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Neuadd y Sir Y Rhadyr Brynbuga NP15 1GA	County Hall Rhadyr Usk NP15 1GA

Tuesday, 15 September 2015

Notice of meeting / Hysbysiad o gyfarfod:

Audit Committee

Wednesday, 23rd September, 2015 at 2.00 pm,
Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA

AGENDA

Item No	Item	Pages
1.	**Apologies for Absence**	
2.	**Declarations of Interest**	
3.	**Public Open Forum**	
4.	**To confirm minutes of the previous meeting**	1 - 10
5.	**To note the action list from the previous meeting**	11 - 12
6.	**To receive the ISA260 MCC Accounts 2015/16 and Audited Statement of Accounts 2014/15**	13 - 146
7.	**To receive the Internal Audit Progress Report 2015/16 Quarter 1**	147 - 154
8.	**To receive the draft Income Generation Strategy**	155 - 170
9.	**To receive the Audit Committee Forward Work Plan**	171 - 174
10.	**To confirm the date and time of next meeting as:** • Thursday 22nd October 2015 at 2.00pm	

Paul Matthews

Chief Executive / Prif Weithredwr

MONMOUTHSHIRE COUNTY COUNCIL
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:	P White
	J. Higginson
	D. Batrouni
	P. Clarke
	D. Dovey
	G. Down
	A. Easson
	D. Edwards
	P. Murphy
	P. Jordan
	B. Hayward
	B. Strong

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Welsh Language
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Aims and Values of Monmouthshire County Council

Sustainable and Resilient Communities

Outcomes we are working towards

Nobody Is Left Behind

- Older people are able to live their good life
- People have access to appropriate and affordable housing
- People have good access and mobility

People Are Confident, Capable and Involved

- People's lives are not affected by alcohol and drug misuse
- Families are supported
- People feel safe

Our County Thrives

- Business and enterprise
- People have access to practical and flexible learning
- People protect and enhance the environment

Our priorities

- Schools
- Protection of vulnerable people
- Supporting Business and Job Creation
- Maintaining locally accessible services

Our Values

- **Openness:** we aspire to be open and honest to develop trusting relationships.
- **Fairness:** we aspire to provide fair choice, opportunities and experiences and become an organisation built on mutual respect.
- **Flexibility:** we aspire to be flexible in our thinking and action to become an effective and efficient organisation.
- **Teamwork:** we aspire to work together to share our successes and failures by building on our strengths and supporting one another to achieve our goals.

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.

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MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Thursday 16th July 2015 at 2.00 pm

PRESENT: Mr P. White (Chairman)

County Councillors: A. Easson, D.L. Edwards, R.J.C. Hayward, R.J. Higginson, R.P, P. Murphy, J. Prosser and B. Strong.

ALSO IN ATTENDANCE:

County Councillor V. Smith

OFFICERS IN ATTENDANCE:

J. Robson	-	Head of Finance, Section 151
M. Howcroft	-	Assistant Head of Finance
A. Wathan	-	Chief Internal Auditor
K. Beirne	-	Chief Officer, Enterprise
S. Hayward	-	Digital and Technology Manager
W. McLean	-	Head of Policy and Engagement
N. Perry	-	Democratic Services Officer

OTHER ATTENDEES:

Mr. S. Wyndham	-	Wales Audit Office
Mr. A. Ford	-	Wales Audit Office

1. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

2. PUBLIC OPEN FORUM

The Chairman welcomed contributions from members of the public, which were received as follows:

a) Mr M. Rees

Mr. Rees, introduced himself as a former teacher at Chepstow School. He raised concerns regarding a submission to Audit Committee on 18th June 2015 by the Head Teacher of Chepstow School. We had heard that with regards to an interest free loan given to a teacher to assist with relocation, that a sufficient repayment schedule had not been established. In response to a request for further information on the loan, Mr. Rees suggested that an unsatisfactory reply had been received.

Mr. Rees questioned if the Committee would be taking a closer look at the management of Chepstow School's devolved budget, particularly regarding the following points:

- Teacher recruitment continuing to take place alongside voluntary redundancy occurring.
- The cost of the decision to increase the size of the school's management tier, but not to employ a bursar to provide financial expertise.
- The cost of appointing a private HR firm to assist in the implementation of compulsory redundancies.
- The cost of the decision to dismiss a senior employee, particularly that there was a settlement to avoid a tribunal.
- The cost of an interest free loan to a teacher at the same time that the school was heading towards a £230,000 deficit.

The Assistant Head of Finance confirmed that the questions would be investigated and a response would be provided through the Audit Committee.

The Chief Officer, Enterprise confirmed that the issues had been raised with the Leader of the Council, and had agreed to investigate the claims. It was suggested that when the process was resolved and finalised, the findings should be shared with the Committee.

A Member asked if it was a widespread practice to make informal loans to teachers in Monmouthshire schools. The Chief Officer, Enterprise, explained that it was not necessarily the case that actions undertaken in one school had occurred in others, but suggested that the normal process of Internal Audit would reveal any similar actions taken in other schools.

3. DECLARATIONS OF INTEREST

County Councillor R.J. Higginson declared a personal, non-prejudicial interest under the Member's Code of Conduct as a member of the governing body at Chepstow Comprehensive School.

County Councillor D.L. Edwards declared a personal, non-prejudicial interest under the Member's Code of Conduct as a Member of the Mon Farm School Endowment Trust and Welsh Church Fund.

County Councillor A. Easson declared a personal, non-prejudicial interest under the Member's Code of Conduct as a Member of the Mon Farm School Endowment Trust and a member of the governing body at Dewstow School.

County Councillor B. Strong declared a personal, non-prejudicial interest under the Member's Code of Conduct as a Member of the Welsh Church Fund.

County Councillor P. Murphy declared a personal, non-prejudicial interest under the Member's Code of Conduct as a member of the governing body at Shirenewton School and Mounton House School.

4. MINUTES

The minutes of the Audit Committee meeting held on Thursday 18th June 2015 were confirmed as a correct record and signed by the Chairman, with the following amendment:

- **Item 9 Chepstow Comprehensive School –** A Member suggested that the bullet point stating '*The school is moving from a budget deficit'* was incorrect and should state that the school was in a deficit position, with plans in place to make improvements.

