                            | 0                                | 0                               | 214,417                     | (133,445)                   |
| <b>Net Income / Expenditure</b>   |       | <b>236,090</b>                     | <b>0</b>                         | <b>0</b>                        | <b>236,090</b>              | <b>(39,041)</b>             |
| <b>Transfers between funds</b>  | 11    | <b>0</b>                           | <b>0</b>                         | <b>0</b>                        | <b>0</b>                    | <b>0</b>                    |
| <b>Other Recognised Gains / (Losses)</b>                                |       |                                    |                                  |                                 |                             |                             |
| Gains/(losses) on the revaluation and disposal of tangible fixed assets | 7     | 18,000                             | 0                                | 0                               | 18,000                      | 50                          |
| <b>Net movement in funds</b>  |       | <b>254,089</b>                     | <b>0</b>                         | <b>0</b>                        | <b>254,089</b>              | <b>(38,991)</b>             |
| Fund balances brought forward 1 April 2016                              |       | 5,216,589                          | 0                                | 0                               | 5,216,589                   | 5,255,580                   |
| <b>Fund balances carried forward 31 March 2017</b>                      | 11    | <b>5,470,678</b>                   | <b>0</b>                         | <b>0</b>                        | <b>5,470,678</b>            | <b>5,216,589</b>            |

All incoming resources and resources expended are derived from continuing activities. There are no recognised gains or losses other than those disclosed above.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**Balance Sheet as at 31 March 2017**

|  | Notes | 2017<br>Unrestricted<br>Funds<br>£ | 2016<br>Unrestricted<br>Funds<br>£ |
|--|-------|------------------------------------|------------------------------------|
| <b>Fixed assets</b>                                |       |                                    |                                    |
| Investment Land                                    | 7     | <b>400,501</b>                     | 382,501                            |
| Investments  | 8     | <b>4,844,898</b>                   | 4,630,481                          |
|  |       | <b>5,245,399</b>                   | 5,012,982                          |
| <b>Current assets</b>                              |       |                                    |                                    |
| Debtors: amounts falling due within one year       | 9     | <b>180,021</b>                     | 147,736                            |
| Cash at bank and in hand                           |       | <b>212,271</b>                     | 168,192                            |
|  |       | <b>392,292</b>                     | 315,928                            |
| <b>Current Liabilities</b>                         |       |                                    |                                    |
| Creditors: amounts falling due within one year     | 10    | <b>167,013</b>                     | 112,321                            |
| <b>Net current assets less current liabilities</b> |       | <b>225,279</b>                     | 203,607                            |
| Long term liabilities: Provisions                  | 13    | <b>0</b>                           | 0                                  |
| <b>Net assets less Liabilities</b>                 |       | <b>5,470,678</b>                   | 5,216,589                          |
| <b>The Funds of the Charity:</b>                   |       |                                    |                                    |
| Unrestricted Funds                                 | 11    | <b>5,470,678</b>                   | 5,216,589                          |
| <b>Total Charity funds</b>                         |       | <b>5,470,678</b>                   | 5,216,589                          |

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**Statement of Cash flows as at 31 March 2017**

|  | <b>Total<br/>Funds</b> | <b>Prior<br/>Year<br/>Funds</b> |
|--|------------------------|---------------------------------|
|  | <b>£</b>               | <b>£</b>                        |
| <b>Cash flows from operating activities</b>  |                        |                                 |
| <i>Net Surplus / (Deficit) on the Provision of Services</i>                          | <b>(254,089)</b>       | (38,991)                        |
| Adjust net surplus or deficit on the provision of services for non-cash movements    | <b>210,010</b>         | 85,638                          |
| <b>Cash Outflows From Operating Activities</b>                                       |                        |                                 |
| Adjustments for items included in operating activities that are investing activities | <b>0</b>               | 0                               |
| <b>Cash inflows from investing activities:</b>                                       |                        |                                 |
| Proceeds from the sale of property, plant and equipment                              | <b>0</b>               | 0                               |
| Purchase of property, plant and equipment  | <b>0</b>               | 0                               |
| Proceeds from sale of investments  | <b>0</b>               | 0                               |
| Purchase of investments  | <b>0</b>               | 0                               |
| <i>Net cash provided by (used in) investing activities</i>                           | <b>0</b>               | 0                               |
| <b>Cash flows from financing activities:</b>   |                        |                                 |
| Repayments of borrowing  | <b>0</b>               | 0                               |
| Cash inflows from new borrowing  | <b>0</b>               | 0                               |
| Receipt of endowment   | <b>0</b>               | 0                               |
| <i>Net cash provided by (used in) financing activities</i>                           | <b>0</b>               | 0                               |
| <i>Change in cash and cash equivalents in the reporting period</i>                   | <b>44,079</b>          | 46,648                          |
| <b>Cash and cash equivalents at the beginning of the reporting period</b>            | <b>168,192</b>         | 121,544                         |
| <b>Change in cash and cash equivalents due to exchange rate movements</b>            | <b>0</b>               | 0                               |
| <i>Cash and cash equivalents at the end of the reporting period</i>                  | <b>212,271</b>         | 168,192                         |

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**Reconciliation of net income/ (expenditure) to net cash flow from  
Operating activities as at 31 March 2017**

|   | Current<br>Year<br>£ | Prior Year<br>£ |
|---|----------------------|-----------------|
| <i>Net income/(expenditure) for the reporting period (as per the statement of financial activities)</i> | <b>254,089</b>       | (38,991)        |
| <b>Adjustments for non-cash transactions</b>  |                      |                 |
| Gains/losses on the revaluation and disposal of Investment Land   | <b>(18,000)</b>      | (50)            |
| Gains/losses on the revaluation and disposal of investment assets                                       | <b>(214,417)</b>     | 133,445         |
| Increase /(decrease) in Bad debts   | <b>57</b>            | (942)           |
| (Increase)/decrease in Provisions   | <b>0</b>             | (12,494)        |
| Increase/(decrease) in debtors  | <b>(32,341)</b>      | (33,608)        |
| (Increase)/decrease in creditors  | <b>54,691</b>        | (712)           |
| Non-cash items charged on the provision of services   |                      |                 |
| <i>Net cash provided by (used in) operating activities</i>  | <b>44,079</b>        | 46,648          |

**Analysis of cash and cash equivalents as at 31 March 2017**

|  | Current<br>Year<br>£ | In Year<br>Movement<br>£ | Prior Year<br>£ |
|--|----------------------|--------------------------|-----------------|
| Cash in hand                           | <b>212,271</b>       | 44,079                   | 168,192         |
| Overdraft facility repayable on demand | <b>0</b>             | 0                        | 0               |
| <b>Total cash and cash equivalents</b> | <b>212,271</b>       | 44,079                   | 168,192         |

The accounts on pages 6 to 13 were approved by the Trustee on 00<sup>th</sup> November 2017, and signed on their behalf by:

Mrs Joy Robson  
Head of Finance (S151, Responsible Financial Officer), Monmouthshire County Council

Date:



## **Notes to the financial statements for the year ended 31 March 2017**

### **1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). A summary of the principal accounting policies, which have been applied consistently, are set out below.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention, as modified by the inclusion of investments and tangible fixed assets at market value. During the year the Charity reviewed its accounting policies in accordance with FRS 102 'Accounting Policies'. No accounting policies have been changed as a result.

#### **Incoming Resources**

All income is accounted for on an accruals basis.

#### **Resources expended**

All expenditure is accounted for on an accruals basis. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

#### **Grants payable**

Grants payable are accounted for in full as liabilities of the Charity when approved by the Trustee and accepted by the beneficiaries.

#### **Management and administration**

Management and administration costs include expenditure on administration of the Charity and, an appropriate apportionment of overheads.

#### **Governance Costs**

Governance costs comprise costs involving the compliance with constitutional and statutory requirements. These costs relate to audit fees payable to the appointed external auditor.

#### **Irrecoverable VAT**

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

#### **Recognition of liabilities**

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

#### **Debtors/ Creditors**

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.

#### **Fund accounting**

Funds are unrestricted funds which are available for use at the discretion of the Trustee in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

#### **Investment Land and Property**

*Capitalisation, Replacement and Valuation*

## The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2017

The Trust's policy is to revalue its Investment land on an annual basis in line with the Charities SORP. Valuations will also be undertaken where it is identified that there have been material movements between formal valuations, this has been changed from a five year valuation cycle due to the Land assets being deemed to be Investment Land not tangible fixed assets.

An Independent valuer of Williams Associates, a qualified Land Valuers and Chartered Surveyors, re-valued all Investment Land as at 24<sup>th</sup> March 2017 and all assets held at that date are included in the accounts at valuation. Vacant properties are valued at open market value. Properties that are deemed to be Community Assets are valued at a £1.

### Depreciation

Land is not depreciated. The Fund currently has no buildings on the fixed asset register.

### Investments

Any realised and unrealised gains and losses on revaluation or disposals of investments are included in the statement of financial activities. The Authority is authorised to invest any surplus income or dispose of any investments when it deems appropriate. Investments are strategically placed in investment funds specifically designed for charitable organisations. Investment performance is reviewed periodically in light of prevailing economic changes.

### Fees and similar income

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided.

### Cash flow statement

The Charity has produced a cash flow statement under Financial Reporting Standard 102 under section 7 on the basis that it meets the relevant conditions and size criteria specified in the Companies Act.1985.

## 2 Investment income

|   | 2017           | 2016    |
|---|----------------|---------|
|   | £              | £       |
| Investments with Monmouthshire County Council | 1,672          | 2,008   |
| External Investments                          | 201,247        | 208,665 |
|   | <b>202,919</b> | 210,673 |

## 3 Grants Payable

|  | 2017           | 2016    |
|--|----------------|---------|
|  | £              | £       |
| Grants have been paid to the following administering Local Authorities for them to make to groups and individuals on behalf of the Fund: |                |         |
| Monmouthshire County Council   | 22,858         | 25,175  |
| Torfaen County Borough Council   | 48,858         | 6,642   |
| Newport City Council   | 56,180         | 44,535  |
| Blaenau Gwent County Borough Council   | 24,396         | 16,201  |
| Caerphilly County Borough Council  | 17,550         | 30,051  |
|  | <b>169,842</b> | 122,604 |

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**4 Analysis of Grants**

|  | <b>Grants to<br/>Organisations</b> | <b>Grants to<br/>Individuals</b> |
|--|------------------------------------|----------------------------------|
|  | £                                  | £                                |
| The Advancement of Education               | 540                                | 850                              |
| The Advancement of Religion                | 73,599                             | 0                                |
| The Relief of Poverty                      | 0                                  | 49,476                           |
| Other Purposes Beneficial to the Community | 45,377                             | 0                                |
| <b>Total</b>                               | <b>119,516</b>                     | <b>50,326</b>                    |

Caerphilly Borough Council, Torfaen County Borough Council, Blaenau Gwent and Monmouthshire County Council have under spent their allocations for 2016/17 by £218,568, £18,504, £3,297 and £18,504 respectively which will be carried forward for distribution in 2017/18.

**5 Governance Costs**

|                        | <b>2017</b>  | 2016  |
|------------------------|--------------|-------|
|                        | £            | £     |
| Auditor's remuneration | <b>9,275</b> | 2,485 |
|                        | <b>9,275</b> | 2,485 |

Governance costs are now reflective of market rates and the balance contained within 2016-17 reflects an un-accrued adjustment to the Wales Audit Office rates.

No indemnity insurance for Trustee's liability has been purchased by the Charity. Though no specific indemnity insurance has been purchased by the Charity, the Fund is covered by Monmouthshire County Councils' fidelity guarantee insurance. Insurance covers financial losses incurred as a result of fraudulent acts conducted by Authority employees but does not cover the Trustee for any wrong decisions that may have been made. Governance costs have increased during the year as a result of the Public Audit Wales Act and in particular the duty placed on the Wales Audit Office to ensure full cost recovery in its audit fees.

**6 Taxation**

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Charity is not separately registered for VAT because it falls within the Local Authority's VAT Registration as Corporate trustee and accordingly, all their expenditure is recorded exclusive of any VAT incurred.

**The Monmouthshire County Council Welsh Church Act Fund  
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**7 Investment Land and Property**

|                         | <b>Total</b>   |
|-------------------------|----------------|
|                         | <b>£</b>       |
| <b>Valuation</b>        |                |
| At 1 April 2016         | 382,501        |
| Disposals               | 0              |
| Revaluation             | 18,000         |
| <b>At 31 March 2017</b> | <b>400,501</b> |
| <b>Depreciation</b>     |                |
| At 1 April 2016         | 0              |
| Charge in year          | 0              |
| Disposals               | 0              |
| <b>At 31 March 2017</b> | <b>0</b>       |
| <b>Net book Value</b>   |                |
| At 1 April 2016         | 382,501        |
| <b>At 31 March 2017</b> | <b>400,501</b> |

Tangible Investment Assets solely consist of freehold land. All land held by the Fund had been revalued as at 24<sup>th</sup> March 2017. Valuations were carried out during November 2016 in accordance with the valuation policy. A further valuation will be carried out within 2017/18 financial year and on thereafter on an annual rolling basis.

**8 Investments**

|  | <b>2017</b>      | 2016      |
|--|------------------|-----------|
|  | <b>£</b>         | £         |
| CCLA - COIF Property Fund                  | <b>1,006,356</b> | 1,048,603 |
| UBS Multi Asset Income Fund                | <b>712,332</b>   | 698,398   |
| M&G Charibond Fund                         | <b>724,274</b>   | 703,312   |
| Schroders Income Maximiser                 | <b>453,662</b>   | 406,342   |
| M&G Charifund                              | <b>542,527</b>   | 492,404   |
| CCLA - COIF Investment Fund                | <b>943,368</b>   | 827,037   |
| Treasury Stock 2024 2.5%                   | <b>112,379</b>   | 104,385   |
| Invested with Monmouthshire County Council | <b>350,000</b>   | 350,000   |
|  | <b>4,844,898</b> | 4,630,481 |

The Trust has investments held with UBS, M&G, Schroeder's, CCLA, HM Treasury and Monmouthshire County Council which are generally managed by the trusts treasury management advisors. Returns from Monmouthshire County Council are generated on a "pooled" basis. The average rate of interest generated on the pooled funds from Monmouthshire was 0.3338% for 2016/17 (0.4495% for 2015/16).

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The basis of valuation on the market based investments held with CCLA, M&G, UBS and Schroder's, is the open market value of the unit holdings on the 31<sup>st</sup> March 2017 multiplied by the units held. There were no additions or disposals of investments during the financial year. The Treasury Stock 2024 valuation is based upon the market value of the Treasury Gilts at the 31<sup>st</sup> March 2017 as listed on the dmo.gov website. The value of the 'pooled' investment with Monmouthshire County Council is the cash value as at the 31<sup>st</sup> March 2017. None of the Investments are held outside of the territorial limits of the United Kingdom and the cost of the revaluations is contained within the charity management fee charged annually from Monmouthshire County Council.

**9 Debtors**

|  | 2017<br>£      | 2016<br>£      |
|--|----------------|----------------|
| <b>Amounts falling due within one year</b>   |                |                |
| <i>Prepayment &amp; accrued income</i>       |                |                |
| Investment Income                            | 178,430        | 140,600        |
| Other Debtors                                |                |                |
| MCC Bank Transfer                            | 0              | 0              |
| <i>Trade debtors</i>                         |                |                |
| Rental income                                | 0              | 2,768          |
| Bad debt provision for loss of rental income | 0              | 57             |
| <i>Other Debtors</i>                         |                |                |
| HM Revenue and Customs                       | 1,591          | 622            |
| Other Debtors                                | 0              | 3,689          |
|  | <b>180,021</b> | <b>147,736</b> |

All investment interest due from the trustee was paid in year in 2016-17.

**10 Creditors**

|  | 2017<br>£      | 2016<br>£      |
|--|----------------|----------------|
| <b>Amounts falling due within one year</b> |                |                |
| Grant creditors                            | 151,384        | 104,679        |
| Other creditors                            | 15,629         | 7,642          |
|  | <b>167,013</b> | <b>112,321</b> |

Grant creditors are recognised on the amounts awarded by the five constituent authorities of the Welsh Church Fund unpaid at the financial year-end. Other creditors are fees reimbursable for professional services utilised during the financial year by the Charity.

**11 Funds**

|                    | Balance<br>1 April<br>2016<br>£ | Incoming<br>resources<br>£ | Resources<br>Expended<br>£ | Other<br>Recognised<br>Gain / (Loss)<br>£ | <b>Balance<br/>31 March<br/>2017<br/>£</b> |
|--------------------|---------------------------------|----------------------------|----------------------------|---|--|
| Unrestricted funds | 5,216,589                       | 208,821                    | 187,149                    | 232,417                                   | <b>5,470,678</b>                           |

There were no transfers between funds during the 2016-17 financial year.

**The Monmouthshire County Council Welsh Church Act Fund  
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**12 Related party transactions**

During the year transactions with related parties arose as follows:

|                              | 2017     |          | 2016     |          |
|------------------------------|----------|----------|----------|----------|
|                              | Receipts | Payments | Receipts | Payments |
|                              | £        | £        | £        | £        |
| Monmouthshire County Council | 0        | 0        | 7,543    | 22,824   |

Members of the Authority have direct control over the Welsh Church Fund's financial and operating policies. 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 Welsh Church Fund must ensure that grants allocated 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 County Hall, Usk.

**13 Trustee's Expenses, Remuneration and Benefits**

No Expenses, Remuneration or Benefits were incurred during the year of account



**SUBJECT: INTERNAL AUDIT SECTION  
Outturn Report 2016/17**

**DIRECTORATE: Chief Executive  
MEETING: Audit Committee  
DATE: 6 July 2017**

**DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To receive and consider the Annual Audit Outturn Report for 2016/17.

## 2. RECOMMENDATION(S)

That the Audit Committee endorse the Outturn Report.

## 3. KEY ISSUES

3.1 The Chief Internal Auditor has to give an overall opinion on the adequacy of the internal control environment operated within the systems and establishments of Monmouthshire County Council.

3.2 The audit opinions were revised at the beginning of 2016/17 to reflect a better understanding of the level of assurance obtained; these are shown at Appendix A. 28 audit opinions were issued during 2016/17 ranging from Substantial to Limited (the opinion categorisation changed in 2016/17 to provide a level of assurance). The overall opinion was **Reasonable**, which indicates *the systems were adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.*

3.3 8 reviews were given **Limited** assurance.

3.4 The Internal Audit team achieved 75% of the agreed 2016/17 audit plan against a target of 80%.

## 4. REASONS

4.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and

therefore has a duty to make provision for internal audit in accordance with the Local Government Act.

4.2 Internal Audit is an independent function established by the management of Monmouthshire County Council to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.3 In line with the Public Sector Internal Auditing Standards, the Chief Internal Auditor should present a formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment.

4.4 This is the Internal Audit Annual Report.

## **5. RESOURCE IMPLICATIONS**

None.