The Chairman informed the Committee that it had been agreed to move Item 10 on the agenda, which would now follow Item 6.

5. ACTION LIST

We noted the action list from the meeting dated 18th June 2015. In doing so, the Chairman confirmed that the Head of Commercial and People Development had issued an interim note on the expected report. Members queried the delay in receiving the expected reports. We heard from the Chief Officer, Enterprise that work was being undertaken to marry finance and HR data, and automation processes were currently being worked on. It was noted that early departure information was included in the Statement of Accounts. The Committee were assured that a comprehensive report would be presented at the September Audit Committee.

A Member raised concerns surrounding the information provided regarding capacity issues, and questioned how the Authority could continue to deliver services. In response, we heard that as a small authority, we were vulnerable to staff shortages, but a strategy had been developed to generate income which should enable MCC to become more robust and effective in delivering services.

6. WALES AUDIT OFFICE - REVIEW OF THE SHARED RESOURCE SERVICE

We received a report on the review of the Shared Resource Service from the Wales Audit Office.

Having received the report, Members were invited to comment.

A Member noted that this was a fair report of SRS as it was at the time of the review, but not as it currently operated. The review had identified a lack of business plan, governance issues and no gauge on return on investments. All issues had since been addressed, and there was now a clear line of accountability. The Member had received an up to date email report providing details of how Monmouthshire County Council driven the implementation of SRS improvements, and would forward the email to Committee Members.

A Member questioned if the Authority had entered into the new partnership with finance details of the system currently in place. The Head of Finance informed the Committee that there would have been a budget for the IT section and that full budget had been invested in SRS.

Members sought assurances that the weaknesses identified had been eradicated, and would appreciate frequent update reports at Audit Committee.

The Digital and Technology Manager expressed that the Authority's involvement with SRS had transformed IT, and without it we would not have been able to implement agile working.

The Chief Officer for Enterprise added that whilst we were responsible for technology strategically, SRS were responsible for the implementation. Since issues had been identified, there were comprehensive processes in place. SRS had shifted drastically in provision and also contributed to activity. It was described as a constant and continuous improvement journey.

Members wished to acknowledge the extensive work carried out by the Officers and Cabinet Member.

The Committee resolved to note the report and looked forward to further information at the next Audit Committee.

7. TREASURY OUTTURN REPORT

We received the Treasury Outturn Report 2014/15 presented by the Assistant Head of Finance. CIPFA's Code of Practice required local authorities to annually produce Prudential Indicators and a Treasury Management Strategy Statement on their likely financing and investment activity.

Members were recommended to note the results of the treasury management activities and the performance achieved in 2014/15.

Following the presentation, Members were invited to comment.

A Member queried the suggestion that internal borrowing would be better than external borrowing. In response, we heard that internal borrowing would prove more cost effective, as any investment income forgone would be less that the cost of external borrowing.

The Assistant Head of Finance advised the Committee that if Members required further information on the Treasury Management Strategy, meetings could be arranged with the Treasury Advisors, Arlingclose.

The Committee resolved to note the report.

8. STATEMENT OF ACCOUNTS 2014/2015

We received the Statement of Accounts 2014/2015, presented by the Assistant Head of Finance, in order for Members to consider the annual accounts for the Authority for 2014-15.

Members were required to consider the annual accounts for Trust Funds for which the Authority acts as sole or custodian trustee for adoption, and to make appropriate recommendations.

We heard that the Statement of Accounts were in draft form and there were changes expected. The Audited Statement of Accounts would be approved by Council in September 2015.

The Head of Finance/Section 151 expressed appreciation to the Assistant Head of Finance and his team for efforts in what had been a tremendous challenge.

Members were invited to comment.

A Member questioned if it was necessary to hold a reserve for single status and equal pay. In response, it was explained that it was no longer necessary and as part of the closing exercise, the reserve had been expired.

Following a Members query, the Head of Finance/Section 151 confirmed that HRA Pension Deficit Reserve, Appendix 1 10.4, no longer had a balance in it and could be deleted.

Members raised concerns regarding the rise in deficit of the pension fund, and requested clarification on the rates paid into the pension scheme by employees. In response we heard that the pension fund deficit could vary from year to year and some years may be beneficial. An evaluation on the fund was due to be undertaken which should assess the rate needed going forward. We were informed that employees paid between 6 – 10% into the pension fund, dependant on band. A list of rates would be supplied to the Committee **(ACTION – JR)**

A Member queried where in the Balance Sheet details could be found regarding the Cattle Market asset and site in Raglan. It was explained that the figures were included in Assets Held for Sale. Further information would be supplied in relation to rents for the sites **(ACTION – MH)**.

The reduced deficit of Deri View School was queried and Officers confirmed that no further money had been provided but the school had followed a recovery plan.

We received explanation on the following Earmarked Reserves:

- Invest to Redesign Service – a reserve to enable the Council to move to where it needs to be, to redesign services in order to live within its means.
- Priority Investment Reserve – a reserve set up to promote the Councils priorities.

A Member questioned the retail markets and industrial units now running at a loss. Officers confirmed they would take the query on board and provide further information **(ACTION – JR)**.

The Audit Committee wished to express their appreciation to the Officers for the extensive work involved in preparing the report.

In response to a query regarding the Welsh Church Fund we were informed that the Council acts as trustee, there are three representatives who could meet with other representatives from the former Gwent area to oversee the fund.

A Member raised concerns regarding the Internal Audit team experiencing reduced resources which resulted in 65% of the planned work being achieved. In response it was explained that the audit plan, based on the resources available, was set at the beginning of the year. There was currently a recruitment campaign in order to fill vacant posts. The Internal Audit team would report back to the Audit Committee on a regular basis to provide assurance on the internal control, governance and risk.

A Member questioned if, in the drive to reduce school deficits, there was talk of clustering schools in order to ensure more efficient ways to manage budgets. In response we heard that in terms of clustering, the Authority must delegate a budget to individual schools, but there was recognition that schools combining resources had resulted in clusters manifesting themselves.

A Member requested clarification regarding the IT Transformation Reserve. As we had previously heard that all IT budgets were used as funding for SRS it was questioned if this was a further budget allocated to IT. It was also questioned if the Invest to Redesign Reserve allocated funds to IT, and where in the accounts could we see the actual figure spent on IT. In response we heard that there were reserve balances for IT for the Authority to use as it sees fit, and were not funds for SRS to control. We were informed that figures for the overall cost of IT would be forwarded to the Committee **(ACTION - MH)**. The Invest to Redesign Reserve was not technically a budget, rather an earmarked reserve to fund potential cost saving projects in the future. The Head of Finance explained that the budget given to SRS was the revenue budget for the entire IT section in order to run the day to day running costs of the IT service. In addition, several other budgets had been identified within Directorates that were also transferred to the SRS for running IT services. The reserves available for IT purposes are kept within MCC to enable investment in IT and are more likely to be of a capital nature.

A Member queried the investment income for the Monmouthshire Farm School Endowment Trust, in terms of how best to increase returns on investments. The Assistant Head of Finance informed that Committee that Arlingclose had met with the MFSET and put in place an appropriate investment strategy. It was understood to be a work in progress and we would expect to see better returns next year.

The Committee resolved to note the report and would look forward to receiving the final version in September 2015.

The Chairman expressed the appreciation of the Committee to all involved.

9. CONTRACT PROCEDURAL RULES – EXEMPTIONS REPORT

We received the Contract Procedural Rules – Exemption Report from the Chief Internal Auditor.

Members were required to consider the adequacy and appropriateness of the exemption process from the Authority's Contract Procedural Rules since the last report in December 2014.

Members were recommended to accept and acknowledge the justifications for the exemptions provided by operational officers. An updated report would be presented to the Committee in 6 months to include any further responses obtained by the Chief Internal Auditor.

The Committee resolved to accept and note the report.

10. WALES AUDIT OFFICE – IMPROVEMENT PLAN AUDIT

We received the Certificate of Compliance from the Wales Audit Office, following the audit of the Improvement Plan.

The Head of Policy and Engagement informed the Committee that the full audit had been undertaken and the Authority had been provided with informal feedback.

The WAO had provided recommendations as follows:

- To make future consultation events more explicit.
- To list the seven improvements as detailed in the measure.
- To provide detail the officers responsible for certain aspects of improvement.
- To provide greater clarity on how milestones were measured.

The Committee resolved to note the Certificate.

11. WALES AUDIT OFFICE – AUDIT COMMITTEE SELF-ASSESSMENT WORKSHOP

Members received a report in order to consider the output from the self-assessment undertaken by the Audit Committee Members on the 16th April 2015.

It was recommended that Members discuss how best to proceed with the recommendations made following the self-assessment.

In doing so we noted the following points:

- Members agreed that it would not be necessary to hold a pre-meeting prior to meetings, but an occasional informal meeting may be beneficial. Members were invited to make proposals for such meetings if they considered it appropriate.

- Training on the Terms of Reference of the Committee, and the role of Audit Committee Members, would be discussed with Democratic Services. WAO would be able provide relevant training.

- Members discussed the proposal that the terms of reference of the Committee should be extended to allow the Committee to invite feedback from Scrutiny Committees. It was agreed that requesting reports as a matter of routine would not be desirable, but the Committee would continue to invite Chairs of Scrutiny Committees, or others, to attend Audit Committee meetings were there particular concerns.

- In terms of communication, the Chairman could receive agendas for all meetings, and have the opportunity to attend any Council meetings.

- The Chairman would discuss with officers how best to move forward in creating an Annual Report.

12. AUDIT COMMITTEE FORWARD PLANNER

We received and noted the Audit Committee Forward Planner for 2015-16.

13. DATE AND TIME OF NEXT MEETING

We confirmed that the next meeting of the Audit Committee would be held on Wednesday 23rd September 2015 at 2.00pm.

The meeting ended at 4.25 pm.

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Audit Committee Actions
16th July 2015

Agenda Item:	Subject	Officer	Outcome
Item 7 – Action List	Head of Commercial and People Development to provide an update on vacant posts data to the Committee.	P. Davies	Report to be presented at September Audit Committee
Item 7 – Action List	Head of Commercial and People Development to provide the monitoring information on early departures to the committee.	P. Davies	Report to be presented at September Audit Committee
Item 14 – Action List	Internal Audit Section Outturn Report 2014/15	A. Wathan	Item deferred to October Audit Committee
Agenda Item 7	Statement of Accounts 2014/2015	J. Robson	List of employee pension contribution rates to be provided to the committee
Agenda Item 7	Statement of Accounts 2014/2015	M. Howcroft	Information required regarding rents received for the Cattle Market site.
Agenda Item 7	Statement of Accounts 2014/2015	J. Robson	Clarification requested regarding the retail markets and industrial units - figures shown to be running at losses
Agenda Item 7	Statement of Accounts 2014/2015	M. Howcroft	Further detail required regarding IT costs
Agenda Item 10	Review of the Shared Resource Service	K. Beirne	Audit Committee to receive a follow up report at the September meeting.

Agenda Item 11	Audit Committee Self-Assessment Workshop	Democratic Services	Committee require further training on the role of the Audit Committee and clarity of roles Information regarding the role of the Audit Committee to be circulated Clarification required as to whether it would be appropriate to extend the Terms of Reference Request to add Chairman of Audit Committee to Members circulation list, if appropriate
Agenda Item 11	Audit Committee Self-Assessment Workshop	A. Wathan N. Perry J. Pearson	Arrange a meeting to discuss Audit Committee Annual Report

Archwilydd Cyffredinol Cymru
Auditor General for Wales

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Audit of Financial Statements Report

Monmouthshire County Council

Audit year: 2014-15

Issued: September 2015

Document reference: 483A2015

Purpose of this document

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

Handling prior to publication

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Status of report

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. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

The team who delivered the work were Ann-Marie Harkin, Steve Wyndham, Anthony Ford, Jane Thomas, Ben Buckley, Rhodri Jones and Kate Ashburner.

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

Summary report	
Introduction	4
Status of the audit	4
Proposed audit report	4
Significant issues arising from the audit	5
Independence and objectivity	7
Appendices	
Final Letter of Representation	8
Proposed audit report of the Auditor General to the members of Monmouthshire County Council	11
Summary of corrections made to the draft financial statements	13

Summary report

Introduction

1. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Monmouthshire County Council (the Council) at 31 March 2015 and its income and expenditure for the year then ended.