## **6. CONSULTEES**

Head of Finance

## **7. BACKGROUND PAPERS**

Annual Outturn Report 2016/17 - attached  
Operational Audit Plan 2016/17  
Strategic Audit Plan  
Public Sector Internal Auditing Standards  
CIPFA Local Government Internal Audit Manual

## **8. AUTHOR AND CONTACT DETAILS**

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**INTERNAL AUDIT SECTION  
ANNUAL OUTTURN REPORT  
2016/17**

**YEAR ENDED 31st MARCH 2017**

**Date: June 2017**

## 1. Introduction

- 1.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for internal audit in accordance with the Local Government Act.
- 1.2 The Regulations state that the Responsible Finance Officer (S.151) of the organisation shall maintain an adequate and effective internal audit of the accounts of that organisation and its systems of internal control. Internal Audit undertakes this role on behalf of the S.151 Officer. Internal Audit is seen as an independent function established by the management of Monmouthshire County Council for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources.
- 1.3 In line with the Public Sector Internal Auditing Standards, the Chief Internal Auditor should present a formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment. The annual report should also:
- a. disclose any qualifications to that opinion, together with reasons for the qualification;
  - b. present a summary of the audit work undertaken to formulate the opinion;
  - c. draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the annual governance statement (to be reported separately);
  - d. compare the work actually undertaken with that planned and summarise the performance of the internal audit function against its performance measures and criteria; and
  - e. comment on compliance with these standards and communicate the results of the internal quality assurance programme.
- 1.4 This report is the Annual Internal Audit Report which meets the requirements of the Standards. It provides the overall audit opinion for Members on the internal controls operating within the County Council and provides a summary of the work completed during the year, identifying key findings and outcomes from the work undertaken. It also outlines the performance of the Internal Audit team during the year against agreed pre-set targets.

- 1.5 The internal controls operating within the Council are of a complex nature, reflecting the organisational arrangements. Internal Audit plans its work to address the major risks that the Authority faces. That work is not designed to check the work of others but to comment on the controls in place to protect the Council from loss of assets or inefficient operations, whatever the cause.
- 1.6 The objectives of the Section for the year were: -
- (a) To deliver an internal audit service in accordance with the Public Sector Internal Auditing Standards and meeting statutory requirements;
  - (b) To undertake risk-based assessments of the Authority's internal control environment and hence contribute to the Annual Governance Statement;
  - (c) To maintain and enhance the audit involvement in all areas as an aid to good financial stewardship;
  - (d) To assist external audit in forming their audit opinion as part of the Managed Audit arrangements;
  - (e) To assist the Corporate Management Team in the improvement process and to review the Performance Indicators contained in Monmouthshire County Council's Improvement Plan.

## 2. Audit Opinion

- 2.1 In 2016/17, based on the planned work undertaken during the year, overall, the systems and procedures in place were well controlled although some risk identified which needs addressing. The opinion definitions are noted at Appendix A. These were updated in 2016/17 to better reflect the level of assurance gained from undertaking the audit work.
- 2.2 The overall audit opinion for the internal controls operating within the Council in 2016/17 was **Reasonable**:

We have completed our internal audit work for the year based upon the Operational Audit Plan approved by the Audit Committee in May 2016. The Plan was designed to ensure adequate coverage over the Council's accounting and operational systems using a risk based assessment methodology.

Our audit work included reviews, on a sample basis, of each of these systems/establishments sufficient to discharge the Authority's responsibilities for Internal Audit under section 151 of the Local Government Act 1972 and The Accounts and Audit (Wales) Regulations 2014. The opinion is based upon the work undertaken. We planned our work to provide us with sufficient evidence to give us reasonable assurance of the internal control environments tested.

Based on the planned work undertaken during the year, in my view the internal controls in operation are **Reasonable; Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.**

The opinion expressed relates only to the systems and areas reviewed during the year.

Andrew Wathan  
Chief Internal Auditor  
June 2017

- 2.3 On undertaking audit reviews in accordance with the Annual Audit Plan, an opinion is given on how well the internal controls of the system or establishment are operating. Internal audit reports provide a balanced view of the controls in place. The opinion is determined by the number of issues identified during the course of the review and the risk rating and priority given to each. Each audit review undergoes a comprehensive review process by the Audit Manager and occasionally the Chief Internal Auditor before the draft report is sent out to management. The controls are generally measured against a predetermined matrix of expected internal controls for each system; for fundamental systems these are usually derived from CIPFA.
- 2.4 The overall opinion has been compiled from individual audit reviews undertaken during the year [Appendix B].

| Audit Opinion          | 2013/14     | %   | 2014/15           | %   | 2015/16           | %   |
|------------------------|-------------|-----|-------------------|-----|-------------------|-----|
| Very Good              | 0           | 0   | 1                 | 4   | 0                 |     |
| Good                   | 8           | 53  | 9                 | 32  | 9                 | 35  |
| Reasonable             | 7           | 47  | 12                | 43  | 14                | 54  |
| Unsatisfactory         | 0           | 0   | 6                 | 21  | 3                 | 11  |
| Unsound                | 0           | 0   | 0                 | 0   | 0                 |     |
|                        |             |     |                   |     |                   |     |
|                        | 15          | 100 | 28                | 100 | 26                | 100 |
|                        |             |     |                   |     |                   |     |
| <b>Overall Opinion</b> | <b>Good</b> |     | <b>Reasonable</b> |     | <b>Reasonable</b> |     |

| Audit Opinion          | 2016/17           | %   |
|------------------------|-------------------|-----|
| Substantial            | 3                 | 11  |
| Considerable           | 10                | 36  |
| Reasonable             | 7                 | 25  |
| Limited                | 8                 | 28  |
|                        |                   |     |
|                        |                   |     |
|                        | 28                | 100 |
|                        |                   |     |
| <b>Overall Opinion</b> | <b>Reasonable</b> |     |

- 2.5 Managers within directorates need to ensure that robust internal controls are in place and adhered to in order to ensure that the systems in operation run efficiently and effectively and the scope for misappropriation, theft or error is minimised. Heads of service have a responsibility to ensure that the Council's Financial Regulations and Contract Procedure Rules are complied with at an operational level. Staff should be made aware of these and the requirements therein and the consequences of non-compliance.

### 3. Extent of Coverage

- 3.1 It is considered that adequate audit coverage was provided to all clients, although staff vacancies have led to certain areas receiving less audit coverage than planned.

- 3.2 Overall, whilst not all planned audits were carried out, the actual number achieved is considered acceptable in view of the relative risk and priorities of other audit needs.

#### **4. Audit Coverage**

- 4.1 The full list of audit reviews completed by the Section during the year is shown in the attached Appendix C, together with the relevant internal control opinion awarded at the end of each audit.

- 4.2 Control opinions range from Substantial to Limited in accordance with the definitions shown in Appendix A.

- 4.3 Audit reviews concluding with a control opinion of limited assurance (previously unsatisfactory or unsound) are routinely reported (in summary form) to the Audit Committee. For 2016/17 there were 8 **Limited** opinions.

- i. School Dinner Money System (in progress)
- ii. Ysgol Y Ffin Primary School
- iii. Events (in progress)
- iv. Policy Review
- v. External Placements
- vi. Compliance with Bribery Act
- vii. Volunteering
- viii. Mobile Phones

- 4.4 Details of why these audit reviews resulted in limited assurance being given will be presented to Audit Committee separately.

- 4.5 During the year a new report format was piloted to simplify the outcome of the audit process and give operational managers a clear indication of the audit opinion following the audit review. The audit opinions were revised to provide a level of assurance and were colour coded in line with the traffic light system (Appendix A).

#### **5. Non-Audit Duties**

- 5.1 The team now has a minimal involvement with controlled stationery, although still administers the imprest account process and the school meal income returns.

#### **6. Fraud, Irregularity and Special Work/Investigations**

- 6.1 During the year the Section undertook unplanned or special work, including the investigation of suspected fraud, irregularities and non compliance.

6.2 The team was also involved in unplanned work:

- (a) Ysgol Y Ffin Financial Management
- (b) Youth Service - Skate Shop
- (c) 21st Century Schools programme
- (d) Investigation of anonymous allegation
- (e) Employment Tribunal Review
- (f) Borough Theatre
- (g) Mon Enterprises Development Fund audit of accounts
- (h) Financial Appraisals of key care homes and other external service providers
- (i) Financial Appraisal in respect of Abergavenny TC Loan scheme (VVP)
- (j) Additional testing of Outcomes - SP Grant
- (k) Agri-Urban EU Grant (URBACT)
- (l) Events follow-up

## **7. Training**

- 7.1 During the year a number of staff attended external courses / seminars on a variety of topics to ensure continued professional development.
- 7.2 The Section also participates in a number of local audit groups including the Welsh Chief Auditors' Group, the South Wales Chief Auditors' Group and respective sub groups for Capital, Social Services, Computer, Core Financial Systems and Education.
- 7.3 Management fully support the development and training of the audit staff and will continue to send staff to appropriate seminars/courses etc., to maintain an awareness of technical and legislative developments and to support user groups within the area in order to provide a more effective service. This will be beneficial on a personal and professional level.

## **8. Audit Team Performance**

- 8.1 To ensure a quality Internal Audit service is provided, the Section uses a range of performance indicators which it compares with other Welsh authorities via the Welsh Chief Auditors' Group.
- 8.2 As shown at Appendix C, the performance of the audit team during 2016/17 was good in that the team achieved 75% of the agreed plan.

- 8.3 75% of the agreed audit plan was achieved against a target of 80%. This was mainly due to spending a considerable amount of time on unplanned work.
- 8.4 Excluding finalisation work from 2015/16, 81 audit jobs were planned for 2016/17; this was reduced to 77 in year as a result of jobs that could not be done which were outside the control of the audit team. 58 jobs were completed to at least draft report stage, hence 75% of the plan was achieved. [Not all jobs in the plan would warrant an audit opinion eg financial advice, Annual Governance Statement, NFI, external work]. Productive audit days planned for the year amounted to 917; actual days charged were 986.
- 8.5 The team's performance of completion of work within planned time showed the team completed 55% of jobs within planned time compared to 27% in the previous year. This is something audit management will continue to look to improve in the current year.
- 8.6 As a measure of the quality of the work produced, the Section was able to report that 98% of its recommendations were accepted by the relevant client managers, which was in line with the previous year's figure of 97%. [This does not take into account reports that were in draft at year end]. 68% of agreed recommendations had been implemented.
- 8.7 Getting audit reports out to clients in a timely manner is a key aspect of maintaining relationships and ensuring control weakness are addressed at an early stage. As a result of management involvement with significant special investigations and unplanned work throughout the year, the team did not do as well as expected in getting reports out to operational managers, although this was a significant improvement on the previous year.
- a. Final reports were sent out 11 (22) days following receipt of management comments, against a target of 5 days.
  - b. Draft reports were sent out to clients 25 (75) days after the completion of the audit work against a target of 17 days.
- 8.8 Of the audit evaluation questionnaires which were returned by operational managers, 100% were satisfied with the audit service they had received although it is recognised that timeliness of reporting needs to improve. The feedback received also gave an indication of the added value of undertaking audits across all directorates; examples of which are shown at Appendix D.



## 9. Conclusions

- 9.1 It is considered that, over the course of the financial year, the objectives of the Section (as stated in paragraph 1.6) have been met.
- 9.2 The reporting procedures for all areas of the Section are now well established. Working practices are updated as a matter of course to underpin the quality of work undertaken. Team meetings will be held on a regular basis to ensure all staff are kept aware of new developments.
- 9.3 However, due to the impact of special work, there were certain areas in the Audit Plan that could not be covered in the year. The Section's management maintained a continuous review process throughout the year to ensure that the highest risk areas were targeted and the Section's Operational Plan for 2016/17 was also designed to ensure that any priority areas outstanding from 2016/17 will be covered in the next financial year.
- 9.4 The objective of the Internal Audit team is to provide assurance to Management and Members of the adequacy of the internal control environment, governance arrangements and risk management processes within Monmouthshire. Reduced audit staff resources leads to less coverage across the services provided by the Council which limits the assurance that can be given. In addition the team becomes less flexible in its ability to undertake special investigations in response to allegations of fraud, theft or non compliance.
- 9.5 The Chief Internal Auditor will have to monitor the situation closely and use a range of options to ensure appropriate audit coverage is provided. Although, demands on the resources are increasing, the Chief Internal Auditor is confident that adequate and appropriate coverage will be provided throughout the Council although prioritisation is required.
- 9.6 Finally, the support of all audit staff as well as senior management must be acknowledged in helping to continue to provide a comprehensive and valuable service to the Authority.

**Definitions of Internal Audit Opinions Used**

| LEVEL OF ASSURANCE | DESCRIPTION   |
|--------------------|---|
| SUBSTANTIAL        | Very well controlled, with numerous strengths identified and any risks being less significant in nature.                        |
| CONSIDERABLE       | Generally well controlled, although some risks identified which should be addressed.  |
| REASONABLE         | Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required. |
| LIMITED            | Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.                                |

Previous opinion definitions:

| Opinion        | Description   |
|----------------|---|
| Very Good      | Very well controlled with minimal risk identified; a few minor recommendations                            |
| Good           | Well controlled although some risk identified which needs addressing                                      |
| Reasonable     | Adequately controlled although some risks identified which may compromise the overall control environment |
| Unsatisfactory | Not very well controlled, unacceptable levels of risk identified; changes required urgently               |
| Unsound        | Poorly controlled, major risk exists; fundamental improvements are required with immediate effect         |

## Audit Opinions

Overall Opinion 2016/17

Reasonable

| Job number | Directorate             | Service                             | Job Name   | Risk Rating / Priority | Complete when FINALISED | Opinion given |
|------------|-------------------------|-------------------------------------|--|------------------------|-------------------------|---------------|
| P16/17/24  | Children & Young People | Resources                           | School Admissions                                  | Medium                 | Draft                   | Substantial   |
| P16/17/38  | Children & Young People | Schools                             | Llantilio Pertholey (In progress)                  | Low                    | Finalised               | Substantial   |
| P16/17/72  | Corporate               | Cross Cutting                       | Capital Receipts                                   | Medium                 | Draft                   | Substantial   |
| P16/17/02  | Chief Executive's       | Democracy & Regulatory Services     | Registrars   | Medium                 | Draft                   | Considerable  |
| P16/17/06  | Chief Executive's       | Finance                             | Insurances   | Medium                 | Draft                   | Considerable  |
| P16/17/10  | Chief Executive's       | Finance                             | Suspense, Control & Holding Account Reconciliation | Medium                 | Draft                   | Considerable  |
| P16/17/21  | Chief Executive's       | Policy & Engagement                 | Performance Indicators - NSI, PAM, SIDS            | Medium                 | Finalised               | Considerable  |
| P16/17/22  | Chief Executive's       | Policy & Engagement                 | Performance Indicators - Local                     | Medium                 | Finalised               | Considerable  |
| P16/17/32  | Children & Young People | Schools                             | The Dell Primary School                            | Low                    | Draft                   | Considerable  |
| P16/17/34  | Children & Young People | Schools                             | Pembroke Primary School                            | Low                    | Draft                   | Considerable  |
| P16/17/40  | Children & Young People | Schools                             | Pupil Referral Service (In progress)               | Low                    | Finalised               | Considerable  |
| P16/17/45  | Enterprise              | Community-led Delivery              | County Farms (in progress)                         | Medium                 | Finalised               | Considerable  |
| P16/17/64  | Social Care & Health    | Older People's Direct Care Services | Mardy Park   | Low                    | Finalised               | Considerable  |
| P16/17/14  | Chief Executive's       | Operations                          | Transport Unit - Leased Vehicles                   | Medium                 | Finalised               | Reasonable    |
| P16/17/18  | Chief Executive's       | Operations                          | Garden Waste                                       | Low                    | Finalised               | Reasonable    |
| P16/17/35  | Children & Young People | Schools                             | Our Lady & St. Michael's Primary School            | Low                    | Draft                   | Reasonable    |

| Job number | Directorate             | Service                         | Job Name                                 | Risk Rating / Priority | Complete when FINALISED | Opinion given |
|------------|-------------------------|---------------------------------|--|------------------------|-------------------------|---------------|
| P16/17/37  | Children & Young People | Schools                         | Magor (Follow-up)                        | Medium                 | Draft                   | Reasonable    |
| P16/17/46  | Enterprise              | Community-led Delivery          | Homelessness                             | Medium                 | Draft                   | Reasonable    |
| P16/17/48  | Enterprise              | Community-led Delivery          | Community Hubs                           | Medium                 | Draft                   | Reasonable    |
| P16/17/73  | Corporate               | Cross Cutting                   | Capital Programme (in progress)          | High                   | Draft                   | Reasonable    |
|            |                         |                                 |  |                        |                         |               |
| P16/17/16  | Chief Executive's       | Operations                      | School Dinner Money System (in progress) | Medium                 | Finalised               | Limited       |
| P16/17/36  | Children & Young People | Schools                         | Ysgol Y Ffin Primary School              | Low                    | Draft                   | Limited       |
| P16/17/47  | Enterprise              | Community-led Delivery          | Events (in progress)                     | Medium                 | Finalised               | Limited       |
| P16/17/51  | Enterprise              | Commercial & People Development | Policy Review                            | Medium                 | Draft                   | Limited       |
| P16/17/62  | Social Care & Health    | Children's Services             | External Placements                      | Medium                 | Draft                   | Limited       |
| P16/17/68  | Corporate               | Cross Cutting                   | Compliance with Bribery Act              | Medium                 | Draft                   | Limited       |
| P16/17/77  | Corporate               | Cross Cutting                   | Volunteering                             | Medium                 | Draft                   | Limited       |
| P16/17/81  | Corporate               | Cross Cutting                   | Mobile Phones                            | Medium                 | Draft                   | Limited       |

## Performance of the Internal Audit Section

| Performance Indicator   | 2013/14 | 2014/15 | 2015/16 | Annual Target | 2016/17 |
|---|---------|---------|---------|---------------|---------|
| Percentage of planned audits completed  | 60%     | 65%     | 74%     | 80%           | 75%     |
| Percentage of audits completed within planned time  | 50%     | 50%     | 27%     | 67%           | 55%     |
| Average no. of days from audit closing meeting to issue of a draft report                 | 37 days | 52 days | 75 days | 17 days       | 22      |
| Average no. of days from receipt of response to draft report to issue of the final report | 16 days | 29 days | 22 days | 5 days        | 11      |
| Percentage of recommendations made that were accepted by the clients                      | 97%     | 96%     | 97%     | 95%           | 98%     |
| Percentage of agreed recommendations that were implemented by the clients                 | N/A     | N/A     | N/A     | 90%           | 68%     |
| Percentage of planned audits for which a questionnaire was issued                         | 78%     | 88%     | 78%     | 90%           | 100%    |
| Percentage of clients at least 'satisfied' by audit process                               | 100%    | 91%     | 100%    | 95%           | 100%    |
| Percentage of Directly Chargeable Time (actual versus planned)                            | 91%     | 85%     | 91%     | 100%          | 107%    |
|   |         |         |         |               |         |
|   |         |         |         |               |         |

**Feedback comments from operational managers  
(some examples)**

|  |   |
|--|---|
|  | Best approach and attitude to Audit that we have ever experienced.  |
|  | The audit was carried out very professionally and worked around the needs of the service area. The new reporting style is easy to understand and the traffic light systems make it easy to prioritise concerns. The audit process felt more like a “critical friend” than criticism and allowed us to really reflect on the current processes instead of trying to defend service delivery. It was helpful as a service area to have the support of Audit to ensure we are following due process  |
|  | Both Sarah and Mark were very helpful in explaining the audit process, discussing and agreeing the audit scope and objectives and answering any questions. The audit took place at a time convenient to the service with little disruption to the day to day operational activities of the service. I was kept fully informed of the progress of the audit throughout and given the opportunity to provide additional information/clarity where necessary to assist the process. The initial findings were discussed in a timely manner and a draft report provided within the agreed timescales. I was given the opportunity to comment upon the draft report and the recommendations and provide additional comment where necessary |
|  | This was useful as we were able to act on these immediately, which we did. The team listened to any queries and actioned these in the final report  |
|  | It highlights weaknesses and also strengths which need to be taken into account – it also helps to determine what needs to be completed in a particular way and also the best working practice to achieve it.   |
|  | The audit was conducted professionally however the timescale for the draft and final report are too long  |
|  | A very professional team.<br><br>My only negative comment is this is a joint report with my self and Finance and I would have preferred it if they were separate.   |
|  | It took a little longer than I expected to receive the draft report   |
|  |   |
|  |   |



**SUBJECT: INTERNAL AUDIT SECTION  
OPERATIONAL PLAN, 2017/18  
FINAL**

**DIRECTORATE: Resources  
MEETING: Audit Committee  
DATE: 6<sup>th</sup> July 2017  
DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To receive and consider the Internal Audit Operational Audit Plan for 2017/18.