2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.

3. The quantitative levels at which we judge such misstatements to be material for the Council are £2.9 million. Whether an item is judged material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.

5. This report sets out for consideration the matters arising from the audit of the financial statements of the Council, for 2014-15, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2015 on 30 June 2015, which met the submission deadline and have now substantially completed our audit work.

7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Head of Finance and Assistant Head of Finance.

Proposed audit report

8. It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in Appendix 1.

9. The proposed audit report is set out in Appendix 2.

Significant issues arising from the audit

10. We set out below the misstatements we identified in the financial statements, which have been discussed with management but remain uncorrected, and request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons for non-correction. None of these misstatements are material, either individually or in aggregate.

Capita Gwent Consultancy pension liability

11. In 2002, the Council, along with three other local authorities in Gwent, formed a collaborative partnership for the joint procurement of engineering and related services through Capita Gwent Consultancy Limited (Capita Gwent), a private joint-venture company. Capita Gwent has been a member of the Greater Gwent Pension Fund since 2002.

12. The termination of the Gwent Consultancy framework agreement in August 2012 resulted in an outstanding pension liability for the Greater Gwent Pension Fund totalling £7.3 million. Following extensive legal negotiations with the Capita Group and officer consultation with the Pensions Committee of the Greater Gwent Pension Fund, a settlement of £3.3 million from the Capita Group was accepted on 2 October 2014.

13. Approval was obtained during June 2014 from each of the four respective Councils' Cabinets that any unfunded residual liability would be settled in equal share to the Pension Fund. As a settlement has been reached with the Capita Group, this has resulted in a liability of £1 million for each Council. This has been agreed by the Greater Gwent Pension Fund to be absorbed into the Council's employer's pension contribution rate, and paid over 25 years.

14. Whilst there remains some uncertainty in regard to the actual implications of this arrangement upon the Council's financial statements, the Fund's actuary indicated during Summer 2014 that £1m of extra deficit would give rise to an additional deficit recovery amount of £49,500 p.a. if recovered over 25 years. In addition the pension fund liability upon the Council's balance sheet is likely to be understated by some £1m.

15. The Council has currently disclosed this as a contingent liability in its financial statements. However, as the final settlement has now been confirmed this should be accounted for in the Council's financial statements and added to the Council's pension liability (IAS19) figure.

Property, Plant and Equipment

16. There are two uncorrected misstatements in respect of the Property, Plant and Equipment (PPE) balance of £156m as follows:

- **Innovation House**: The PPE balance includes £3.4m in respect of the Innovation House building at Magor. Our audit identified that an asset life of 5 years had been attributed to this asset within the Council's Fixed Asset Register. We queried the reasonableness of this and the Council's Estates Section confirmed that this asset life is incorrect and that it should be 30 years, meaning that the value of the buildings of this asset within PPE is understated by £1.161m and the accumulated depreciation similarly overstated.
- **Depreciated Replacement Cost Asset Valuations:** The Council uses the depreciated replacement cost (DRC) method of valuing assets where there is no

readily available market value – this mainly relates to school valuations. The CIPFA Code prescribes that finance costs are to be excluded from these valuations. Finance costs have however been included in some of the DRC asset valuations resulting in the PPE asset balance value being overstated by some £535,000.

Other Misstatements

17. There are a further two misstatements that relate to other areas of the financial statements as detailed below:

- **Credit Notes:** We identified an amount of £108,000 relating to several credit notes that had been treated as relating to 2015-16 but our testing identified that they related to 2014-15. If adjusted, expenditure in the accounts would be reduced by £108,000 and creditors decreased by the same amount.
- **Current Assets Classification Error**: A classification error of £596k exists between Debtors and Cash upon the Council's balance sheet. Whilst Cash is under stated by £596k and Debtors correspondingly overstated, the overall Current Assets sub-balance is not affected.

Corrected misstatements

18. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in Appendix 3.

Other significant issues arising from the audit

19. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts, and report any significant issues arising to you. In doing so we have undertaken audit procedures to address those risks that we communicated within our 2014-15 Annual Audit Outline document and can also confirm that we have found no instances of deliberate error or ommission.

20. There were some issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** There are no significant matters arising that need to be reported. We intend to discuss our more detailed findings with the Head of Finance and her team as part of our Final Accounts Memorandum report.
- **We did not encounter any significant difficulties during the audit.**
- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**

- **We did not identify any material weaknesses in your internal controls.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

21. As part of the finalisation process, we are required to provide you with representations concerning our independence.

22. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Monmouthshire County Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation (Council's letterhead)

Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

24 September 2015

Representations regarding the 2014-15 financial statements

This letter is provided in connection with your audit of the financial statements of Monmouthshire County Council for the year ended 31 March 2015 for the purpose of expressing an opinion on their truth and fairness.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Audit Practice on Local Authority Accounting in the United Kingdom for 2014-15; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and

– unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Monmouthshire County Council and involves:
  – management;
  – employees who have significant roles in internal control; or
  – others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by Members of Monmouthshire County Council

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Monmouthshire County Council on 24 September 2015.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:	Signed by:
Officer who signs on behalf of management	*Officer or Member who signs on behalf of those charged with governance (director only for companies)*
Date:	Date:

Appendix 2

Proposed audit report of the Auditor General 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 2015 under the Public Audit (Wales) Act 2004.

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

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 2014-15 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the 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 Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. 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 at 31 March 2015 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 2014-15.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword 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.

For and on behalf of

Huw Vaughan Thomas

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

September 2015

Appendix 3

Summary of corrections made to the draft financial statements

During our audit, we identified several misstatements that have been corrected by management which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

A number of minor amendments and reclassification adjustments were also made to the financial statements. We have not listed all of these items as they relate to either revisions in disclosures of information, narrative changes, reclassifications between headings, or the amounts involved are trivial. The more significant items amended are however detailed below:

Nature and value of correction
Provisions and Contingencies – Capita Gwent Pension Liability Note 13.7g/h has been amended to include additional narrative that summarises the progress in determining the Council's liability to the Pension Fund and highlights that the Council has an additional liability of £1 million which it will need to fund via additional expected annual pension contributions of £49,500 per annum.
Provisions and Contingencies – CMC2 The Council acts as guarantor in regard to the bank overdraft of CMC2. Whilst the draft Financial Statements disclosed this as a contingent liability within Note 13.7h, following the recent Cabinet decision there is now sufficient evidence to confirm that this liability is now probable and £122k has therefore been provided for this within the audited Financial Statements.
Grant Income Disclosures Reclassification amendments have been made to the grant income notes as follows: • Note 11.7c – a grant of £196,000 has been reclassified from other grants to other Assembly Government grants; and • Note 11.1d – £2.187 million of government grants has been reclassified from fees and charges to the government grants line.
Senior Officer Remuneration Disclosures Note 16.8 has been amended to include: • The ratio of the Chief Executive's salary to the overall median salary of the Council's employees as per the revised requirements of the CIPFA Code for 2014-15; and • The remuneration paid to the former Monitoring Officer who was employed by the Council during part of 2014-15 and required disclosure given his annualised salary exceeded £60,000.
Comprehensive Income & Expenditure Account (CIES) - Bus Services Support Grant Highways and Transport Services has been amended to remove some £10 million of income and expenditure in respect of Bus Services Support Grant for which the Council is the lead authority for the South East Wales area. In our view the Council acts as an agent for the Welsh Government for the distribution of this grant to the other Local Authority bodies, and therefore only that income and expenditure attributable to the Council should be included in the Financial Statements. The net expenditure total within CIES is not affected by this amendment.

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MONMOUTHSHIRE COUNTY COUNCIL

ANNUAL ACCOUNTS

2014/15

CONTENTS PAGE

		Page
1	Explanatory Foreword	1
2	Statement of Responsibilities	6
3	Annual Governance Statement	7
4	Auditor's Report	21
	Core Financial Statements:	
5	Movement in Reserves Statement	23
6	Comprehensive Income and Expenditure Statement	25
7	Balance Sheet	27
8	Cash Flow Statement	29
	Notes to the Accounts:	
9	Accounting Policies	32
10	Movement in Reserves Statement Notes	48
11	Comprehensive Income and Expenditure Statement Notes	59
12	Non-Current Assets and Capital Financing Notes	69
13	Financial Instruments, Current Assets & Liabilities Notes	81
14	Post-Employment Benefits Notes	93
15	Cash Flow Statement Notes	100
16	Other Notes to the Accounts	102

1 EXPLANATORY FOREWORD

1.1 Introduction

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

1.1.2 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.

1.1.3 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

1.2.1 The Authority's accounts for the year 2014/15 are set out in sections 5 to 16. 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.

1.2 The Accounting Statements (continued)

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 2015. 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

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

1.3.2 The Code requires authorities to enhance their statement of accounts with information about any material interest in subsidiaries, associates and jointly controlled entities in a set of group accounts. These accounting requirements result in the consolidation of the transactions and balances of subsidiaries and of interests in associates and joint ventures, thus ensuring group accounts provide a complete picture of the authority's control over other entities.

1.3.3 The Authority accounts for its respective contributions to joint committees within services in the Comprehensive Income and Expenditure Statement on an accruals basis. For 2014/15 the Authority has consolidated its respective shares of the income, expenditure, assets and liabilities into its financial statements. Where appropriate these adjustments have been shown under the heading of 'Adjustments relating to JANEs'.

1.4 2014/15 Net Revenue Expenditure

1.4.1 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.

1.4.2 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.

1.4.3 The Authority is reporting a £558,000 surplus for the year, the principal reasons for this being:

- £19,787,000 of net revaluation gains relating to Assets held for sale (£2,290,000) and Investment properties (£17,497,000) and;
- £1,944,000 of capital grants applied during the year that are recognised in full in the Comprehensive Income & Expenditure Account, offset by;
- £18,578,000 of depreciation (£8,991,000), revaluation losses (£6,030,000) and impairment charges (£3,557,000) on property, plant and equipment assets and;
- An underlying deficit of £2,268,000 which has been transferred from the Authority earmarked revenue reserves via the Movement in Reserves Statement.

1.4.4 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 surplus on its Council Fund Balance of £63,000. This comprises a £90,000 deficit relating to non-school budgets and a £152,000 surplus relating to school budgets.

1.4.5 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.

1.4.6 The analysis below of outturn against revised budget is based on the internal management structure of the Authority and not on the classification prescribed by the Code of Practice. Readers will be able to reconcile the Council Fund surplus 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.

1.4.7 The Council fund balance, excluding school balances, has reduced from £7,079,000 to £6,992,000 as a result of the surplus for the year. Earmarked revenue reserves have decreased from £13,249,000 to £10,980,000 during the financial year. In total, available revenue reserves to the Authority (excluding school balances) have decreased by £2,356,000 from £20,328,000 to £17,972,000.

1.4 2014/15 Net Revenue Expenditure (continued)

	Revised Budget £000	Actual £000	Variance £000
Net Expenditure:			
Net cost of services (internal management structure)	142,269	142,717	448
Attributable costs – Fixed Asset Disposal	224	145	(79)
Interest and Investment Income	(30)	(98)	(68)
Interest Payable and Similar Charges	3,773	3,547	(226)
Charges Required Under Regulation	5,610	5,576	(34)
Capital Expenditure financed from revenue	138	138	0
Earmarked Contributions to Reserves	274	1,734	1,460
Earmarked Contributions from Reserves	(2,727)	(3,771)	(1,044)
Financed by:			
General government grants	(69,543)	(69,540)	3
Non-domestic rates	(28,984)	(28,984)	0
Council tax	(56,780)	(57,158)	(378)
Council Tax Benefit Support (included in n.c.s)	6,072	5,784	(288)
Contribution to/(from) Council Fund	(296)	0	296
Council Fund (surplus)/deficit - Non-Schools	**0**	**90**	**90**
Council Fund (surplus)/deficit - Schools	734	(152)	(886)
Council Fund (surplus)/deficit - Total	**734**	**(63)**	**(797)**

1.5 Reserves

1.5.1 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 2014/15 Capital Expenditure