## 2. RECOMMENDATION(S)

That the Audit Committee accepts and endorses the 2017/18 Internal Audit Plan.

## 3. KEY ISSUES

- 3.1 A comprehensive risk matrix was developed for the 2011/12 planning process which gave an outline programme of work that would enable the Internal Audit Section to cover all material audit risks across all services of the Council.
- 3.2 This report explains how the 2017/18 Operational Audit Plan has been prepared and how the plan will be put together in future years. The risk matrix enables all possible systems, processes, sections and establishments that could possibly be audited within Monmouthshire to be risk assessed and ranked in a high to low risk priority.
- 3.3 There are over 300 possible areas to audit across all services provided by Monmouthshire so coverage needs to be prioritised; areas are risk assessed and then sorted in risk order from high, then medium and low. The audit team staff resources would then be allocated to cover the higher ranked risks as a priority. That said, inevitably there will be reviews which the audit team have to undertake annually such as performance indicators, annual governance statement, mandatory grant claim audits and audit advice, which have also been incorporated into the plan, along with follow up reviews, finalisation work and planned work from previous year not undertaken.

- 3.4 An allocation of time will be included in the plan for special investigations where the team might receive allegations of fraud, theft, non compliance. The plan also needs to be flexible enough to respond to changes to risk profiles and other developments in year; the audit management team will continually monitor this situation.
- 3.5 For 2017/18, total available audit resource amounts to 763 days, which will be allocated across service directorates on a risk basis. This includes 116 days for special investigations and unplanned work. The work will be undertaken by 5.4 FTE audit staff. The available resource is based on all staff being in place for the whole of the year.
- 3.6 Although the time allocated to special investigations is usually a pressure point the 2017/18 allocation of days has been maintained to ensure appropriate coverage is given across service areas.
- 3.7 The detail of the plan is shown at Appendix 1, which has been compiled following consultation with Heads of Service. The first quarter will include finalisation of 2016/17 work which was at draft report stage at year end, work planned for 2016/17 but not completed, corporate performance indicators along with the collation of the Annual Governance Statement.
- 3.8 This plan may change as the year progresses if the risk profile of audit work changes. Any significant change will be brought back to the Audit Committee for approval. The Audit Committee will be kept updated with the progress against the agreed plan via quarterly reports.
- 3.9 The team comprises of one Audit Manager (CIPFA) supported by one Principal Auditor (IIA), two Senior Auditors and one Auditor with the Chief Internal Auditor (CIPFA) having overall responsibility for the team; he operates on a shared services arrangement with Newport City Council.
- 3.10 To seek to maximise performance against the plan, Audit Management will ensure audit reports are more focused and timely, that staff with the right skill sets are allocated to appropriate work and non-productive time is minimised.

#### **4. REASONS**

- 4.1 The draft 2017/18 Internal Audit Summary Plan is attached at Appendix 1 to this report. The Plan is based on a risk assessment along with cumulative audit knowledge. This will be reviewed on an annual basis in order to determine the appropriateness of the risk assessment each year where audit resources will be deployed to cover the higher risk reviews.
- 4.2 The Operational Plan has been updated to take account of:
  - a) The Authority's latest Risk Assessment;
  - b) New areas for inclusion in the Plan identified from changes to legislation and the regulatory framework for local government and from ongoing discussions with service managers;



- c) Areas of slippage from the 2016/17 Operational Plan; and
- d) The published Audit Plan produced by the Wales Audit Office.
- e) The Council's Improvement Plan and the Single Integrated Plan for Monmouthshire.

- 4.3 Each review is risk assessed and categorised as High, Medium or Low risk. Within the cycle of audits the team would aim to cover the higher risk areas as a priority but also provide coverage across directorates with lower risk services. All fundamental financial systems may now not be covered on an annual basis, especially if they have been previously determined as well controlled, with no significant changes to the system or to personnel. We will ensure that these are incorporated within the plan every few years to provide ongoing assurance. This new approach and methodology has been discussed and agreed with the external auditor who places reliance on the work undertaken by Internal Audit.
- 4.4 Where audits planned for 2016/17 were unable to be undertaken during the year due to insufficient resources and the effects of unplanned special work, these audits have been included in the Operational Plan for 2017/18 and will be undertaken in the early part of the financial year. Similarly, those audits in progress at the year-end will be completed early in the 2017/18 financial year, and an allowance of time will be included within the Plan for these audits.
- 4.5 Consultation was undertaken, with visits and email correspondence to the various managers and finance representatives of each directorate. There may be further amendments to the Plan as the year progresses to reflect any changes in risk profiles within the directorates.
- 4.6 The Operational Plan will be kept under review through the course of the year to identify any amendments needed to reflect changing priorities and emerging risks. Material changes to the Plan will be reported to the Audit Committee at the earliest opportunity.
- 4.7 An annual Outturn Report will be prepared for the Audit Committee to provide details on the performance of the Section against the Operational Plan. Interim progress reports will also be provided to the Committee three times per year.
- 4.8 With effect from 1<sup>st</sup> April 2016 the revised Public Sector Internal Audit Standards came into force for all public sector bodies including local government organisations. The Chief Internal Auditor will ensure that the Audit Team undertake their work in accordance with these Standards.

## **5. RESOURCE IMPLICATIONS**

None.

## **6. CONSULTEES**

Head of Finance

**7. BACKGROUND PAPERS**

Strategic Audit Risk Matrix  
Public Sector Internal Audit Standards  
CIPFA Local Government Internal Audit Manual  
Wales Audit Office 2017 Audit Plan – Monmouthshire CC

**8. AUTHORS AND CONTACT DETAILS**

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## Internal Audit Plan for 2017/18

| DIRECTORATE:                    |  | Children & Young People |                                |
|---------------------------------|--|-------------------------|--------------------------------|
| <u>Service Area</u>             | <u>Subject</u>                                     | <u>Risk</u>             | <u>Type</u>                    |
| 21st Century Schools            |  |                         | Audit Advice                   |
| Achievement & Extended Services | Education Improvement Grant                        | Med                     | Grant Claim Audit              |
| Achievement & Extended Services | Pupil Deprivation Grant                            | Low                     | Grant Claim Audit              |
| Achievement & Extended Services | Outside School Childcare Grant                     | Low                     | Grant Claim Audit              |
| Achievement & Extended Services | Special Educational Needs                          | Med                     | Completion of Work in Progress |
| Achievement & Extended Services |  |                         | Audit Advice                   |
| Schools                         | Mounton House Special School                       | Med                     | New Audit                      |
| Schools                         | Deri View Primary School                           | Low                     | New Audit                      |
| Schools                         | Thornwell Primary School                           | Low                     | New Audit                      |
| Schools                         | Osbaston Primary School                            | Low                     | New Audit                      |
| Schools                         | Overmonnow Primary School                          | Low                     | New Audit                      |
| Schools                         | Cross Ash Primary School                           | Low                     | New Audit                      |
| Schools                         | The Dell Primary School                            | Low                     | Finalisation of Report         |
| Schools                         | Raglan Primary School                              | Med                     | Completion of Work in Progress |
| Schools                         | Pembroke Primary School                            | Low                     | Finalisation of Report         |
| Schools                         | Our Lady & St. Michael's Primary School            | Low                     | Finalisation of Report         |
| Schools                         | Ysgol Y Ffin                                       | Med                     | Finalisation of Report         |
| Schools                         | Magor Primary School                               | Med                     | Finalisation of Report         |
| Schools                         | Chepstow School                                    | High                    | Completion of Work in Progress |
| Schools                         | Ysgol Y Ffin                                       | Med                     | Follow-up                      |
| Schools                         | Raglan Primary School                              | Med                     | Follow-up                      |
| Schools                         | Monitoring Implementation of Audit Recommendations |                         | Follow-up                      |
| Schools                         |  |                         | Audit Advice                   |
| CYP Resources                   | School Uniform Grant                               | Low                     | Grant Claim Audit              |
| CYP Resources                   | School Private Fund Accounts                       | Med                     | New Audit                      |
| CYP Resources                   | School Admissions                                  | Med                     | Finalisation of Report         |
| CYP Resources                   |  |                         | Audit Advice                   |

## DIRECTORATE:

Enterprise

| <u>Service Area</u>        | <u>Subject</u>  | <u>Risk</u> | <u>Type</u>                       |
|----------------------------|---|-------------|-----------------------------------|
| Economy & Enterprise       | Agri-Urban URBACT Scheme<br>June 2017                 | Low         | Grant Claim Audit                 |
| Economy & Enterprise       | Agri-Urban URBACT Scheme Dec<br>2017                  | Low         | Grant Claim Audit                 |
| Economy & Enterprise       |   |             | Audit Advice                      |
| Tourism, Leisure & Culture | Borough Theatre Trust                                 | High        | Completion of Work in<br>Progress |
| Tourism, Leisure & Culture | Leisure Centres Payroll Review                        | Med         | New Audit                         |
| Tourism, Leisure & Culture | Alternative Delivery Models                           | High        | New Audit                         |
| Tourism, Leisure & Culture | Youth Service   | Med         | New Audit                         |
| Tourism, Leisure & Culture | Sports Development                                    | Med         | Completion of Work in<br>Progress |
| Tourism, Leisure & Culture | Events  | High        | Follow-up                         |
| Tourism, Leisure & Culture |   |             | Audit Advice                      |
| Tourism, Leisure & Culture | Monitoring Implementation of<br>Audit Recommendations |             | Follow-up                         |
| Policy & Performance       | National Performance Indicators                       | Med         | New Audit                         |
| Policy & Performance       | Local Performance Indicators                          | Low         | New Audit                         |
| Policy & Performance       |   |             | Audit Advice                      |
| Communications             |   |             | Audit Advice                      |
| Planning                   | Section 106 Agreements                                | High        | New Audit                         |
| Planning                   | Homelessness  | High        | Finalisation of Report            |
| Planning                   |   |             | Audit Advice                      |
| Partnerships/Whole Place   |   |             | Audit Advice                      |
| Local Democracy            |   |             | Audit Advice                      |
| Scrutiny                   |   |             | Audit Advice                      |

**DIRECTORATE: Operations**

| <u>Service Area</u>            | <u>Subject</u>                                     | <u>Risk</u> | <u>Type</u>                    |
|--------------------------------|--|-------------|--------------------------------|
| Passenger Transport Unit       | PTU Follow-up audit                                | Med         | Completion of Work in Progress |
| Passenger Transport Unit       |  |             | Audit Advice                   |
| SWTRA & Street Lighting        | SWTRA Agreement                                    | High        | New Audit                      |
| SWTRA & Street Lighting        |  |             | Audit Advice                   |
| Transport                      | Fuel Cards   | Med         | Completion of Work in Progress |
| Transport                      | Monitoring Implementation of Audit Recommendations |             | Follow-up                      |
| Transport                      |  |             | Audit Advice                   |
| Property Services & Facilities | Procurement Follow-up 2016/17                      | High        | Completion of Work in Progress |
| Property Services & Facilities | School Meals System (Parent Pay)                   | Med         | New Audit                      |
| Property Services & Facilities | Procurement  | High        | New Audit                      |
| Property Services & Facilities |  |             | Audit Advice                   |
| Waste & Street Operations      | Monitoring Implementation of Audit Recommendations |             | Follow-up                      |
| Waste & Street Operations      |  |             | Audit Advice                   |
| Traffic Network                | Kerbcraft  | Med         | New Audit                      |
| Traffic Network                | Streetworks  | Med         | New Audit                      |
| Traffic Network                |  |             | Audit Advice                   |
| County Highways Operations     |  |             | Audit Advice                   |

## DIRECTORATE:

## Resources

| <u>Service Area</u>             | <u>Subject</u>                                     | <u>Risk</u> | <u>Type</u>                    |
|---------------------------------|--|-------------|--------------------------------|
| People & Information Governance | Payroll  | Med         | New Audit                      |
| People & Information Governance | Payroll 2016/17                                    | Med         | Completion of Work in Progress |
| People & Information Governance | HR Policy Review 2016/17                           | High        | Finalisation of Report         |
| People & Information Governance | HT Policy Review                                   | High        | Follow-up                      |
| People & Information Governance |  |             | Audit Advice                   |
| Digital & Technology            |  |             | Audit Advice                   |
| Finance                         | Creditor Payments System                           | Med         | New Audit                      |
| Finance                         | Procurement Cards                                  | Med         | Completion of Work in Progress |
| Finance                         | Fixed Assets                                       | Med         | Completion of Work in Progress |
| Finance                         | Creditors 2016/17                                  | Med         | Completion of Work in Progress |
| Finance                         | Corporate Sundry Debtors                           | Med         | New Audit                      |
| Finance                         | Cashiers   | Med         | New Audit                      |
| Finance                         | Budgetary Control                                  | High        | New Audit                      |
| Finance                         | NDR Transitional Reliefs                           | Med         | New Audit                      |
| Finance                         | Council Tax & NDR Systems                          | Med         | Completion of Work in Progress |
| Finance                         | Suspense Control & Holding Accounts                | Med         | Finalisation of Report         |
| Finance                         | Insurances   | Med         | Finalisation of Report         |
| Finance                         |  |             | Audit Advice                   |
| Community Led Delivery          | Community Hubs                                     | Med         | Finalisation of Report         |
| Community Led Delivery          | Markets  | Med         | Follow-up                      |
| Community Led Delivery          | Monitoring Implementation of Audit Recommendations |             | Follow-up                      |
| Community Led Delivery          |  |             | Audit Advice                   |

| <u>Service Area</u>          | <u>Subject</u>  | <u>Risk</u> | <u>Type</u>                       |
|------------------------------|---|-------------|-----------------------------------|
| Integrated Services          | My Day My Life  | Med         | Follow-up                         |
| Integrated Services          | Supporting People Grant                               | High        | Grant Claim Audit                 |
| Integrated Services          | Supporting People Grant 2016/17                       | High        | Finalisation of Report            |
| Integrated Services          | Monitoring Implementation of<br>Audit Recommendations |             | Follow-up                         |
| Integrated Services          |   |             | Audit Advice                      |
| Children's Services          | External Placements 2016/17                           | High        | Finalisation of Report            |
| Children's Services          | External Placements                                   | High        | Follow-up                         |
| Children's Services          |   |             | Audit Advice                      |
| Public Protection            | Health & Safety                                       | Med         | New Audit                         |
| Public Protection            | Licensing   | Med         | Completion of Work in<br>Progress |
| Public Protection            | Registrars  | Med         | Finalisation of Report            |
| Public Protection            |   |             | Audit Advice                      |
| Social Services Finance Unit |   |             | Audit Advice                      |

| <u>Service Area</u> | <u>Subject</u>                                     | <u>Risk</u> | <u>Type</u>                    |
|---------------------|--|-------------|--------------------------------|
| Cross Cutting       | National Fraud Initiative                          | Med         | New Audit                      |
| Cross Cutting       | Annual Governance Statement                        |             | New Audit                      |
| Cross Cutting       | IT Procurement                                     | Med         | Completion of Work in Progress |
| Cross Cutting       | Risk Management                                    | High        | Completion of Work in Progress |
| Cross Cutting       | Capital Receipts                                   | High        | Finalisation of Report         |
| Cross Cutting       | Capital Programme                                  | High        | Finalisation of Report         |
| Cross Cutting       | Volunteering 2016/17                               | Med         | Finalisation of Report         |
| Cross Cutting       | Mobile Phones 2016/17                              | Med         | Finalisation of Report         |
| Cross Cutting       | Compliance with Bribery Act 2016/17                | Med         | Finalisation of Report         |
| Cross Cutting       | Safeguarding Arrangements                          | High        | New Audit                      |
| Cross Cutting       | Compliance with Bribery Act                        | High        | Follow-up                      |
| Cross Cutting       | Volunteering                                       | Med         | Follow-up                      |
| Cross Cutting       | Mobile Phones                                      | Med         | Follow-up                      |
| Cross Cutting       | Monitoring Implementation of Audit Recommendations |             | Follow-up                      |
| Cross Cutting       | Future Monmouthshire                               |             | Audit Advice                   |



|                 |  |
|-----------------|--|
| <b>SUBJECT</b>  | <b>Progress Report: Wales Audit Office Proposals for Improvement</b> |
| <b>MEETING:</b> | <b>Audit Committee</b>   |
| <b>DATE:</b>    | <b>6<sup>th</sup> July 2017</b>                                      |

## 1. PURPOSE

To provide Audit Committee with an update on the authority's progress against the Wales Audit Office (WAO) proposals for improvement up to June 2017.

## 2. RECOMMENDATIONS

That members consider the current position of proposals and future actions being taken in response and identify any areas where they feel further action is needed.

## 3. KEY ISSUES

3.1 Each year Wales Audit Office undertake a Performance Audit work programme with the Council. The reports issued by WAO as a result of this work programme are able to make the following interventions for areas that are deemed as requiring improvement:

- proposals for improvement – if proposals are made to the Council WAO would expect Council to do something about them and will follow up what happens;
- formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within
- 30 working days;
- conduct a special inspection, and publish a report and make recommendations; and
- recommend to Ministers of the Welsh Government that they intervene in some way.

3.2 The proposals included in the report, appendix 1, are those issued to the Council as a result of the Performance Audit regulatory work conducted by the WAO in the authority. There are no statutory recommendations contained within this update, the update contains lower-priority issues, known as proposals for improvement. Recommendations from the Safeguarding arrangements – Kerbcraft scheme report have been reported separately to Council.

3.3 This update contains proposals received since the Corporate Assessment completed by Wales Audit Office in March 2015 as this is the most recent comprehensive assessment of the council covering: vision and strategy; governance and accountability; use of resources; collaboration and partnerships; managing improvement; and performance and outcomes. The specific WAO reports which have instigated the proposals are referenced in the update.

3.4 An [area on the hub](#) (the Council's Intranet) has been established, for members to view, which contains all of the recent reports issued to the Council by Wales Audit Office as part of their performance audit work programme, this also includes the Council's initial management response to each report.