1.6.1 Detailed information on capital expenditure incurred in the year appears in note 12.6 to the accounts. Total capital expenditure in 2014/15 was £14,256,000 (£20,433,000 in 2013/14). The main items within this figure are shown below along with an analysis of the capital financing arrangements:

Financing	**£000**
Capital receipts	**1,871**
Borrowing and Finance Lease Commitments	**8,511**
Grants and Contributions	**3,504**
Revenue and Reserve Contributions	**370**
	14,256

Expenditure	**£000**
Infrastructure and Transport Schemes	**3,952**
Asset Management Schemes	**2,437**
School Development Schemes	**4,438**
Regeneration Schemes	**1,166**
Inclusion Schemes	**765**
Other scheme types	**1,499**
	14,256

1.6 2014/15 Capital Expenditure (continued)

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

- Additional investment in its highways infrastructure, specifically its road resurfacing programme (£2,495,000), other schemes such as flood alleviation, bridges and street lighting (£1,347,000) as well as further investment in grant funded transport schemes (£110,000);
- Asset management schemes, principally comprising expenditure incurred on major property maintenance schemes (£1,934,000) and numerous smaller asset management schemes (£507,000).
- Schemes delivered as part of the Authority's schools modernisation programme included investment at Thornwell Primary School (£663,000), 21st Century Schools (£1,445,000), Raglan Primary School (£2,267,000), Access for All (£41,000) & completion of other minor schemes (£22,000).
- Investment in Regeneration schemes, mainly: Caldicot 3G Pitch (£565,000), Section 106 (£369,000) & Other Regeneration Schemes (£232,000).

1.6.3 Other than specific funding support being received from external funding bodies, the Authority is reliant on useable capital receipts and revenue support. The useable capital receipts balance as at 31st March 2015 amounted to £17,629,000 (£8,023,000 as at 31st March 2014). In terms of revenue support, reference is made to available balances in paragraph 1.4.7 of this foreword.

1.7 Loan Debt

1.7.1 The loan debt at 31st March 2015 was £101,313,000 compared to an opening position for the year of £98,634,000. Separate to the cost of servicing debt the Authority is required to make prudent provision through its revenue account for the repayment of debt. £5,496,000 (£4,871,000 in 2013/14) was provisioned for the repayment of principal and £3,532,000 (£3,647,000 in 2013/14) was provisioned for the repayment of interest, a total cost in the year of £9,028,000 (£8,518,000 in 2013/14).

1.8 Pension Liabilities

1.8.1 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).

1.8.2 The pension liability at the end of the year amounted to £167,414,000 (£121,878,000 in 2013/14). 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

1.9.1 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.

1.9.2 The under spend for 2014/15 has largely resulted from under spends on treasury activity, improved recovery on council tax, a reduction in anticipated borrowing costs offset by a net over spend on Directorate services. This has resulted in a net surplus on the account and as anticipated earlier in the year has enabled a small transfer to the Council fund balance to assist with underwriting the Medium Term Financial Plan.

1.9 Conclusions (continued)

1.9.3 However, the 2015/16 budget is extremely challenging, with continuing pressures in Children's social services. The MTFP requires significant changes in service provision in order to meet the challenging financial targets and these changes are being developed. Indications are that the settlement for 2016/17 is going to be worse than forecast and therefore further scope for savings will need to be assessed. Members and officers will need to ensure that the budget is carefully managed in 2015/16 in order to ensure the current stable corporate financial position is maintained.

J Robson
Head of Finance (S151 Officer)

Date

2 STATEMENT OF RESPONSIBILITIES

2.1 The Authority's Responsibilities

2.1.1 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

2.2.1 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).

2.2.2 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.

2.2.3 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 16 gives a true and fair view of the financial position of the Council as at the 31st March 2015 and its income and expenditure for the year ended 31 March 2015.

Joy Robson
Head of Finance (S151 Officer)

Date

I confirm that these accounts were approved by the Leader of the Council on 25th September 2014 on behalf of Monmouthshire County Council.

Cllr Peter Fox
Leader of the Council

Date

3 ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

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 Governance Framework'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

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 2013/14 action plan is shown at Appendix 1 (available on request). The main areas of concern identified by the Council are shown at paragraph 3.7 and an action plan to address known gaps is shown in Appendix 2 (available on request); progress against the main areas of concern in 2013/14 is shown at Appendix 3 (available on request).

3.1 Scope of Responsibility

3.1.1 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.

3.1.2 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.

3.1.3 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. A copy of the code is available from the Chief Internal Auditor. This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2005.

3.2 The Purpose of the Governance Framework

3.2.1 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.

3.2.2 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.

3.2.3 The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

3.3 The Governance Framework

3.3.1 The Council's Code of Governance has been developed in line with the following principles:

- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
- 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;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

3.3.2 The Authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).*

3.3.3 The key elements of the Council's governance arrangements are set out in The Improvement Plan; the latest version, Shaping Our Future 2014-2017, was approved by Council in May 2014. 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 three priorities are education of young people, protecting the vulnerable and supporting business and job creation. 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.

3.4 Review of Effectiveness

3.4.1 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.

3.4.2 As a result, the governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

3.4.3 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. Amendments and updates were 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) formal risk management and regular ongoing review of the processes involved;

iv) internal and external review of the risk management processes;

v) 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;

vi) the work of the Council's Select and other Committees, including its Audit and Standards committees;

vii) 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;

viii) the opinions and recommendations of other inspection, regulation and review agencies;

ix) regular monitoring of performance against the Improvement Plan and service plans and of key targets, and reporting of this to senior management and members;

x) 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;

xi) Audit Committee review of effectiveness workshop;

xii) evaluating the effectiveness of Safeguarding in Monmouthshire was taken through cabinet in November 2014.

3.4.4 Did the governance framework in place enable Monmouthshire to deliver the right services to the right people at the right time, and in doing so, achieve our corporate objectives?

Improvement Objective May 2014	MCC Evaluation Score June 2015
1. We will provide an improved education provision for Monmouthshire	Adequate - Strengths just outweigh weaknesses
2. We will work to help people live their own lives by building flexible and responsive services. Our focus will be on safeguarding people, further developing our approach to integrated services and implementing community coordination in the pilot areas.	Good – Important strengths with some areas for improvement
3. We want to enable our county to thrive	Good – Important strengths with some areas for improvement
4. We want to be an efficient, effective and sustainable organisation.	Adequate - Strengths just outweigh weaknesses

3.4.5 The following paragraphs review the effectiveness of the governance arrangements in Monmouthshire under the 6 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 Senor leadership team (SLT) for review before being taken to Audit Committee for a further review.

3.4.6 **Principle 1: Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area**

3.4.7 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.

3.4.8 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 2014/15. The Stage 1 Improvement Plan (Three-year Plan), was presented to Council in May 2014 and was reviewed, Stage 2, in December 2014.

3.4.9 The Annual Improvement Plan Objectives for 2014/15 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 2014/15 covering all service areas. These were quality assessed as part of the service planning process.

3.4.10 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.

3.4.11 In addition, the Medium Term Financial Plan supports the vision for Monmouthshire and the extensive public engagement events continued in 2014/15 for the 2015/16 budget and Medium Term Financial Plan which engaged with the public in their own community; the Chief Executive and Leader of the Council also held consultation roadshows across the whole County with staff. These proved to be popular events which were well attended by the community who were keen to be involved with the process. There was broad agreement with the key priorities set out for Monmouthshire.

3.4.12 The use of social media continued to thrive during 2014/15 through Twitter, Facebook and You Tube to raise awareness of forthcoming events, to provide live updates to Cabinet and Council meetings, to promote the activities and services provided and to show support and encouragement for community groups. The Cabinet Member for Finance posted a You Tube video on the Council's budget proposals. The effectiveness of social media is measured via a 'Klout' score; Monmouthshire's score was higher than the average score.

3.4.13 The provision of high quality of services has been measured by the Welsh Government survey 'Living in Wales'. This stated that in 14/15 56% of Monmouthshire residents agree the local authority provides high quality services (Wales average 53%). In 13/14 62% agreed.

3.4.14 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 116 complaints received in 2014/15, 100 were resolved informally [86%]; this compared with 134 out of 144 complaints resolved informally in 2013/14. 4 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 2014/15, 93% were dealt with informally.

3.4.15 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 21C 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.

3.4.16 Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year. The budget monitoring reports contain some output measures and unit cost data, so that trends in performance can be assessed. The updated MTFP was reviewed and approved by Cabinet over the course of the budget setting period (Sept 2014 to Feb 2015) and in response to feedback from engagement and scrutiny sessions. The budget was set in January 2014 by Council for 2014/15 with updates of the action plan on finance & performance presented to Cabinet in months 6 & 9.

3.4.17 Performance and spend – During 2014/15 Welsh Government published data for 2013/14 which showed that in comparison with other Welsh Authorities a number of services in Monmouthshire have a low level of funding per head but the service performance is consistently above average. Education, above average spend, above average achievement; Roads & Transport below average spend above average achievement; Waste & Recycling below average spend and above average achievement; Libraries below average spend above average achievement [source Welsh Government local authority service performance 2014/15]. This was included within the Council's Improvement Plan.

3.4.18 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.

3.4.19 The Council utilises 'Buy For Wales' contracts and the Joint Procurement Unit 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/)

3.4.20 Communication 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. Headline figures of the Council's financial position were circulated. Financial information, Improvement Plan progress, Council activities, achievements, developments, updates and events were included on the Council's intranet and website.

3.4.21 Equality Impact Assessments are required by law under the Equality Act 2010. Monmouthshire's assessments also examine 'Fairness' and the Welsh language to ensure that the needs of other vulnerable people are considered, as well as the effect on different areas within Monmouthshire. A range of these were undertaken during 2014/15 which have been published on the website.

3.4.22 The Local Service Board review includes the monitoring of targets to ensure policies are delivering the agreed outcomes.

3.4.23 **Principle 2: 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**

3.4.24 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.

3.4.25 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.

3.4.26 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance. The minutes of the SLT were also maintained during the year.

3.4.27 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.

3.4.28 There is Council policy on information sharing along with numerous information sharing protocols with our partners. 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 Policy has been developed to ensure information is only shared appropriately, safely and compliantly.

3.5 Partnerships/collaboration working

3.5.1 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.

3.5.2 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 will be reported to Members in due course. Governance arrangements have been put in place around all key partnerships the Council is involved with.

3.5.4 **Principle 3: Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

3.5.5 The code of conduct and member / employee relationship document are set out in the constitution.

3.5.6 There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.

3.5.7 There were 2 complaints of Member misconduct made to the Ombudsman in 2014/15 involving County Councillors; 0 were referred to the Standards Committee.

3.5.8 All waivers of the Contract Procedure Rules are reported through Audit Committee quarterly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Procedure Rules and Financial Procedure Rules.

3.5.9 The Audit Committee called in a Head of Service and Cabinet Member, and challenged them on why a procurement process went outside the Council's normal tendering processes.

3.5.10 28 Internal Audit opinions were issued in 2014/15. 6 were deemed to be unsatisfactory.

3.5.11 The overall opinion on the adequacy of the internal control environment for 2014/15, given by the Head of Internal Audit, 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 2014/15 were as follows and more detail can be found in the Annual Internal Outturn Report for 2014/15, as reported to Audit Committee:

Opinion	2013-14	2014-15
Very Good	0	1
Good	8	9
Reasonable	7	12
Unsatisfactory	0	6
Unsound	0	0
Total	**15**	**28**

3.5.12 Although the Internal Audit team started the year with a full complement of staff, two of the team left during the year which reduced the resources available to undertake the planned work. 65% of the 2014/15 plan was achieved, which was an improvement on the previous year. Also the number of audits issued with an opinion increase so the Chief Internal Auditor was in a better position to give an overall opinion on the adequacy of the control environment.

3.5.13 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.

3.5.14 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.

3.5.15 **Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation**

3.5.16 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.

3.5.17 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

3.5.18 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.

3.5.19 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.

3.5.20 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.

3.5.21 Internal Audit operate to the standards set out in the 'Public Sector Internal Auditing Standards' which have been developed from the IIA's 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 Terms of Reference. 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.

3.5.22 The audit team has always been compliant with the Code of Practice, but with effect from April 2013 the Chief Internal Auditor will ensure Internal Audit complies with the Public Sector Internal Audit Standards.

3.5.23 The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Improvement Report. This can be found on the Council's website.