- 3.5 As well as being made available on the hub reports published by WAO are also presented to Audit Committee, accompanied by the Council's management response, as they are produced. For example during 2016/17 a number of audits have been completed by WAO including: Corporate Assessment follow-on reviews on Performance Management; Governance; Human Resources and Information Technology, all of which have already been reported to Audit Committee.
- 3.6 Recently published audit reviews on "Savings planning" and "Good governance when determining significant service changes" are presented separately on the Audit Committee agenda for the 6<sup>th</sup> July, accompanied by the Council's management response, and are therefore not included within this report.
- 3.7 This update builds on the most recent update provided in December 2016 as part of the six monthly reporting in place. Where progress and evidence for a proposal suggests it has been adequately addressed the proposal has been "closed" and removed from the report, an overview of these is provided in appendix 2. Proposals which require further attention are marked as "open", while some proposals have been combined where the issues covered and/or the action the council is taking to respond to them are strongly linked.
- 3.8 Each proposal update highlights:
- The specific proposal, or more than one proposal if they are closely linked.
  - The progress made up to June 2017 to address the issues identified by the proposal.
  - Whether the status of the proposal is to remain "open" or be "closed" if the evidence of progress suggests it has been sufficiently addressed.
  - Any further actions that will be taken to address the proposal if it remains open.
- 3.9 The proposals made by WAO are grouped into the following areas:
- a. Human Resources
  - b. Performance Management
  - c. Partnership & collaboration
  - d. Governance
  - e. Finance
  - f. Information Technology
- 3.10 WAO also make recommendations that may be relevant to the council in local government national reports. Although these have not been issued directly to the council, like the other proposals, the recommendations from the national reports could be relevant to the Council's services. The reports are published on [www.audit.wales/publications](http://www.audit.wales/publications).
- 3.11 Some of the forward looking actions committed by the authority are likely to be reflected within other council strategic documents such as the Council's Well-being Objectives and Statement, the Whole Authority Strategic Risk Assessment and the Medium Term Financial Plan.
- 3.12 Wales Audit Office also produce an annual report called The Annual Improvement Report (or AIR) summarising the work undertaken in the council during that year and concluding on the council's prospects for improvement. The last AIR published

in August 2016 is available to download on the [Wales Audit Office website](#) and concludes: "Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the council will comply with the requirements of the measure during 2016-17 provided it continues to maintain the current pace of improvement." The Annual Improvement report (AIR) for 2017 is due to be published imminently and will be presented to Audit Committee when available.

3.13 WAO as part of their ongoing annual audit work programme may follow up progress in any of the open or recently closed proposal areas.

#### **4. REASONS**

To ensure the authority responds appropriately to the WAO proposals to secure the improvements required.

#### **5. RESOURCE IMPLICATIONS**

Finances and any other resource implications of activity related to the proposals will need to be taken into account by the relevant responsibility holders.

#### **6. AUTHORS**

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Matthew Gatehouse, Policy and Performance Manager

#### **7. CONTACT DETAILS:**

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## Appendix 1 - Open Wales Audit Office Proposals for Improvement

| Human Resources proposals  |   |  |                                   |               |      |
|----------------------------|---|--|-----------------------------------|---------------|------|
| WAO Proposal               | <b>Engage more effectively with staff to ensure the Council's values are clearly evident across the organisation.</b>   |  |                                   | Status        | Open |
| Report                     | Corporate Assessment – November 2015 and Human Resources – Corporate Assessment Follow-on Review – December 2016  |  |                                   |               |      |
| What progress have we made | <p>MonTalks and MonDelivers talks have been introduced to share insights, information and updates on a variety of aspects of the Council's work.</p> <p>Action has been taken to provide feedback from the last staff conference and staff survey – for example by displaying posters in staff areas, while the People Board continue to live stream question and answer sessions. Directorate level staff conferences will be established to provide more specific staff engagement on issues in their directorate. A follow on staff survey, including further questions on wellbeing, has been completed and the results are being reviewed to inform future planning</p>  |  |                                   |               |      |
| Further action planned     | Desired Result  | Action   | Responsible Officer               | Timescale     |      |
|                            | More engagement with staff on specific issues in their directorate.   | Establish directorate level staff conferences  | SLT                               | December 2017 |      |
|                            | Greater understanding of staff feedback to inform future planning.  | Complete the review of the staff survey, communicate the results to staff and use the results to inform future planning. | Organisational Development Manger | July 2017     |      |
| WAO Proposal               | <p><b>Ensure that the planned revisions and changes made to 'Check In Check Out' deliver a clear process of assessing and improving the performance of all staff and that department, team and individual objective setting is in line with the Council's corporate objectives.</b></p> <p><b>Improve oversight and ongoing implementation of the staff appraisal process. In particular:</b></p> <ul style="list-style-type: none"> <li>• ensure staff appraisal completion is uploaded onto the Council's Hub to accurately reflect the numbers of staff in receipt of an annual appraisal; and</li> <li>• increase the appraisal completion rate.</li> </ul>   |  |                                   | Status        | Open |
| Report                     | Corporate Assessment – November 2015 and Human Resources – Corporate Assessment Follow-on Review – December 2016  |  |                                   |               |      |
| What progress have we made | <p>Based on feedback received, the <i>Check-in, Check-out</i> (CICO) process has been reviewed and rolled out with more robust guidance, video tutorials and supportive training. Work will continue to roll out, increase understanding and maximise completion of the process.</p> <p>It was recognised that CICO completion rates are likely to be higher than previously reported as the system was not capturing all data in the most effective way. Recognising this, work has been completed to develop a longer term more effective recording module that allows managers to record the CICO directly into an employee's record on the human resources system. This allows for all employee data to be stored in one place and enable direct access to reports from the system identifying completion rates, training needs (which would automatically be fed through to the training</p> |  |                                   |               |      |

team) and track progress on any actions agreed. Communication and a guidance video have been established and the new system will be launched for managers to use.

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

|                        | Desired Result  | Action  | Responsible Officer                       | Timescale  |
|------------------------|---|---|---|------------|
| Further action planned | Check-in, Check-out is well understood, consistently employed and informs staff development | Continue to roll out, increase understanding and maximise completion of the check-in, check-out process | Head of People and Information Governance | March 2018 |

|              |   |        |      |
|--------------|---|--------|------|
| WAO Proposal | <b>Develop the Council’s workforce planning arrangements by including accurate data and key management information around workforce issues and statistics, reporting regularly to Senior Leadership and Management Teams to enable effective monitoring of progress and management of these issues on an ongoing basis.</b> | Status | Open |
|              | <b>Develop further workforce data to include staff establishment, contract status, vacancies, agency use, age, gender, and grade/pay distribution, to better inform future workforce planning activity.</b>   |        |      |

|        |  |
|--------|--|
| Report | Corporate Assessment – November 2015 and Human Resources – Corporate Assessment Follow-on Review – December 2016 |
|--------|--|

|                            |  |
|----------------------------|--|
| What progress have we made | <p>A process has been developed to enable service leaders to effectively focus on succession and workforce planning and directorates to develop plans for their workforce. The combination of the workflow and the training and development pathways will help leaders foster the behaviours and skills needed to take a proactive and forward thinking approach to maintaining their teams and services and also provide colleagues with clear channels of training to progress in their careers.</p> <p>People Services data dashboards covering key workforce information continue to be available on the council’s intranet. To further improve the analysis and reporting of this information scorecards are being implemented which cover a range of workforce data including staff establishment, age, gender etc. These will enable Managers to interrogate data and identify specific workforce issues. The data will be near real time as they are directly linked to the HR system and will therefore provide more timely information. They will be available to be used by department management teams and senior leadership team in order to drive effective decision making based on workforce information and will be supplemented by bi-annual, or more frequent if required, HR business reports.</p> <p>Future Monmouthshire will identify shifts and changes needed in Monmouthshire and position the council as the key enabler in bringing them about. It will inform the development of a new business model for the organisation in order to equip it to meet its goals amidst increasing change and uncertainty and will facilitate work on articulating future workforce requirements</p> |
|----------------------------|--|

|                        | Desired Result  | Action   | Responsible Officer | Timescale                |
|------------------------|---|--|---------------------|--------------------------|
| Further action planned | Workforce statistics are available at team level in a timely manner | Implement new workforce data dashboards  | Head of People      | June 2017                |
|                        | Effective monitoring of workforce issues                            | To continue to produce a People Services Annual Report and implement biannual HR reports to DMTs and SLT | Head of People      | Ongoing                  |
|                        | A sustainable business model is in place                            | Develop the future business model for the authority  | Chief Executive     | To be informed by Future |

|  |  |   |                   |   |
|--|--|---|-------------------|---|
|  |  |   |                   | Monmouth-shire                          |
|  | Clarity on the future shape of the workforce | Use this business model to articulate the future workforce requirements of the authority including numbers of staff and skills needed | Head of Resources | To be informed by Future Monmouth-shire |

|                                   |   |   |                            |                  |      |
|-----------------------------------|---|---|----------------------------|------------------|------|
| <b>WAO Proposal</b>               | <b>Improve the evaluation of HR improvement actions to better measure the impact and outcomes.</b>  |   |                            | <b>Status</b>    | Open |
| <b>Report</b>                     | Human Resources – Corporate Assessment Follow-on Review – December 2016   |   |                            |                  |      |
| <b>What progress have we made</b> | <p>To provide clarity of purpose and direction a People and Organisational Strategy was developed, underpinned by an ambitious delivery work programme. Progress against the strategy in 2015/16 has been reported. The last People Services annual report was completed in June 2016, which provides a summary of activity against areas for improvement during the year.</p> <p>This annual report will act as a base line for completion of the 2016/17 annual monitoring report. Which will bring together the different elements of People Services to evaluate the effectiveness and efficiency of the service.</p> |   |                            |                  |      |
| <b>Further action planned</b>     | <b>Desired Result</b>   | <b>Action</b>   | <b>Responsible Officer</b> | <b>Timescale</b> |      |
|                                   | Assurance that the Council is implementing its planned improvements to HR management  | Complete the second (2016/17) annual monitoring report of People Services | July 2017                  | Head of People   |      |

| Performance Management proposals  |  |               |                            |                  |      |
|-----------------------------------|--|---------------|----------------------------|------------------|------|
| <b>WAO Proposal</b>               | <b>Improve performance management arrangements by:</b>   |               |                            | <b>Status</b>    | Open |
|                                   | <ul style="list-style-type: none"> <li>• ensuring planned improvements are tangible;</li> <li>• improving target setting to better reflect desired improvement and ensuring resources are allocated to deliver Council priorities through the Medium Term Financial Plan;</li> <li>• developing arrangements to identify intended outcomes, targets and data collection arrangements when services are being delivered through alternative models;</li> </ul>  |               |                            |                  |      |
| <b>Report</b>                     | Corporate Assessment – November 2015   |               |                            |                  |      |
| <b>What progress have we made</b> | <p>The Stage 1 Improvement Plan 2016-17 was published in consideration of the areas for improvement identified by Wales Audit Office and the public consultation. Clear and robust targets that articulate the ambition of the council were included in the plan. Wales Audit Office issued a certificate of compliance following their audit of the plan.</p> <p>A training session on performance measurement, incorporating target setting, is being made available through TalentLab.</p> <p>It is recognised that there is a particular difficulty in developing performance data, measures and targets and risks to data quality when setting up new policies, initiatives or arrangements. These areas will be particularly targeted for policy and performance team support.</p> |               |                            |                  |      |
|                                   | <b>Desired Result</b>  | <b>Action</b> | <b>Responsible Officer</b> | <b>Timescale</b> |      |



|                        |  |  |                                |              |
|------------------------|--|--|--------------------------------|--------------|
| Further action planned | Stretching, realistic and robust targets                                 | Strengthen target setting arrangements and ensure availability of up-to-date target setting guidance and training via Talent Lab | Policy and Performance Manager | July 2017    |
|                        | Clarity of outcomes and arrangements when services are being transformed | Implement a more robust approach to policy development to ensure services are based on clear design principles and data.         | Policy and Performance Manager | October 2017 |

|              |  |        |      |
|--------------|--|--------|------|
| WAO Proposal | <b>Improve strategic planning by:</b> <ul style="list-style-type: none"> <li>• ensuring clear links between strategies and agreed priorities; and</li> <li>• developing cohesive strategies to underpin and support robust decision making.</li> </ul> | Status | Open |
|              | <b>Demonstrate clearly the links between the Council's strategies and service plans to show how actions will deliver its strategic targets and outcomes.</b>   |        |      |

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|--------|---|
| Report | Corporate Assessment – November 2015 and Performance Management – Corporate Assessment Follow-on Review – July 2016 |
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| What progress have we made | <p>In May 2016 Cabinet commissioned a strategic programme of whole-authority work called 'Future Monmouthshire'. The programme has commenced with two inter-related pieces of work.</p> <p>The short-term focus has involved work across the whole authority to identify potential cost-reductions to ensure that the organisation can balance its budget across the next medium term financial plan without taking action that will hamper our ability to contribute to the well-being of future generations. The longer term focus is about re-imagining what public services could look like in the future and understanding some of the problems we need to address. This work is now incorporating the findings of the well-being assessment.</p> <p>Future Monmouthshire will identify shifts and changes needed in Monmouthshire and position the council as the key enabler in bringing them about. It will inform the development of a new business model for the council in order to equip it to meet its goals amidst increasing change and uncertainty.</p> <p>This work on the future shape of the organisation will facilitate a review of the council's key delivery strategies, which include the MTFP, People Strategy, Asset Management Plan and iCounty, and service planning arrangements to ensure they all align to the business model.</p> <p>The service improvement planning principles for 2017/18 have been updated to reflect the latest position with the Council's strategies and new requirements from legislative and policy changes to ensure all services consider and align to these in their plans. The principles are based around five key themes – Evaluate, Link, Actions, Data and Risk.</p> |
|----------------------------|---|

|                        | Desired Result   | Action   | Responsible Officer | Timescale                              |
|------------------------|--|--|---------------------|--|
| Further action planned | A sustainable business model is in place                                 | Develop the future business model for the authority  | Chief Executive     | To be informed by Future Monmouthshire |
|                        | Key strategies are mutually supportive and aligned to the business model | Ensure the council's key delivery strategies (these include MTFP, People Strategy, Asset Management Plan and iCounty) and service plans all align to the business model. | SLT                 | To be informed by Future Monmouthshire |

|                            |  |   |                                |            |      |
|----------------------------|--|---|--------------------------------|------------|------|
| WAO Proposal               | <b>Improve performance management arrangements by:</b><br><b>• improving data quality arrangements to ensure that performance reporting is accurate and that decisions are made based on robust information.</b>   |   |                                | Status     | Open |
| Report                     | <b>Ensure accurate data collection and reporting.</b><br>Corporate Assessment – November 2015 & Performance Management – Corporate Assessment Follow-on Review – July 2016   |   |                                |            |      |
| What progress have we made | <p>The data quality process continues to be strengthened and was amended in 2017 to take account of previous audit feedback and allocate Internal Audit time on the data system producing the data as well as the data outputs.</p> <p>Internal guidance notes on completing national and local performance indicators are produced setting clear requirements for data compilers, these were updated and used to inform the submission of national performance data for 2016/17. There is continued support from the Policy and Performance team with a specific and clearly defined role for Internal Audit to quality assure data. In 2016 the audit of nationally and locally set indicators was given an internal audit control rating of “Considerable Assurance”. In April 2017, Wales Audit Office conducted a follow up review of 2015-16 published data which concluded “Data quality arrangements continue to improve and arrangements could be strengthened further by correctly applying the national PI definitions”.</p> <p>There is a continued focus to improve the council’s use of data to inform decision making. A data network has been established to bring together people with responsibility for data to work together to ensure the organisation makes the best possible use of the information it holds. The purpose of the MCC data Nnetwork is to develop a more comprehensive understanding of the authority’s data assets, share experiences about good practice, identify future opportunities and help our colleagues turn data into actionable knowledge</p> <p>It is recognised that there is particular risk to data quality, including target setting, when developing performance data measures for new policies or initiatives that may not have been subject to data quality processes previously. These areas will be particularly targeted for policy and performance team support.</p> |   |                                |            |      |
| Further action planned     | Desired Result   | Action  | Responsible Officer            | Timescale  |      |
|                            | Accurate performance data  | Continue to strengthen the data quality process using external and internal audit feedback and liaise with Internal Audit to allocate their time to identified risks in data quality arrangements | Policy and Performance Manager | March 2018 |      |

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|----------------------------|--|--------|---------------------|-----------|------|
| WAO Proposal               | <b>Review the Council’s risk management arrangements to assure itself it manages risks consistently across directorates and identifies, escalates, and addresses risks in a timely and appropriate way.</b>  |        |                     | Status    | Open |
| Report                     | Information Technology – Corporate Assessment Follow-on Review – October 2016  |        |                     |           |      |
| What progress have we made | <p>The Council’s risk management policy was last reviewed in March 2015. The strategic risk assessment covers high and medium level risks. Lower level strategic and operational risks are managed through service improvement plans or projects specific risk registers.</p> <p>Risk management arrangements will be reviewed to ensure they are in line with requirements in the well-being of future generations act. This will also be informed by the findings of a recent internal audit review of the Council’s risk management arrangements, carried out at the start of 2017, to ensure any recommendations from the review are holistically addressed.</p> |        |                     |           |      |
|                            | Desired Result   | Action | Responsible Officer | Timescale |      |



|                        |  |  |                                |             |
|------------------------|--|--|--------------------------------|-------------|
| Further action planned | Better recognition and management of information technology risks as part of the wider corporate risk management arrangements. | Risk management arrangements will be reviewed to ensure they are in line with requirements in the Well-being of Future Generations Act and findings from Internal Audit. | Policy and Performance Manager | August 2017 |
|------------------------|--|--|--------------------------------|-------------|

### Partnership and collaborative working proposals

|                            |  |  |                                |            |      |
|----------------------------|--|--|--------------------------------|------------|------|
| WAO Proposal               | <b>Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources.</b>  |  |                                | Status     | Open |
| Report                     | Corporate Assessment – November 2015   |  |                                |            |      |
| What progress have we made | <p>A community governance review is currently being completed, the aim of the review was to improve community engagement, this is important because we know that more cohesive communities are important to the council being able to deliver its priorities. The outcomes of the review will provide clarity as to when, where and how local people can engage in discussions and influence decisions. It will provide explicit clarification as to the responsibility for decision making in certain arenas and the accountability that flows from those decisions.</p> <p>Council agreed in March 2017 that the ongoing review of community governance and whole place is finalised as early as possible to allow the new Council to reach agreement as to the shape and structure of community engagement; and that the community governance structure designed as a part of member working group is piloted in the Bryn Y Cwm area.</p> |  |                                |            |      |
| Further action planned     | Desired Result   | Action   | Responsible Officer            | Timescale  |      |
|                            | Structures clarified and processes aligned to delivery frameworks to support community governance.   | Pilot the Community Governance structure in the Bryn Y Cwm area and finalise the Community Governance review and agree through Council | Head of Economy and Innovation | March 2018 |      |

|                            |  |  |  |        |      |
|----------------------------|--|--|--|--------|------|
| WAO Proposal               | <b>Further develop and embed performance management arrangements to allow the Council to hold partners to account and to support the Local Service Board to deliver its plans.</b>   |  |  | Status | Open |
|                            | <b>Ensure new Public Service Board (PSB) delivery plans clearly set out relevant actions and resources needed to deliver shared priorities so that each partner, including the Council, is clear what is expected of them.</b>   |  |  | Status | Open |
| Report                     | Corporate Assessment – November 2015 and Performance Management – Corporate Assessment Follow-on Review – July 2016  |  |  |        |      |
| What progress have we made | <p>The LSB has been transitioned to a Public Service Board (PSB) as part of the implementation of the Future Generations Act. A PSB select committee has been established and has scrutinised the formation of the PSB and membership, resourcing of PSB support and development of the well-being assessment. Training has been held for committee members on their responsibilities and the PSB select committee members on their specific responsibilities in relation to the PSB.</p> <p>The PSB is using the evidence in the well-being assessment to develop its wellbeing plan by March 2018, this will require the board to allocate and prioritise resources to meet their wellbeing objectives and establish clear plans to achieve this. The PSB select committee will have a role in scrutinising the development of the plan. The performance framework and accountability arrangements for the partnerships will be reviewed to deliver the well-being plan, key issues in the well-being assessment and continued delivery of statutory responsibilities.</p> |  |  |        |      |

Currently the partnerships are more focussed on emerging issues and key issues identified in the well-being assessment and responding to them collectively as a partnership, as well as fulfilling statutory duties. Progress is reviewed at each partnership meeting to check on progress against the actions and agree any further action, if required. Issues that can't be resolved at the partnership level will continue to be escalated to programme board, which consists of representative from partners which sit on the PSB. The Strategic Partnership Team will continue to work with partners to strengthen the clarity of plans and monitoring of progress. The PSB has adopted childhood obesity as a priority and is developing its delivery framework to tackle it.

|                        | Desired Result  | Action                           | Responsible Officer     | Timescale  |
|------------------------|---|----------------------------------|-------------------------|------------|
| Further action planned | Clear PSB wellbeing objectives allowing the PSB to allocate and prioritise resources to meet the objectives and establish delivery plans to achieve this. | Develop the PSB's wellbeing plan | PSB Development Manager | March 2018 |

### Governance proposals

| WAO Proposal               | <b>Further improve the clarity of reports that members receive to ensure they have access to appropriate and timely information in a format that is easy to read and understand.</b>  |   |  | Status        | Open |
|----------------------------|---|---|--|---------------|------|
| Report                     | Governance – Corporate Assessment Follow-on Review – June 2016  |   |  |               |      |
| What progress have we made | <p>The Scrutiny Manager continues to work with department management teams, as required to improve the quality of reports. This remains an area for continued focus for the newly formed select committees following the council elections in May 2017 where further improvements to the report writing process are being considered.</p> <p>The Modern Gov system has been further developed to utilise functionality that allows officers to access the system to create and upload reports directly to the system for meetings. This will be accessible on the council's intranet where sections for officers and members are also being established to provide a range of information and guidance on the council's meeting process to support officers writing reports and members to receive information they need. The latest development of the system will be presented to SLT for approval before beginning implementation.</p> |   |  |               |      |
|                            | Desired Result  | Action  | Responsible Officer                            | Timescale     |      |
| Further action planned     | Better informed members leading to more robust challenge and decision making.   | Continue to work with and train report writers to ensure the content of reports and presentations is clear and pitched correctly  | Scrutiny Manager & Policy and Performance Team | March 2018    |      |
|                            | Better informed members leading to more robust challenge and decision making  | Implement improvements to the report writing process and ensure that Senior officers are held accountable for ensuring the reports relating to their service area meet the required standard before reports are published and decisions made. | Chief Officer Enterprise                       | March 2018    |      |
|                            | More efficient processes and timely and clear reports for members   | Implement the latest development of Modern Gov and members and officers advice and guidance areas on the intranet.  | Local Democracy Manager                        | December 2017 |      |

|              |   |        |      |
|--------------|---|--------|------|
| WAO Proposal | <b>Strengthen scrutiny's impact, status and effectiveness including:</b>  | Status | Open |
| Report       | <ul style="list-style-type: none"> <li>• <b>formally recording Cabinet responses to scrutiny recommendations and observations; and</b></li> <li>• <b>better co-ordination of Cabinet and select committee forward work programmes.</b></li> </ul> |        |      |

Report Governance – Corporate Assessment Follow-on Review – June 2016

|                            |  |
|----------------------------|--|
| What progress have we made | <p>Formalised reporting of scrutiny recommendations to Cabinet Members has been established through the drafting of chairs' letters. Development is underway working with scrutiny chairs and cabinet members to ensure that cabinet members draft formal responses to chairs' letters, to be formally reported at Select Committee meetings under agreement of the work programme. This will ensure that responses made to scrutiny's recommendations can be evidenced, ensuring accountability and transparency.</p> <p>The Scrutiny manager is working closely with Democratic Services to ensure chairs' summaries are captured in Select Committee minutes and a record of scrutiny's conclusions and recommendations are now formalised in a regular report to Cabinet.</p> <p>The implementation of further functionality of modern Gov system also allows officers to populate forward planner items directly into the system. The planner has been amended to request further information that needs to be included on the plan, for example details on the "type of decision" required. This will automatically generate individual forward planners for meetings as well as a whole council forward plan that shows all meetings the report will be sent to. These will be available to officers, members and the public on the website and intranet. The latest development of the system will be presented to SLT for approval before beginning implementation.</p> <p>Democratic services officers and the Scrutiny Manager continue to attend meetings of Senior Leadership Team and departmental management teams as necessary to discuss the cabinet and select committee forward work planner.</p> |
|----------------------------|--|

|                        | Desired Result  | Action   | Responsible Officer     | Timescale     |
|------------------------|---|--|-------------------------|---------------|
| Further action planned | Better scrutiny as part of the decision-making process            | To assist chairs in identifying topics for pre-decision scrutiny and prioritising their work more effectively.     | Scrutiny Manager        | March 2018    |
|                        | More efficient processes and timely and clear reports for members | Implement the latest development of Modern Gov and members and officers advice and guidance areas on the intranet. | Local Democracy Manager | December 2017 |

|              |   |        |      |
|--------------|---|--------|------|
| WAO Proposal | <b>Ensure that information on the Council's website is accurate, complete and up to date.</b> | Status | Open |
|--------------|---|--------|------|

Report Governance – Corporate Assessment Follow-on Review – June 2016

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|----------------------------|---|
| What progress have we made | <p>The Modern Gov system has been used since September 2015, further functionality of the system has continued to be implemented including the documentation of agendas, reports, minutes and decision logs on the Council's website making these more easily accessible for the public.</p> <p>The scrutiny webpage continues to be updated to provide easy access to scrutiny information to Members and the public. In spring 2016 the website underwent a content and design review to improve user experience. Content continues to be reviewed to ensure it is up to date and user friendly. The implementation of further functionality of the Modern Gov system has further improved usability of the meeting, minutes and agendas function of the website.</p> |
|----------------------------|---|

|  | Desired Result | Action | Responsible Officer | Timescale |
|--|----------------|--------|---------------------|-----------|
|--|----------------|--------|---------------------|-----------|

|                        |   |  |                  |                |
|------------------------|---|--|------------------|----------------|
| Further action planned | Clear, easily accessible and up to date information on the scrutiny function. | Continue to develop the scrutiny website to provide an online scrutiny resource. | Scrutiny Manager | September 2017 |
|------------------------|---|--|------------------|----------------|

**Information Technology proposals**

|              |  |        |      |
|--------------|--|--------|------|
| WAO Proposal | <b>Review and revise the iCounty Business Plan for 2016-2019 by setting out clear and measurable actions to enable senior managers and members to effectively monitor and manage progress of its implementation.</b> | Status | Open |
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| Report | Information Technology – Corporate Assessment Follow-on Review – October 2016 |  |  |  |
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| What progress have we made | <p>In December 2017 cabinet approved the establishment of a Digital Programme Office with responsibility for developing a digitally mature organisation. A revised business plan for the Digital Programme Office has been established. The plan has identified a method of recording performance against a set of digital maturity measures.</p> <p>The iCounty strategy has been established for two years. The Digital Programme Office was established after a review of the ‘internal delivery’ pillar of iCounty. Further reviews of the strategy will be undertaken to ensure it remains relevant and up to date based on latest evidence and information. This will also be informed by the work of Future Monmouthshire which will facilitate a review of the council’s key delivery strategies (which include the MTFP, People Strategy, Asset Management Plan and iCounty) and service planning arrangements.</p> |  |  |  |
|----------------------------|--|--|--|--|

|                        | Desired Result  | Action   | Responsible Officer | Timescale                              |
|------------------------|---|--|---------------------|--|
| Further action planned | Clarity around what the Council seeks to achieve through information technology against which performance can be measured, managed and monitored. | Further develop the data and indicators used support the monitoring of progress for the digital plan.  | Head of Digital     | Ongoing                                |
|                        | Key strategies are mutually supportive and aligned to the business model  | Ensure the council’s key delivery strategies (these include MTFP, People Strategy, Asset Management Plan and iCounty) and service plans all align to the business model. | SLT                 | To be informed by Future Monmouthshire |

|              |   |        |      |
|--------------|---|--------|------|
| WAO Proposal | <b>Negotiate and agree commercial grade Service Level Agreements with SRS in advance of new organisations joining the partnership to support sound governance, and to enable the Council to measure service delivery, and assure itself that its IT needs continue to be met.</b> | Status | Open |
|--------------|---|--------|------|

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| Report | Information Technology – Corporate Assessment Follow-on Review – October 2016 |  |  |  |
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|                            |  |  |  |  |
|----------------------------|--|--|--|--|
| What progress have we made | A commercial grade Service Level Agreement with SRS is being developed and will need to be agreed with all partners. |  |  |  |
|----------------------------|--|--|--|--|

|                        | Desired Result   | Action   | Responsible Officer         | Timescale  |
|------------------------|--|--|-----------------------------|--|
| Further action planned | A clear agreement on the IT services provided to the Council | A commercial grade Service Level Agreement with SRS is being developed and will need to be agreed with all partners. | Chief Operating Officer SRS | To be confirmed by the SRS Chief Operating Officer |

## Finance proposals

|                            |   |  |                 |                     |           |
|----------------------------|---|--|-----------------|---------------------|-----------|
| WAO Proposal               | <b>The Council should ensure that all budget mandates are costed and are sufficiently detailed.</b> <i>All budget mandates should be fully costed and supported by information showing how each saving area will be achieved with an evaluation of its impact. This information should be produced on a timely basis to inform the agreement of the mandates by Members.</i>  |  |                 | Status              | Open      |
|                            | <b>Ensure central specialist functions, such as finance and procurement, work more closely with individual service areas in identifying potential savings, the scope of savings achievable and the potential to use pooled budgets with partners.</b>   |  |                 | Status              | Open      |
| Report                     | Corporate Assessment – November 2015 and Financial Resilience Assessment – February 2016  |  |                 |                     |           |
| What progress have we made | <p>The budget setting process for 2017-18 was revised, recognising the largely successful approach of the mandates in recent years but at the same time with the continuing challenges faced recognising the process may not be sustainable going forward.</p> <p>A report to cabinet outlined the work proposed on Future Monmouthshire. This recognises that the challenges faced by the county and council are not limited to financial pressures, but these should be seen in the round with other significant challenges.</p> <p>The Future Monmouthshire work is making progress and establishing key themes to work on. The budget process for 2017/18 had a one year approach within the context of the MTFP, with the expectation that a more medium term approach can be adopted next year once the Future Monmouthshire work is further progressed. A set of principles have been developed to ensure that any work and decisions that need to be made in the short term can be consistent with ongoing work to establish the medium and long term picture.</p> <p>Progress includes:</p> <ul style="list-style-type: none"> <li>All services were tasked to provide 5% and 10% budget proposals considering the issues in line with the Future Monmouthshire principles, including capturing cross cutting issues that may deliver savings across the whole authority</li> <li>Identification of pressures, including an assessment of any ongoing pressures in the current year's budget. These will be rigorously reviewed and challenged.</li> <li>External and internal challenge processes from specialist functions to ensure robustness of proposals and achievability for 2017/18.</li> <li>Budget proposals adopted that met this criteria, with some proposals identified as requiring further work to possibly inform future years of the MTFP.</li> </ul> <p>Planning for the Medium Term budget is already underway and the approach the Council will take to identify the savings required developed.</p> |  |                 |                     |           |
|                            | Further action planned  | Desired Result   | Action          | Responsible Officer | Timescale |
|                            | Fully costed and robust budget proposals for member scrutiny.   | Establish a clear Medium Term Financial Plan and proposals | Head of Finance | March 2018          |           |



## Appendix 2 - Closed Wales Audit Office Proposal for Improvement

## Human Resources proposals

|                            |  |        |       |
|----------------------------|--|--------|-------|
| WAO Proposal               | <b>Further develop HR ICT systems to better support operational managers and improve recording of sickness and disciplinary matters.</b>   | Status | Close |
| Report                     | Human Resources – Corporate Assessment Follow-on Review – December 2016  |        |       |
| What progress have we made | <p>A significant amount of work has been and will continue to be undertaken to make mandatory as well as developmental changes and upgrades to Human Resources ICT systems, including the current system in place for reporting sickness which continues to be a focus for development. It is planned that these will increase usability for officers and managers.</p> <p>As well as developing ICT systems, which includes providing clear links between policy, procedure and workflow documents within the recording system, an equal focus has been placed on assisting managers to complete their responsibilities in recording of sickness and disciplinary matters as efficiently as possible to improve recording. This includes managing attendance training which has been attended by over 50 managers and timelier reporting of information for managers to review.</p> <p>Regular meetings between HR advisors and operational managers are being further supported by a newly developed HR report template to enable the more frequent review and progress of HR issues, including sickness and disciplinary matters, to strengthen their management.</p> |        |       |

## Performance Management Proposals

|                            |   |        |       |
|----------------------------|---|--------|-------|
| WAO Proposal               | <b>Develop a high-level, strategic approach linking the Council's sustainable development principle duties under the Act to its strategic vision, overall direction of travel and the developing local well-being plan under the Well-being of Future Generations (Wales) Act 2015.</b>   | Status | Close |
| Report                     | Performance Management – Corporate Assessment Follow-on Review – July 2016  |        |       |
| What progress have we made | <p>Two substantial assessments of need and well-being within the county the well-being assessment and population needs assessment have been completed as a consequence of the Wellbeing of Future Generations Act and the Social Services and Well-being Act. This provides a much deeper evidence base of wellbeing in the County and has been used to inform the publication of the Council's well-being objectives and statement 2017 that were approved by Council in March 2017 and form an integral part of the council's improvement framework. The Council has also adopted a new Sustainable Development Policy and incorporated this into its policy framework, which will ensure greater alignment of future programmes to the Well-being of Future Generations Act.</p> |        |       |

|                            |   |        |       |
|----------------------------|---|--------|-------|
| WAO Proposal               | <b>Set out clearly the financial implications of the Council's service changes within its service improvement plans.</b>  | Status | Close |
| Report                     | Performance Management – Corporate Assessment Follow-on Review – July 2016  |        |       |
| What progress have we made | <p>The service improvement planning principles for 2017/18 have been updated to reflect the latest position with the Council's strategies and new requirements from legislative and policy changes to ensure all services consider and align to these in their plans. The principles are based around five key themes – Evaluate, Link, Actions, Data and Risk and specify the need to identify funding allocated to actions. Service plans have a column to indicate where costs will be met from. These plans are not used by elected members to make decisions and more detailed cost information would need to be provided prior to a decision of Cabinet or Council.</p> |        |       |

## Governance proposals

|                            |   |   |                             |
|----------------------------|---|---|-----------------------------|
| WAO Proposal               | Status  | <p><b>Strengthen the governance and challenge arrangements by:</b></p> <ul style="list-style-type: none"> <li>• <b>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</b></li> <li>• <b>reconsider the Council’s policy of not formally minuting Cabinet meetings</b></li> </ul> | <p>Closed</p> <p>Closed</p> |
| Report                     | Corporate Assessment – November 2015  |   |                             |
| What progress have we made | <p>The Modern Gov system has been implemented since September 2015 which is speeding up the process and increasing Democratic Service officer’s capacity to process minutes for sign off within required timescales.</p> <p>All cabinet meetings are live streamed, all reports are available on the council’s website and a decision-log is published on the website following each cabinet meeting detailing the decisions that have been made which include any amendments made to the proposed decision. Not publishing minutes for Cabinet has been a longstanding practice of the council which has raised no issues of transparency and openness in the decision making process and the council does not have any plans to change this process for recording decisions at cabinet.</p> |   |                             |

|                            |   |   |              |
|----------------------------|---|---|--------------|
| WAO Proposal               | Status  | <p><b>Ensure that decisions are clearly and consistently recorded to provide a reliable, transparent and easily accessible decision-making trail.</b></p> | <p>Close</p> |
| Report                     | Governance – Corporate Assessment Follow-on Review – June 2016  |   |              |
| What progress have we made | <p>The Modern Gov system has been used since September 2015, further functionality of the system has continued to be implemented including the documentation of agendas, reports, minutes and decision logs on the Council’s website making these more easily accessible for the public and providing a clear and consistent record of decision- making.</p> <p>The implementation of further functionality of the Modern Gov system will include a work flow for all reports available on the website. This will provide a record of the meetings the report has been sent to through the decision making cycle and the outcome of the meeting without the need to access each individual meeting. The latest development of the system will be presented to SLT for approval. before beginning implementation</p> |   |              |

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Auditor General for Wales

## Savings Planning – Monmouth County Council

Audit year: 2016-17

Date issued: March 2017

Document reference: 690A2016

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

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disclosure or re-use of this document should be sent to the Wales Audit Office at [info.officer@audit.wales](mailto:info.officer@audit.wales).

The team who delivered the work comprised Dave Wilson, Janet Smith and Jeremy Evans, under the direction of Alan Morris

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# Summary report

## Summary

- 1 Good financial management is essential for the effective stewardship of public money and the continual delivery of efficient public services. The current financial climate and the reduced settlements for local government mean that good financial planning, with well-considered savings plans, is critical to financial resilience.
- 2 This review focuses on answering the following question: **Do the council's financial savings planning arrangements support financial resilience?**
- 3 Good financial planning:
  - helps councils take the right decisions for the short, medium and long term;
  - helps councils deliver services to meet statutory obligations and the needs of local communities;
  - is essential for good corporate governance;
  - is about managing performance and achieving strategic objectives as much as it is about managing money;
  - underpins service quality and improvement;
  - is the basis of accountability to stakeholders for the stewardship and use of resources; and
  - is a key management discipline.
- 4 Financial planning for the medium to long term involves understanding future demand, assessing the impact of probable changes, reviewing the gaps between funding needs and possible income and, where necessary, developing appropriate savings strategies.
- 5 A council's strategic priorities and its financial health should be the basis for deciding what is practicable. Well-considered and detailed long-term financial strategies and Medium-Term Financial Plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning encourages an incremental and process-driven approach that is too inflexible in a period of rapid external change.
- 6 Councils receive about 80% of their net income from Welsh Government, the exact amount is only known 4-5 months before the start of the financial year. Whilst this has an impact on financial planning councils can use a range of information to anticipate changing circumstances, set priorities, make choices and manage service delivery. They can calculate how much they would need to deliver services (at current or future prices) and review alternative income and spending scenarios to identify gaps and prepare for the future by investigating different approaches.

- 7 During 2015-16, the Wales Audit Office undertook work at all councils to assess the adequacy of their financial planning, control and governance arrangements. Local reports were issued and a national summary report published in August 2016. The national summary report concluded that **strategic planning arrangements are improving but councils have difficulty in developing and delivering the savings and changes to services at the pace required to ensure future financial resilience.**
- 8 In this assessment, undertaken during the period June to September 2016, we have focused on work to identify, plan for and deliver savings. We examined the extent to which Monmouthshire County Council (the Council) achieved its 2015-16 savings plans, the quality of its medium term financial plans and the robustness of its 2016-17 savings plans.
- 9 We sampled three savings proposals for 2016-17 and looked at the underlying assumptions, whether there are adequate mechanisms to ensure they can be delivered in the planned timescale.
- 10 We followed up our 2015-16 work to determine what the Council did as a consequence of what it learnt and how it has responded to our proposals for improvement in relation to financial planning if we made any.
- 11 In this report we have described some key characteristics of effective financial planning – **What good looks like**. Auditors have used these and other factors to reach a balanced view on the effectiveness of a council's financial planning arrangements and to evaluate the ability of a council to deliver its Medium-Term Financial Plan (MTFP) and planned savings.
- 12 In our 2015-16 review we concluded that **the Council had generally effective financial governance but its financial planning and control arrangements were not fully embedded or delivering effectively, in the face of some significant financial challenges. In respect of financial planning specifically we concluded that the Council's financial planning arrangements continued to improve although the medium term financial plan was not fully balanced, some budget mandates did not define how savings would be achieved and some planned savings were unlikely to deliver.**
- 13 In this review we concluded that **the Council's longer term financial planning arrangements are hampered by a Medium Term Financial Plan that is underdeveloped and may not support future financial resilience.**

14 **This is a slightly improved position from 2015-16.** The Council has improved the quality of information supporting budget savings mandates but the lack of a detailed MTFP to provide a clear financial planning framework and reducing reserves to provide an ongoing financial 'safety net' indicate that the Council continues to plan for the annual budget cycle instead of the longer term.

## Proposals for improvement

### Exhibit 1: proposals for improvement

It would be unusual if we did not find things that can be improved and, where we do, The Auditor General can take a variety of steps. In this case, a proposal for improvement has been made and we would expect the Council to do something about it.

#### Proposals for improvement

- P1 Strengthen financial planning arrangements by:
- developing a robust Medium Term Financial Plan that incorporates its Reserves Policy, Income Generation Strategy and Future Monmouthshire project.

# Detailed report

## The Council's longer term financial planning arrangements are hampered by a Medium Term Financial Plan that is underdeveloped and may not support future financial resilience

### Context

- 15 Since 2010, the UK government has reduced spending on public services as part of its plan to reduce the deficit. With cuts to its budget, the Welsh Government has had to make difficult choices as to how to allocate those funding cuts across devolved public services. As a result, the amount of core funding made available by the Welsh Government to local councils has reduced each year. So far, most local councils have managed to reduce expenditure and balance budgets, but the scale of annual reductions is likely to continue. Our analysis shows that between 2013-14 and 2016-17, there is a real-terms reduction of £483 million (10.9%) in this core funding<sup>1</sup>.
- 16 The impact of the decision to leave the European Union may represent a threat to local councils and the wider public sector in Wales. In the immediate aftermath of the decision there was reaction across financial markets resulting in volatility in, for example, share prices, currency exchange rates, oil prices and bond yields, and the UK continues to face a great deal of uncertainty on top of significant questions regarding future economic and trading relationships with Europe. The Welsh Local Government Association (WLGA) has expressed concerns over the implications of the European Union referendum outcome, calling it a 'seismic change in UK public policy'<sup>2</sup> especially as local councils are collectively the largest employer in Wales and the deliverer of many important public services.

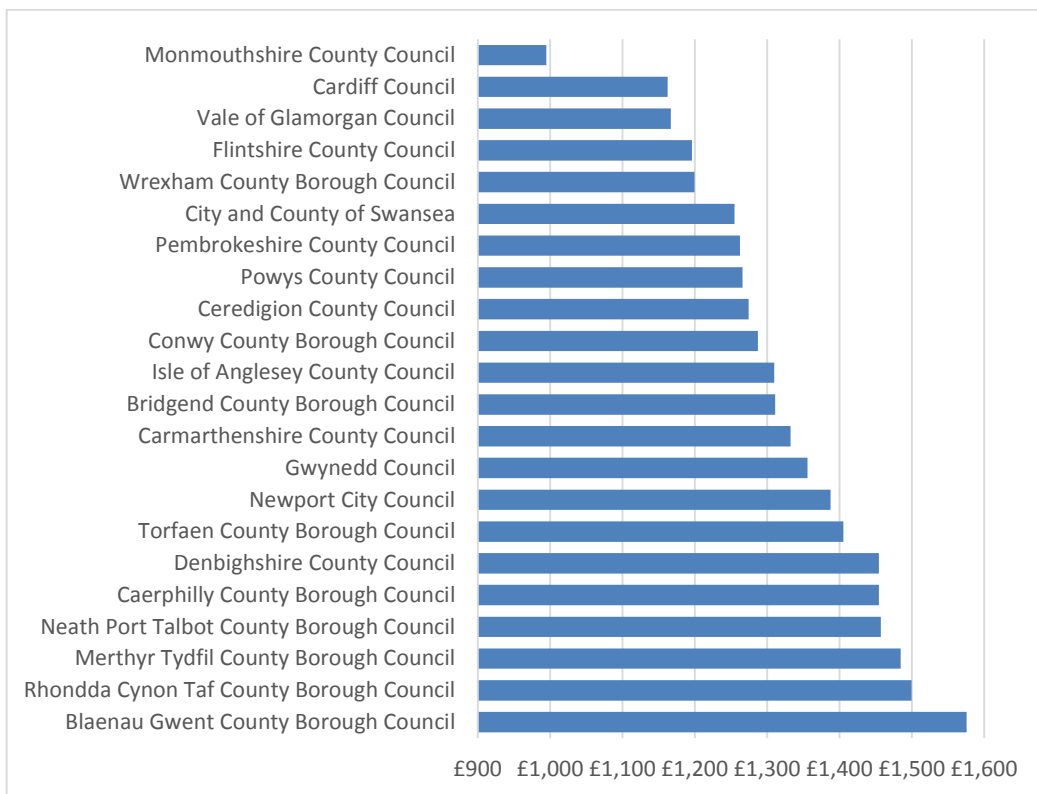
<sup>1</sup> Comparing core funding (Aggregate External Finance (AEF)) across the period 2013-14 to 2016-17 is complicated for two main reasons. Firstly, the Welsh Government has incorporated into core funding grants that were previously provided separately. While this 'de-hypothecation' of grants results in an increase in core funding, it is not necessarily a net increase in funding. The net value of grants incorporated into core funding since 2013-14 is around £76 million in real terms (adjusted for inflation).

<sup>2</sup> Welsh Local Government Association, **Councils voice concern over service impacts of EU referendum**, 24 June 2016

- 17 Whilst the overall Welsh Government funding has reduced, councils have been expected to protect schools and social care from the bulk of the pressures. Social care in particular has struggled even with this protection as for example demographic changes have led to increased demand. However, this does mean that other services have borne the majority of the cuts and have seen reductions in budgets of 30% or more in real terms since 2013-14.
- 18 The Council received £91.5 million in support from Welsh Government in 2016-17. This represents £995 per person in the county the lowest in Wales and a real-terms reduction of 13%<sup>3</sup> per head since 2013-14. There are other key issues that impact on any councils overall financial position, for example the overall Council tax base, the ability to generate income locally and the levels of deprivation.

**Exhibit 2: Welsh Government support in 2016-17**

The graph below illustrates the amount of money each council gets per head of population from the Welsh Government.



Source: Stats Wales ([www.statswales.gov.wales](http://www.statswales.gov.wales))

<sup>3</sup> The percentage reduction per head figure varies from the 2013-14 core funding reduction due to population variation over the same period.



## Savings achievement 2015-16

The Council has reported achievement of 89% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered

### What good looks like

19 Councils that have a good track record of delivering the majority of planned in-year savings should have well developed savings and delivery plans in place which are underpinned by robust monitoring processes. These councils do not have to continually bridge the gap year on year, by identifying alternative savings, using unplanned one-off funding from earmarked reserves, general reserves, contingency funds or fortuitous unplanned income received during the year.

### What we found

- 20 The Council contained spending within its overall 2015-16 revenue budget but spending was not as it had planned. In 2015-16, the Council achieved an overall net surplus of £0.7 million. Some directorates overspent against their budgets; for example, the Social Care and Health Directorate overspent its revenue budget by £1.28 million. This was partially offset by other directorates that managed to underspend against their revenue budgets.
- 21 The Council achieved 89% of its planned savings of £4.8 million. As officers prepared to implement the savings, they found that £300,000 of savings was unachievable and they could not deliver a further £200,000 of planned savings during 2015-16.
- 22 In addition to the planned £4.8 million saving, each year the Council reduces its revenue staffing budgets by 2% to recognise that vacancies will occur during the year. This reduction is not applied to directorate staffing budgets based on strategic workforce analysis and those directorates that fail to make the 2% saving through vacancies are required to find the equivalent amount from other budgets. This equates to a further budget saving from directorate budgets. .
- 23 As part of its 2015-16 budget strategy, the Council planned to use £1.1 million from its Earmarked Reserves and £40,000 from the Council Fund. The 2015-16 outturn position shows that the Council used £1.6 million, which was £500,000 more than planned, from Earmarked Reserves although it did not have to use its Council Fund.
- 24 The Council is starting to move away from its annual budget savings process and is adopting a more structured approach to reviewing services in the short, medium and long term. Its 'Future Monmouthshire' programme, supported by Cardiff University and a private sector provider, seeks to challenge the core purpose of its services and in the short-term identify budget savings for 2017-18. The Council

intends this approach to help it review services in a structured way to identify future operating models and quantify potential savings. The approach signals the Council's intention to move to a longer-term financial planning model.

## Financial planning arrangements

The Council has a well-structured approach to annual budget setting but longer term financial planning arrangements are hampered by a Medium Term Financial Plan that is underdeveloped

### What good looks like

- 25 The MTFP is a key component of an effective, integrated corporate planning framework. Good medium-term financial planning and annual budgeting should reflect the council's strategic objectives and priorities for the year, and over the longer term. MTFPs typically span a three-to-five year period and should identify how resources will be allocated to both the delivery of services and the council's priorities. The impact on citizens and other stakeholders should also be considered.
- 26 Good MTFPs include consideration of key financial risks together with their mitigation. Councils have to make assumptions around inflation, income levels, demographics, future demand for services and the costs of delivering services, and these need to be based on reasonable predictions. The council should also use financial modelling to assess the likely impacts on financial plans and required savings for a range of different scenarios and risks. The MTFP should be frequently reviewed and updated to reflect changes in assumptions and risks.
- 27 Councils should operate within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by Members, and appropriate to the strategic, operational and financial risks it faces. Councils should include details on how reserves will be used over the period of the MTFP.
- 28 The council must demonstrate that it understands its sources of income and the risks arising from these, and that it has reviewed its approach to fees and charges, for its services, to achieve value for money.

### What we found

- 29 In January 2016, the Council reported its reserves position, setting out how it planned to use reserves for 2016-17, and beyond up to 2019-20. The Council expects Earmarked Reserves to reduce further to £6.2 million by the end of 2016-17 and the General Reserve balance to be maintained at £7 million over the medium term.

- 30 The Council last reported its MTFP, which covered the period 2016-17 to 2019-20, to Cabinet in June 2015. The Head of Finance updates the MTFP periodically and reported the latest iteration covering the period 2017-18 to 2020-21, to the Council's Senior Leadership Team in February 2016. It showed potential gaps in funding based on best, middle and worst-case scenarios. The middle case scenario, on which the Council has based its savings targets, showed that the Council would need to identify budget savings of around £18 million over the lifetime of the Council's MTFP to deliver a balanced budget.
- 31 The Council's MTFP is underdeveloped. The MTFP includes some limited use of scenario planning around Welsh Government funding and Council Tax increases. Savings targets, to be met through a vacancy factor of 2% of staffing budgets each year, are included as assumptions, not as part of the funding gap. The MTFP assumes flat rate percentage increases in each scenario across the lifetime of the MTFP period for pay inflation, price inflation and council tax increases. Other budget pressures are not defined in the MTFP and are assumed at £5 million in the worst-case scenario, £2.5 million in the middle case scenario and zero in the best-case scenario. The forecast MTFP imbalance of around £18 million may therefore be understated because of this lack of substance and realistic modelling. The Council intends that the Future Monmouthshire project will identify opportunities to fund the shortfall identified in the MTFP; but the MTFP does not refer to the Future Monmouthshire project or assume any impact from it.
- 32 The Council's Earmarked Reserves have reduced considerably over recent years. In 2012, the Council's Earmarked Reserves stood at £18 million and it had a General Reserve of £6.2 million. The Council anticipated that by 31 March 2016, the Earmarked Reserve would reduce to £11 million and the General Reserve would be maintained at £6.2 million. However, at 31 March 2016, the Council's Earmarked Reserves had reduced to £9.2 million and the General Reserve balance had slightly increased to £7 million. The 50% reduction in earmarked reserves by £9.2 million over the last four years was to cover specific one off expenditure. Cabinet received a report on 6 July 2016 inviting Members to review and approve the level of earmarked reserves held by the Council at the 31 March 2016, the rationale for each reserve and the protocols for using them.
- 33 The Council approved its Income Generation Strategy in October 2015. This strategy seeks to identify opportunities to maximise income although it does not cover fees and charges; other than annual flat rate increases each year in line with recommendations from the Head of Finance. It is unclear how the Income Generation Strategy is supporting the MTFP. A 'final' version of the Income Generation Strategy is not available on the Council website, income generation budget mandates made no reference to the Income Generation Strategy and the MTFP reflects no direct impact from the Income Generation Strategy.
- 34 The Council makes positive links between its spending plans and delivery of its priorities. The Cabinet report in June 2015 presenting the MTFP includes reference to the Single Integrated Plan and the Council's Improvement Priorities. All budget savings mandates include a comprehensive Future Generations Impact Assessment, which includes equalities and sustainability impacts. Some strategies

refer to the MTFP, but links are not consistently clear; the cost of implementing strategies is not always fully calculated and the MTFP does not refer to the cost implications of strategies over the lifetime of the plan.

- 35 The Council monitors its budget and performance periodically during the year, highlighting key issues using colour and graphics in its reports. Although the Council does receive budget monitoring information, it does not routinely monitor performance against the MTFP during the year. For example, the updated MTFP is not routinely reported to Members as part of the budget setting process and the implications of budget pressures identified and reported through quarterly budget monitoring exercises are not reported within the context of the MTFP.

## Savings Plan 2016-17

**The Council forecasts that 83% of its 2016-17 planned savings will be achieved as delivery timescales for some savings plans are not realistic**

### What good looks like

- 36 Councils that deliver savings effectively have well-considered savings plans that sit within longer-term savings strategies which are underpinned by well-developed fully costed individual savings and delivery plans aligned with the MTFP. Savings proposals should be specific and risk assessed in terms of likelihood of achievement.

### What we found

- 37 The Council has a savings target for 2016-17 of £6.1 million, which it plans to meet by a change to the Council's Minimum Revenue Provision and Capital Financing changes amounting to £2.46 million and savings projects of £3.66 million.
- 38 The Council's savings position at 30 September 2016 shows that £706,000 of the planned savings will not be delivered in 2016-17 and a further £315,000 will not be delivered at all.
- 39 Managers prepare budget savings mandates, which are business cases intended to provide members with sufficient information to make robust decisions. These provide a structured approach to the development of budget savings proposals, although the quality of completion of the budget savings mandates varies. For example, neither the budget mandates for the Leadership Team Structure Review or rationalisation of Business Support provided clarity about the proposed changes.
- 40 The Council risk rated budget savings mandates before the start of the financial year and identified seven of the 23 savings proposals, amounting to £272,000, as being 'at risk'. Each budget mandate includes a risk assessment, identifies

mitigating factors and the post mitigation risk level. Completion of the 'risk' section of the budget mandates is variable in both content and quality.

- 41 Each budget savings mandate includes a Future Generations Act Impact Assessment. The form shows the implications of the proposed service change on people with protected characteristics and the action officers propose to take to minimise any negative impacts. The quality of this impact assessment varies but its inclusion in the budget mandates does show the Council's commitment to recognising the impact of proposed changes on local residents and highlighting it as part of the decision making process.
- 42 The Council proactively engages partners and stakeholders in the budget setting process. Select committees provide challenge to the budget savings proposals, often taking into account the stakeholder perspectives. For example, the town and community councils were engaged in the proposals that affected them and the Council took action to reduce the impact of funding formula changes on Mounton House School following concerns raised through the Select Committee.
- 43 The savings plan is partly measureable. Each savings proposal is qualified in financial terms so the Council can measure its overall delivery. The intended outcomes and impact on local residents is less well defined which makes it difficult for the Council to measure delivery of the savings in non-financial terms
- 44 The three savings proposals for 2016-17 we sampled, to test the underlying assumptions and whether there are adequate mechanisms to ensure they can be delivered in the planned timescale, were:
  - budget mandate 13 – highways infrastructure – Income generation;
  - budget mandate 20 – Review of service provision for children with special educational needs;
  - budget mandate B21 – town and community councils.
- 45 We found that the assumptions underpinning the budget mandates were variable and two of the three savings proposals cannot be fully delivered in the planned timescales. Some budget savings proposals depended on the agreement of internal or external partners, and we found that the Council had not always secured this commitment before finalising the budget savings proposal. For example, the Planning Service insisted that some outdoor advertising hoardings be dismantled because the Council had not given planning consent and Town and Community Councils did not approve all the funding anticipated in a budget savings mandate.

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## Management response

**Report title:** Savings Planning – Monmouth County Council

**Completion date:** February 2017

**Document reference:** 690A2016

### Proposals for improvement

| Ref | Recommendation   | Intended outcome/<br>benefit  | High priority<br>(yes/no) | Accepted<br>(yes/no) | Management response   | Completion<br>date | Responsible<br>officer |
|-----|--|---|---------------------------|----------------------|---|--------------------|------------------------|
| P1  | Strengthen financial planning arrangements by developing a robust Medium Term Financial Plan that incorporates its Reserves Policy, Income Generation Strategy and Future Monmouthshire project. | A robust and realistic Medium Term Financial Plan to support and facilitate strategic planning. | Yes                       | Yes                  | Improvements to the MTFP will be considered by the incoming administration as part of the budget setting process. | March 2018         | SLT                    |

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# Good governance when determining significant service changes – **Monmouthshire County Council**

Audit year: 2016-17

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[info.officer@audit.wales](mailto:info.officer@audit.wales).

The team who delivered the work comprised Dave Wilson, Emily Owen and Non Jenkins under the direction of Jane Holownia.

# Contents

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.

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## Detailed report

The Council has a clear strategic approach to determining significant service change 7

Officers and Members demonstrate a clear understanding of their roles and responsibilities in delivering service changes, although, the Council's Constitution is not up to date 9

The Council considers a range of options when deciding on service change proposals, although, options appraisals are not well developed 10

The Council consults well with stakeholders, but it is unclear how it considers their views when deciding on service changes 13

The Council does not systematically monitor the impact of its decisions 15

The Council updates its decision-making arrangements in light of changing business needs, but does not review its arrangements systematically to support and learn from service changes 15

# Summary report

- 1 'Governance is about how public bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which public bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.'<sup>1</sup>
- 2 Good governance is essential for the effective stewardship of public money and the continued delivery of efficient and trusted public services. The current financial climate and reduced settlements for local government as well as rising demand for some services mean that all councils are likely to continue to need to make decisions regarding the future configuration and level of service delivery. It is appropriate that public bodies continuously seek to improve. Small, incremental changes to service delivery are made at a managerial and operational level as part of normal, operational decision-making. However, good governance supported by effective planning and rigorous processes is critical when determining significant service changes. Such decisions are often controversial, generate considerable local interest, and can have significant impacts on the individuals and groups affected.
- 3 From April 2016, councils are required to comply with the Well-being of Future Generations (Wales) Act (WFG Act) and associated Statutory Guidance. The Statutory Guidance states that: 'Together, the seven well-being goals and five ways of working provided by the Act are designed to support and deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs'.<sup>2</sup> This legislation emphasises the importance of effective governance in achieving well-being goals.
- 4 The focus of this review is on the effectiveness of Monmouthshire County Council's (the Council) governance arrangements for determining significant service changes. We define this as any significant change in delivering services and/or any significant change in how services are experienced by external service users. This could include, for example, significant changes to the way the service is delivered, the level of service provided, the availability of the service or the cost of the service.

<sup>1</sup> CIPFA/SOLACE Delivering Good Governance in Local Government: Framework 2007

<sup>2</sup> **Shared Purpose: Shared Future, Statutory guidance on the Well-being of Future Generations (Wales) Act 2015**, Welsh Government

5 Taking the Chartered Institute of Public Finance and Accountancy's (CIPFA) revised framework for 'Delivering good governance in local government' as an appropriate standard, this review provides the Council with a baseline, from which to plan further improvement. In this assessment, undertaken during the period September to November 2016, we looked at aspects of decision-making arrangements in relation to a range of significant service change proposals. The examples of service changes we looked at included:

- Feasibility of developing a not-for profit service delivery model
- Promoting responsible business waste management at household waste recycling centres
- Income generation from planning services
- Funding of local services by town and community councils
- Revisions to car parking

We did not look in detail at each of the individual service change decisions, but rather used them as examples to draw from and inform how the Council goes about making decisions in relation to service changes.

6 In this review, we concluded 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.**

# Proposals for improvement

## Exhibit 1 Proposals for improvement

### Proposals for improvement

The Council's governance arrangements could be strengthened by:

- P1 Reviewing and updating the Constitution to reflect, for example, recent changes to the Council's senior leadership team and select committees.
- P2 Improving the quality of its options appraisals by providing information showing how options have been consistently evaluated.
- P3 Ensuring that budget savings mandates and service change reports systematically reflect stakeholder views and that these are taken into account during the decision making process.
- P4 Setting out at the point of decision on service change proposals how the impact of proposed changes is going to be measured and monitored.
- P5 Formally reviewing its decision making process in relation to service changes as part of post project learning to evaluate and learn from its effectiveness and ensure continuous improvement.

# Detailed report

## The Council has a clear strategic approach to determining significant service change

- 7 The Council's Political Continuation Agreement, Medium Term Financial Plan (MTFP) and Improvement Plan 'Building Sustainable and Resilient Communities' set out its strategic framework for service change. Its Political Continuation Agreement sets out the Council's political priorities for change; the MTFP identifies the resources available to maintain and improve services and the Improvement Plan sets out the Council's improvement priorities as follows:
- Education;
  - Safeguarding vulnerable people;
  - Promotion of enterprise, economic development and job-creation; and
  - Maintaining locally accessible services.
- 8 The Council approved its 'Future Monmouthshire' programme (the Programme) in May 2016. The programme aims to consider the Council's 'core purpose, relationship with communities, citizens and stakeholders, and appetite for economic growth and local prosperity', within the context of its improvement objectives and MTFP. The Programme has two main aims. Firstly, to help identify budget savings for 2017-18 to bridge the gap in its MTFP. Secondly, to identify opportunities for service change from 2018-19 onwards.
- 9 The Council has involved some partners in the development of the 'Future Monmouthshire' programme. It has engaged Cardiff University to carry out academic research to support the Programme. It has also commissioned a private sector consultant to provide additional challenge and experience, for example around change management. The Council has engaged with some partners individually about aspects of the 'Future Monmouthshire' programme but has not presented the Programme at the county's Public Service Board<sup>3</sup> (PSB) where key partners involved in the PSB could potentially help shape the 'Future Monmouthshire' programme or offer support.
- 10 As with many other councils, Monmouthshire's budget setting process is a significant driver for service change. As all service change proposals included in this report were linked to the budget setting process, Members will have received budget savings mandates detailing the proposed service changes. The Council intends that these budget savings mandates provide Members with the information they need to make decisions.

<sup>3</sup> The Well-being of Future Generations (Wales) Act 2015 established statutory Public Service Boards, which replace the voluntary Local Service Boards in each local authority area.

- 11 The Council has a clear 'budget savings mandate' process to help its managers describe proposed service changes and consider their implications, for example in relation to cost, risk, impact on service users and compliance with legislation.
- 12 The Council has taken action to improve member and officer awareness of the Council's responsibilities under the WFG Act. It has trained approximately 75 officers and about half of the 43 members to help them understand and assess service change proposals in the context of the WFG Act. The Council recorded training sessions and made the recordings and training material available electronically to those who did not attend. It has tailored training for Scrutiny Members and induction training for new staff now includes reference to the Council's responsibilities under the Act. The Council has committed to provide further training to ensure all officers involved in service change development and all Members understand their responsibilities under the WFG Act.
- 13 Reports recommending service changes include a completed WFG Act assessment of the application of the five ways of working<sup>4</sup>, how the project will contribute to the national well-being goals, and consideration of the impact upon people or groups with protected characteristics. For one of its larger service change proposals for waste services, the Council established a panel of officers to ensure that the sustainable development principle was at the heart of the proposed service change. However, officers advised us that the Council does not have capacity to provide this level of support for all service change proposals.
- 14 The Council is clearly taking steps to meet its responsibilities under the WFG Act in its decision-making process. Officers and Members acknowledge that they need to do further work to embed the sustainable development principle across the organisation. The Council aims to incorporate the sustainable development principle into strategies as they become due for review or as it develops new ones, such as the Procurement Strategy and People Strategy. The Council intends that by doing so, it will firmly embed the WFG Act principles in its business.

<sup>4</sup> The Well-being of Future Generations (Wales) Act is about improving the social, economic, environmental and cultural well-being of Wales. The Act puts in place a 'sustainable development principle,' which tells organisations how to go about meeting their duty under the Act. It sets out the following five ways of working that public bodies must consider in order to help support sustainable development: long term, prevention, integration, collaboration and involvement. Further information about the Act can be found in [the Well-being of Future Generations Act guide](#).



## Officers and Members demonstrate a clear understanding of their roles and responsibilities in delivering service changes although, the Council's Constitution is not up to date

- 15 Roles and responsibilities in relation to developing and determining service changes are generally clear and understood by officers and members. All officers and most members who responded to our governance survey, as part of this review, agreed that they understood their roles and responsibilities and all understood the Council's arrangements for delegated decisions. This understanding was demonstrated during our interviews with members and officers. We observed meetings that were well chaired, questions were clearly focused and officers attended to introduce reports and answer questions of a technical nature.
- 16 The Council's Constitution sets out the roles and responsibilities of officers and Members in decision-making. However, as it was last reviewed and updated in September 2014, it does not reflect recent changes such as new roles and responsibilities of the Senior Leadership Team, an increase in the number of Select Committees or the creation of the PSB. The Council plans to update and approve the Constitution in time for the new Administration in May 2017.
- 17 The Monitoring Officer reads all Cabinet and committee reports and advises the report author on matters relating to delegated powers, Council or Cabinet functions, and Cabinet or single Cabinet Member decisions. Democratic Services officers attend Council meetings to address any procedural queries as the meetings proceed. Scrutiny committees call in items if they believe further scrutiny is required. These measures provide useful, practical controls within the decision making process.
- 18 The Council underpins its approach to developing service change proposals by positive working relations between officers and members. Officers are free to consider radical proposals for change and explore their political acceptability with senior Members before opening the proposals up for challenge through formal scrutiny processes. An example of this approach is the 'Future Monmouthshire' programme, which seeks to create the capacity and foresight to develop solutions to some of the county's biggest challenges while ensuring that it is able to deliver a balanced budget in the medium term. The Council does not have specific governance arrangements for the Future Monmouthshire programme. Instead, it reports progress through the Council's established governance arrangements such as the Senior Leadership Team. There is potential that some projects will not proceed into the formal decision making process, and unless the Council maintains a clear record of all proposals showing which proceed and which do not, and why, this part of the governance arrangements may lack transparency.

## The Council considers a range of options when deciding on service change proposals, although, options appraisals are not well developed

- 19 The Council presents options in reports and budget savings mandates when considering service change proposals, but these vary in thoroughness. Some, such as the Council's proposal to assess the feasibility to establish a 'not for profit service delivery model' for tourism, leisure, culture, outdoor education and youth services, offered several options and explained which option officers preferred and why. Other proposals such as the proposal to increase the income from the Council's Planning Service included less well defined options, for example that various options would 'offer a lesser saving' or 'offer a greater saving' without being specific. Whilst officers who responded to our governance survey as part of this review agreed that when considering a proposal for service change, the Council considers all potential options, a third of Members and partners who responded disagreed with this statement.
- 20 The Council does not set out in budget savings mandates and reports what it seeks to achieve from proposed service changes and to what extent, and how, each of the options referred to in the proposal might achieve these improvements. Including this would better inform the decision making process and demonstrate transparency. It does, however, include a narrative explanation of why officers prefer a specific option.
- 21 Reports or budget savings mandates do not generally detail the additional costs required to deliver a service change. Timescales and milestones for delivering different phases of service changes are not well documented. The Council's formal approach to planning the transition of a service change is not integrated into the decision making process; it is considered separately through its business planning process. But as this process is carried out later in the year, it means that Members do not understand the full implications of the service changes during the decision making process, and do not have sufficient information to establish ongoing monitoring arrangements.
- 22 In our report 'Governance – Corporate Assessment Follow on Review' in June 2016, we concluded that the Council was taking action to improve the quality of information to members, but reporting was not always sufficiently clear and relevant to support robust decision-making or challenge. We proposed that the Council should further improve the clarity of reports that Members receive to ensure they have access to appropriate and timely information in a format that is easy to read and understand.
- 23 The Council acknowledged in its management response to our report that it needs to improve the information it provides to support decision-making, and that its Scrutiny Service Plan for 2015-16 identifies that, despite significant previous work on the quality of reports, this remains an area for continued focus. The Council

committed to 'continue to work with and train report writers to ensure the content of reports and presentations is clear and pitched correctly' by March 2017.

- 24 We further concluded in our June 2016 governance review that 'the Council was improving its scrutiny function and intended to further improve the support to scrutiny to enable better outcomes'. We proposed that the Council should strengthen scrutiny's impact, status and effectiveness, including formally recording Cabinet responses to scrutiny recommendations and observations, and better co-ordination of Cabinet and select committee forward work programmes.

The Council's management response to our report committed that:

- democratic services would ensure the Cabinet Forward Plan is updated and is accessible to Members by March 2017;
- it would assist chairs in identifying topics for pre-decision scrutiny and prioritise their work more effectively by March 2017; and
- it would work with senior officers to encourage them to consider early pre-decision scrutiny of issues to avoid call-ins and the subsequent delays in decision-making.

The timing of our current governance review has provided insufficient opportunity for the Council to demonstrate improvement in the effectiveness of scrutiny.

- 25 Members continue to raise concerns about the quality of information they receive when considering proposals for service change. The Council's Joint Select Committee in September 2016<sup>5</sup> recorded concerns 'that the level of detail provided to them in seeking its agreement to proceed with the alternative service delivery model, (particularly in relation to likely costs in continuing to the next phase) did not assist it in reaching a decisive conclusion. However, Members supported the philosophy and agreed that the opportunities for an alternative service delivery model should be explored, subject to the Cabinet and officers giving consideration to the following:

- Resources: The Committee has reservations as to the resources required to progress the work further and the resources required to deliver the model itself. The Joint Select Committee requests that a financial breakdown be provided to Members to outline this detail.
- Governance: Members strongly agree that the governance and accountability framework needs to be determined at an early stage and recommend that officers explore a range of accountability structures / models for consideration by Members.
- Managing public expectation: Members agreed that the Council needs to give consideration as to how it can ensure that the public's needs are reflected in services delivered through an alternative service delivery model.

<sup>5</sup> Minutes from Monmouthshire Joint Select Committee meeting on 19 September 2016

- Staffing: The Committee is concerned that there will be implications for staff in any alternative arrangement and recommends that an analysis of the staffing options (secondment or TUPE) be fully explored for further Member consideration.
  - Scrutiny: The Joint Select Committee requests that their proposals, together with the draft Business Case, be brought to a future meeting of the Joint Select Committee in due course, prior to being considered by full Council.'
- 26 The Council's decision-making arrangements for proposed service changes is considered and challenged through a number of mechanisms.
- 27 The Council has established scrutiny arrangements capable of challenging service change proposals and suggesting alternatives to the preferred options proposed by officers, although, quality of how they are applied in practice varies.
- 28 Directorate Management Teams, Senior Leadership Team and Cabinet members discuss proposals for service changes at an early stage of the initial outline proposal. These discussions determine whether proposals will proceed into the formal decision-making process but are not formally recorded or transparent, and as such it is unclear why certain proposals may have been put forward and rejected prior to decision making stage.
- 29 Select Committees review budget savings mandates in relevant select committee meetings then come together as a Joint Select Committee to consider budget proposals. The Council makes agendas, reports, attendance records and decision notices available on the intranet. Once proposed, decisions enter the Council's formal democratic committee process, all the council's meetings are live-streamed, enabling the public to hear the debate.
- 30 In our 2015 Corporate Assessment, reported in the Annual Improvement Report in November 2015, we proposed that the Council should 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 and reconsider the Council's policy of not formally minuting Cabinet meetings.

31 In our June 2016 Governance report, we concluded that the Council had started to improve the timely sign off of minutes at the next meeting, but the Council continues with its practice of not minuting Cabinet meetings. The Council's management response to our report stated that 'all Cabinet meetings are live streamed, all reports are available on the council's website and a decision-log is published on the website following each cabinet meeting detailing the decisions that have been made which include any amendments made to the proposed decision. Not publishing minutes for Cabinet has been a longstanding practice of the council which has raised no issues of transparency and openness in the decision making process and the council does not have any plans to change this process for recording decisions at cabinet.' The Auditor General for Wales maintains a robust line on this, in that minuting of meetings is a matter of good governance and whilst the Council considers its approach to be legal and in line with its Constitution, we maintain that given past examples as noted in our June 2016 Governance report, relying solely on decision notices and YouTube recordings does not provide the Council or its public with a reliable alternative to formal minutes.

## The Council consults well with stakeholders, but it is unclear how it considers their views when deciding on service changes

- 32 The Council engages well with local residents when considering service change. As part of its budget setting process for 2016-17, and in supporting the PSB in its development of the Well-being Plan<sup>6</sup>, it has used a wide range of approaches including public meetings, stands at events and social media to communicate budget proposals and invite comment from the community. Local consultation over the budget for 2017-18 has been limited to two live-streamed sessions from the Council chamber, Members of the public were also able to attend these sessions in person. It engages with local communities through Area Committees, although, these have had mixed success and variable levels of attendance.
- 33 The Council proactively consults partners and stakeholders in the budget setting process and officers have developed strong working relationships with partners. The county's PSB has been established in line with the requirements of the WFG Act and the Council has established a specific PSB Select Committee to scrutinise the work of the PSB. However, engagement with partners is often limited to

<sup>6</sup> Each Public Service Board (PSB) must prepare and publish a plan setting out its objectives and the steps it will take to meet them. This is called a Local Well-being Plan which must say why the PSB feels their objectives will contribute within their local area to achieving the well-being goals, and how it has had regard to the Assessment of Local Well-being in setting its objectives and steps to take.

communicating service changes, rather than engaging partners in a way that they can help shape the service changes.

- 34 More generally, members of the public are able to join the Council's select committee meetings, where Select Committee Chairs encourage attendees to express their views.
- 35 Budget savings mandates include a section listing who the Council has consulted about the proposed service change, both within the Council and externally. Consultation tends to include Council officer, and Member groups involved in the decision-making process itself, and other services and external stakeholders affected by the proposed service change. However, reports and budget savings mandates rarely include the views of stakeholders and so it is unclear how decision makers take account of the views of those consulted when considering these reports.
- 36 The Council sometimes receives representation from local residents commenting on proposed changes, but it is unclear how local views are taken into account during the decision making process. One example of such a representation was a petition over the introduction of daily parking fees at the Byefields Car Park in Abergavenny. Cabinet received the petition at its meeting on 6 July 2016. The decision notice for the meeting records that Cabinet decided not to introduce a daily charge except on Tuesdays. The YouTube recording shows that no reference was made to the petition in the meeting, although, it was included as an appendix to the Cabinet agenda.
- 37 The Council seeks to make information on its decisions widely accessible to the public and stakeholders, but the quality and availability is variable. In our June 2016 Governance report, we highlighted concerns over the adequacy of information on the Council website. We reported inaudible sections of the YouTube recordings of council meetings, difficulties in accessing specific debates during the meetings from YouTube recordings, and inaccuracy in decision notices. We proposed that the Council should ensure that decisions are clearly and consistently recorded to provide a reliable, transparent and easily accessible decision-making trail. The Council responded as follows:
- 'The Modern Gov<sup>7</sup> system has been implemented since September 2015 which has improved the documentation of minutes, agendas and reports for meetings on the council's website making these more easily accessible for the public.
  - We will continue to embed Modern Gov in the democratic services process to strengthen the administration and reporting of the democratic process.
  - We will continue to refine the Scrutiny Website to provide easy access to scrutiny information to Members and to the public.

<sup>7</sup> mod.gov is an app for automatically downloading, viewing and annotating meeting papers of local authorities and other organisations

- The website is undergoing a content and design review to improve user experience'
- 38 We found in this review that ModGov is not yet fully implemented to deliver all of its potential benefits, but the Council has made changes to its website, including a clearer format of decision notices.

## The Council does not systematically monitor the impact of its service change decisions

- 39 The Council identifies people and groups with protected characteristics who are likely to be affected by planned service changes, but does not have arrangements setting out how managers should evaluate the actual impact of changes, or if, how, and when Members should receive reports on the impact of their decisions. The Council does, however, monitor the delivery of budget savings from service change proposals.
- 40 Budget savings mandate templates include a section where the author should set out who will evaluate the service change and when. Our sample testing of several budget savings mandates showed that this section was poorly completed and did not commit to evaluating the service change. Furthermore, the impacts of the proposed service changes were not well defined; therefore, officers and Members would not have sufficient information to evaluate the impact.
- 41 The Council's select committees may choose to request further reports on the impact of a service change and add these to the Select Committee's Forward Work Programme. In practice, select committees do not monitor the impact of service change decisions.

## The Council updates its decision-making arrangements in light of changing business needs, but does not review its arrangements systematically to support and learn from service changes

- 42 The Council updates its decision-making processes. For example, it has established a new Select Committee to scrutinise the PSB and it holds Joint Select Committees to scrutinise budget proposals in a more efficient manner than holding separate meetings.
- 43 The Council recognises the need to improve its decision making process and is implementing ModGov to improve efficiency by releasing staff capacity within the Democratic Services Team to support the process more effectively. It provides, ongoing training for officers and members intended to increase their effectiveness

in considering service change proposals and has reviewed documentation used when proposing service changes.

- 44 Although the Council continues to improve elements of its decision making process, it does not do so in a structured way. Some proposals for improvement from our earlier governance review and Corporate Assessment remain outstanding, and the Council has not formally reviewed the quality of decision-making to learn from its own experiences by evaluating the effectiveness of its arrangements and identify opportunities for improvement.





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## Management response

**Report title:** Good Governance when Determining Significant Service Changes – Monmouth County Council

**Completion date:** March 2017

**Document reference:** 257A2017

### Proposals for improvement

| Ref | Proposal for improvement   | Intended outcome/<br>benefit                                 | High priority<br>(yes/no) | Accepted<br>(yes/no) | Management response  | Completion<br>date | Responsible<br>officer |
|-----|--|--|---------------------------|----------------------|--|--------------------|------------------------|
|     | The Council's governance arrangements could be strengthened by:  |  |                           |                      |  |                    |                        |
| P1  | Reviewing and updating the Constitution to reflect, for example, recent changes to the Council's senior leadership team and select committees. | Clarity over roles and responsibilities for decision making. | Yes                       | Yes                  | We will re-set the constitution following the elections in May. This will allow us to incorporate: Some revisions to contract standing orders; any cabinet portfolio / select committee changes that may be sort by the next administration; amendments to the council's policy framework  | July 2017          | Robert Tranter         |
| P2  | Improving the quality of its options appraisals by providing information showing how options have been consistently evaluated.                 | Better transparency of decision making.                      | Yes                       | Yes                  | Improvements to the report writing process will be made to ensure options appraisals and stakeholder views are clearly set out and the mechanisms for measuring and monitoring the impact of decisions are considered. We will ensure that Senior officers are held accountable for ensuring the reports relating to their service | March 2018         | Kellie Beirne          |

|    |   |   |     |     |   |               |               |
|----|---|---|-----|-----|---|---------------|---------------|
|    |   |   |     |     | area meet the required standard before reports are published and decisions made.  |               |               |
| P3 | Ensuring that budget savings mandates and service change reports systematically reflect stakeholder views and that these are taken into account during the decision making process. | Better informed decisions.  | Yes | Yes | Improvements to the report writing process will be made to ensure options appraisals and stakeholder views are clearly set out and the mechanisms for measuring and monitoring the impact of decisions are considered. We will ensure that Senior officers are held accountable for ensuring the reports relating to their service area meet the required standard before reports are published and decisions made. | March 2018    | Kellie Beirne |
| P4 | Setting out at the point of decision on service change proposals how the impact of proposed changes is going to be measured and monitored.  | More clarity over intended impact of service changes to enable more effective monitoring. | Yes | Yes | Improvements to the report writing process will be made to ensure options appraisals and stakeholder views are clearly set out and the mechanisms for measuring and monitoring the impact of decisions are considered. We will ensure that Senior officers are held accountable for ensuring the reports relating to their service area meet the required standard before reports are published and decisions made. | March 2018    | Kellie Beirne |
| P5 | Formally reviewing its decision making process in relation to service changes as part of post project learning to evaluate and learn from its effectiveness                         | Identification of potential improvements to the decision making process.                  | Yes | Yes | The Council already has existing arrangements that review decision making and governance arrangements these include: the Annual Governance Statement,   | December 2017 | Kellie Beirne |

|  |                                    |  |  |  |  |  |  |
|--|------------------------------------|--|--|--|--|--|--|
|  | and ensure continuous improvement. |  |  |  | <p>Democratic Services Committee and through specific service plans for example scrutiny.</p> <p>The findings of this report will be presented to the relevant committee.</p> <p>Further reviews of decision making will be considered, if required, in line with the outcomes of these processes.</p> |  |  |
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**SUBJECT: Well-being of Future Generations Act**

**MEETING: Audit Committee**

**DATE: 6<sup>th</sup> July 2017**

**DIVISIONS/WARDS AFFECTED: All**

## **1 PURPOSE**

- 1.1 To provide members with a brief overview of the Well-being of Future Generations Act and the progress made to date with implementation.

## **2 BACKGROUND**

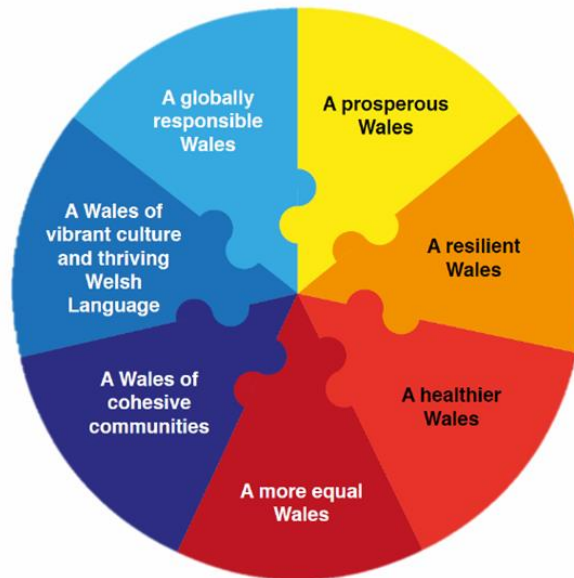
- 2.1 The Well-being of Future Generations (Wales) Act is about the process of improving the economic, social, environmental and cultural well-being of Wales, by taking action in accordance with the sustainable development principle aimed at achieving well-being goals.
- 2.2 The Act became law in April 2016 and applies to the Assembly sponsored public bodies in Wales. It also places obligations upon Monmouthshire Public Service Board. These arrangements are overseen by the recently constituted PSB Select Committee.

## **3 RECOMMENDATIONS**

- 3.1 Members are invited to use this information to develop their understanding of The Act and apply it to the work of the committee to ensure that the council has appropriate arrangements in place to discharge its duties in relation to The Act.

## **4 KEY ISSUES**

- 4.1 The Well-being of Future Generations Act came into force in April 2016. It requires public bodies to carry out *sustainable development*. This means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the well-being goals.
- 4.2 The sustainable development principle incorporates five ways of working that we are required to take into account. These are: Looking to the *long term* so that we do not compromise the ability of future generations to meet their own needs; Taking an *integrated* approach so that public bodies look at all the well-being goals in deciding on their well-being objectives; *Involving* a diversity of the population in the decisions that affect them; Working with others in a *collaborative* way to find shared sustainable solutions and understanding the root causes of issues to *prevent* them from occurring. A diagram showing the architecture of The Act is shown at appendix 1.
- 4.3 The Act also sets out 7 well-being goals which are shown in the diagram on the following page. These well-being goals are indivisible from each other and explain what is meant by well-being in Wales.



4.4 Together, the seven well-being goals and five ways of working provided by the Act are designed to support and deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs.

4.5 The Act places a well-being duty on individual bodies, such as the council, to:

- set and publish well-being objectives;
- take all reasonable steps to meet those objectives.

It also places a duty on Public Service Boards to:

- assess the state of economic, social, environmental and cultural well-being in its area;
- set objectives that are designed to maximise its contribution within its area to achieving those well-being goals;
- take of all reasonable steps to meet those objectives.

4.6 The duties that fall on the PSB are scrutinised by the PSB Select Committee. Members of Audit Committee are able to view previous papers from that committee on the council's website. These include scrutiny of the process for developing the well-being assessment which is a PSB rather than a council responsibility. The remainder of this paper gives a brief overview on activity to date with a focus on the responsibilities of the council. Members wishing to examine the [statutory guidance](#) underpinning The Act can download it from the Welsh Government's website.

4.7 Monmouthshire County Council was an early adopter of The Act as part of a WLGA programme. Following this the Wales Audit Office undertook a light touch review of the council's preparedness. [This study](#) praised the council's ambition and said that some building blocks were in place but that more needed to be done to communicate consistent understanding and embed the elements of The Act. Council officers subsequently shared experiences on a number of national platforms and took the necessary steps to amend processes and embed the act in policy and practice.

4.8 A number of seminars were held for staff and members to increase awareness and understanding. The resources from these, including recordings of sessions and



other tools, are available for members and officers in the [Future Generations area of The Hub](#). This topic was covered for the latest intake of councillors in a session on the 20<sup>th</sup> June.

- 4.9 Officers worked with members to introduce a Future Generations evaluation which needs to accompany all Cabinet and Council papers which require a recommendation to change services. This incorporates the previous sustainable development, equalities and Welsh language assessments.
- 4.10 In August 2016 officers began engaging residents and businesses about the Well-being Assessment. Details on this have previously been considered by PSB scrutiny committee and are not re-stated here. However a copy of the assessment can be downloaded at [www.monmouthshire.gov.uk/our-monmouthshire](http://www.monmouthshire.gov.uk/our-monmouthshire). A short animation introducing the conclusions from the assessment can be viewed on the council's [YouTube page](#).
- 4.11 Production of the Well-being Assessment, although a responsibility falling on the PSB, has informed the development of the council's own well-being Objectives. These need to be approved by 31 March each year and reviewed on an annual basis. These were approved in March and are:
- Develop opportunities for businesses and communities to form part of a well-connected and thriving county;
  - Provide children and young people with the best possible start in life to help them achieve better outcomes;
  - Maximise the benefits of the natural and built environment for the well-being of current and future generations;
  - Maximise the potential in our communities to improve well-being throughout the life course.
- 4.12 Collectively these support the council's purpose:
- We want to enable the building of sustainable and resilient communities that support the well-being of current and future generations.*
- 4.13 The council must demonstrate it has taken into account the sustainable development principle in the setting, taking steps and meeting of its well-being objectives to be compliant with the Act. This will take the form of an annual report each year showing progress towards meeting the objectives.

## **5 REASONS**

- 5.1 To ensure that the Audit Committee can make an informed judgement about the extent to which the authority complies with the requirements of the Well-being of Future Generations Act.

## **6 RESOURCE IMPLICATIONS**

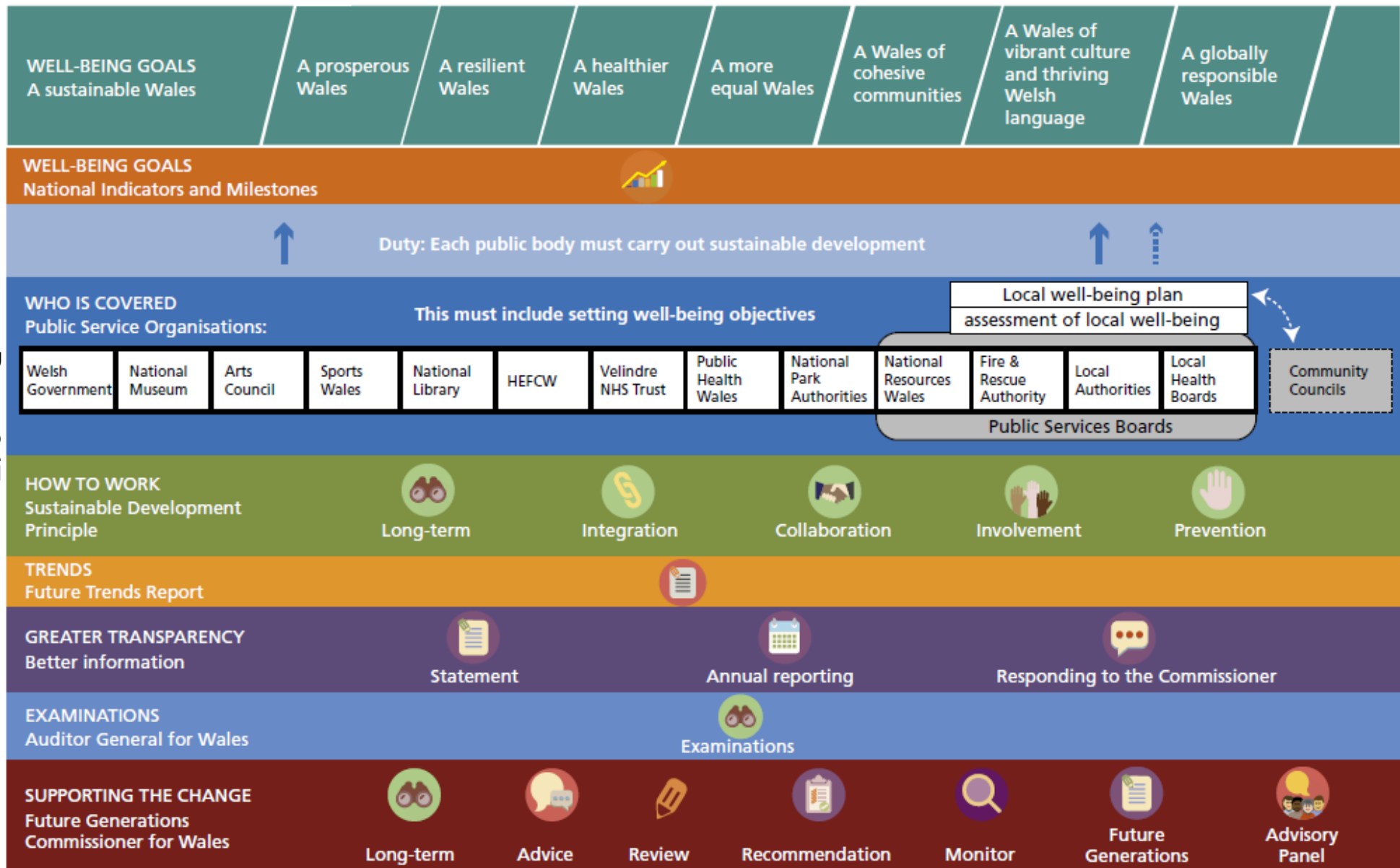
- 6.1 None

**7 EQUALITY, SUSTAINABLE DEVELOPMENT AND CORPORATE PARENTING IMPLICATIONS**

7.1 There are no specific implications identified as a result of this report

**7 AUTHOR**

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| <b>AUDIT COMMITTEE WORKPLAN 2017/18</b>   |                   |
|---|-------------------|
| <b>25TH MAY 2017</b>  |                   |
| <br>  |                   |
| <b><i>Deadline for finalised reports to Cheryl – 12 noon 15th May 2017</i></b>                    |                   |
| <b><i>Finalised reports to Committee Section – end of day 15th May 2017</i></b>                   |                   |
|   |                   |
| Unsatisfactory audit Opinions   | Andrew Wathan     |
| Annual Governance Statement   | Andrew Wathan     |
| Implementation of Audit Recommendations   | Andrew Wathan     |
| <br>  |                   |
| <b>6TH JULY 2017</b>  |                   |
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| <b><i>Deadline for finalised reports to Cheryl</i></b>  |                   |
| <b><i>Finalised reports to Committee Section –</i></b>  |                   |
| Review of Reserves Outturn  | Mark Howcroft     |
| 2016-17 Treasury Outturn Report   | Mark Howcroft     |
| Draft Statement of Accounts (as a prelude to audit process)                                       | Mark Howcroft     |
| Review of Reserves Qtr 1  | Mark Howcroft     |
| Internal Audit Outturn Report 2016/17   | Andrew Wathan     |
| Internal Audit Plan 2017/18 - Update  | Andrew Wathan     |
| Wales Audit Office Proposals for Improvement Progress report                                      | Richard Jones     |
| Good Governance when determining significant service changes & Monmouthshires management response | WAO               |
| Savings planning & Monmouthshires Management response   | WAO               |
| Annual Improvement report 2016-17 - to be confirmed   | WAO               |
| <b>19TH SEPTEMBER 2017</b>  |                   |
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| <b><i>Deadline for finalised reports to Cheryl –</i></b>  |                   |
| <b><i>Finalised reports to Committee Section –</i></b>  |                   |
|   |                   |
| SUBJECT   | AUTHOR            |
| Audited Statement of Accounts   | Mark Howcroft     |
| ISA260 Response to Accounts   | WAO/Mark Howcroft |
| Internal Audit Progress report 2017/18 quarter 1  | Andrew Wathan     |
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| <b>12TH OCTOBER 2017</b>                                     |                                |
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| <i>Deadline for finalised reports to Cheryl</i>              |                                |
| <i>Finalised reports to Committee Section-</i>               |                                |
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| CPR Exemptions 6 monthly                                     | Andrew Wathan                  |
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| <b>23RD NOVEMBER 2017</b>                                    |                                |
| <i>Deadline for finalised reports to Cheryl –</i>            |                                |
| <i>Finalised reports to Committee Section</i>                |                                |
|  |                                |
| Review of Reserves - Qtr 2                                   | Mark Howcroft                  |
| Half Yearly Treasury compliance monitoring                   | Jon Davies/Lesley Russell      |
| Internal Audit Progress report 2017/18 quarter 2             | Andrew Wathan                  |
| Overview of Performance Management arrangements              | Richard Jones                  |
| Strategic Risk Assessment                                    | Richard Jones                  |
|  |                                |
| <b>11TH JANUARY 2018</b>                                     |                                |
| <i>Deadline for finalised reports to Cheryl –</i>            |                                |
| <i>Finalised reports to Committee Section –</i>              |                                |
|  |                                |
| Audited Trust Fund Accounts ( Welsh Church Fund & Mon Farms) | Dave Jarrett/ Nikki Wellington |
| ISA260 or equivalent for Trust Funds                         | WAO                            |
| Treasury Strategy 2018-19                                    | Jon Davies/Lesley Russell      |
| Unsatisfactory Audit Opinions                                | Andrew Wathan                  |
| Wales Audit Office Proposals for Improvement Progress report | Richard Jones                  |
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| <b>8TH MARCH 2018</b>  |                                |
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| <b>Deadline for finalised reports to Cheryl –</b>         |                   |
| <b>Finalised reports to Committee Section –</b>           |                   |
| Joint Progress Report - Statement of Accounts Refinements | Mark Howcroft/WAO |
| Review of Reserves Qtr 3                                  | Mark Howcroft     |
| Internal Audit Progress report 2017/18 quarter 3          | Andrew Wathan     |
| Internal Audit Draft Plan 2018/19                         | Andrew Wathan     |
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| <b>12TH APRIL 2018</b>                                    |                   |
| <b>Deadline for finalised reports to Cheryl –</b>         |                   |
| <b>Finalised reports to Committee Section -</b>           |                   |
|   |                   |
| Annual Governance Statement 2017/18 Draft                 | Andrew Wathan     |
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| <b>3RD MAY 2018</b>                                       |                   |
| <b>Deadline for finalised reports to Cheryl –</b>         |                   |
| <b>Finalised reports to Committee Section</b>             |                   |
|   |                   |
| Review of Reserves Outturn                                | Mark Howcroft     |
| Implementation of Audit Recommendations                   | Andrew Wathan     |
| CPR Exemptions 6 monthly                                  | Andrew Wathan     |
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