3.5.24 Minutes, Agendas & Reports along with their subsequent decision schedules and questions to Cabinet Members are all available on the web site. Council, Cabinet, Scrutiny and Audit Committee reports are available on the Council's website

3.6 Risk management

3.6.1 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.

3.6.2 A Whole Authority Strategic Risk Assessment for 2014-2017 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 2015. As well as being approved by Cabinet the risk assessment was presented to Council alongside consideration of the budget.

3.6.3 The Council's Strategic Risk Assessment contains 11 distinct risks. Following the revised policy these must now be updated and reviewed throughout the year with the latest version being made available to members via The Hub. Because of the changes to the risk policy and guidance risk levels are not comparable with previous years.

Risk	2014/15 Risk Rating
Some services may become financially unsustainable as a result of reducing budgets and demographic pressures.	Low
Uncertainty whether income targets within the 2014-17 Medium Term Financial Plan can be achieved and this could lead to unplanned changes in other services to balance the budget	Low
Potential that the authority is unable to deliver its new schools capital programme due to capital receipts not generating the required income Pressure on capital budget from 21st Century schools programme will impact on other areas requiring capital investment.	High
Potential that negative findings from pending CSSIW and Estyn inspections will divert energy from an ambitious transformation programme.	Low
The authority does not achieve a positive outcome from the corporate assessment	Medium
Potential for significant harm to vulnerable children or adults due to factors outside our control.	Medium
Possibility that needs and capabilities of learners are not sufficiently addressed and consequently, they do not achieve to their highest potential	Medium
Potential that council services, including schools do not have the necessary ICT infrastructure to maximise their offer to service users Insufficient ICT infrastructure and skills in the county have the potential to lead to social and economic disadvantages	Medium
Our workforce do not have sufficient development opportunities to drive change, spur innovation and improve performance	Medium
Not all volunteers we engage and work with align their contributions closely enough to achieving our shared objectives for communities	Medium
Potential that Monmouthshire will not have a prosperous economy that supports enterprise and sustainable growth	Medium

3.6.4 **Principle 5: Developing the capacity and capability of members and officers to be effective**

3.6.5 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.

3.6.6 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.

3.6.7 **Good governance and upholding standards of behaviour**

3.6.8 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.

3.6.9 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.

3.6.10 The Council operates a Data Protection policy and also has procedures in place to meet its responsibilities under the Environmental Information Regulations and the Freedom of Information Act, 2000. The Council's website includes other information which the Council is required to publish, such as allowances paid to members in accordance with statutory provisions. There are also agreed procedures to meet the requirements of the Regulation of Investigatory Powers Act 2000.

3.6.11 There is continued support for Members' development through briefing sessions and other learning opportunities. There is also ongoing training and development which meets the needs of officers and members through the corporate programme and the 'My Review' process. Coaching and leadership skills training will be rolled out to all managers in due course.

3.6.12 **Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability**

3.6.13 The agendas are published in advance of all meetings on the Council's website.

3.6.14 Scrutiny Annual Report is produced for the Council meeting in July each year.

3.6.15 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 is being updated. Development of Customer Insight to better understand our communities. Dissemination of ward meeting minutes.

3.6.16 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.

3.6.17 The Majority of meetings are held in public as shown from Committee agendas and minutes which are then available on the website.

3.6.18 There were several extensive public engagement events undertaken in 2013/14 for the 2014/15 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' 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.

3.6.19 The Council has received a number of Freedom of Information Act requests during the year, with 3 complaints made to the Information Commission Officer although no subsequent action was taken. 95% of requests were responded to within the required 20 days:

FOI	2013-14	2014-15
No. of FOI requests	918	1023
No. responded to within 20 days	841	1002
Percentage of FOIs responded to within 20 days	93%	95%

3.7 Main areas of Concern

3.7.1 The following Table outlines where the Council has identified gaps in its governance arrangements, which will be addressed in the forthcoming months to further strengthen governance in Monmouthshire County Council.

Governance Principle	Action Plan 2014/15
Principle 2: 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	The governance arrangements for all of the Monmouthshire partnerships will be clarified and reported to Members in due course through the Audit Committee.
Principle 3: Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	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
Principle 5: Developing the capacity and capability of members and officers to be effective	The Appraisal process will continue to be rolled out to all staff which will pick up any issues here.
Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability	Decision making work programmes will continue to be populated in advance in future.

3.8 Action Plan

3.8.1 Appendix 1 (available on request) shows how the 2013/14 Action plan issues have been addressed during 2014/15.

3.8.1 An Action Plan for 2014/15 (above) has been developed to capture known gaps in the Council's governance arrangements; the issues will be reviewed and considered during 2015/16 to further enhance the Council's governance arrangements.

3.9 Monitoring & Evaluation

3.9.1 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.

Paul Matthews, Chief Executive **Date**

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

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 2015 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 2014/15 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 Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. 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 2015 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 2014/15.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword 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.

4 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONMOUTHSHIRE COUNTY COUNCIL (CONTINUED)

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.

The maintenance and integrity of the Monmouthshire County Council's website is the responsibility of the Accounting Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Signature ____________________________________ **Date** __________________

Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

SECTION 5

Movement in Reserves Statement

for the Year Ended

31st March 2015

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Note	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total usable Reserves	Unusable Reserves	Total Authority Reserves	Total JANES Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2013		**7,443**	**15,552**	**6,614**	**29,608**	**27,208**	**56,816**	**575**	**57,391**
Movement in reserves during 2013/14:									
Surplus/(deficit) on the provision of services		(16,413)	-	-	**(16,413)**	-	**(16,413)**	**(151)**	**(16,564)**
Other Comprehensive Income and Expenditure		-	-	-	**0**	40,487	**40,487**	**148**	**40,635**
Total Comprehensive Income and Expenditure		(16,413)	0	0	**(16,413)**	40,487	**24,073**	**(3)**	**24,071**
Adjustments between accounting basis & funding basis under regulations	10.2	14,735	-	1,410	**16,145**	(16,145)	**(0)**	**0**	**(0)**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(1,679)	0	1,410	**(269)**	24,342	**24,073**	**(3)**	**24,070**
Transfers to/(from) Earmarked Reserves	10.4	2,303	(2,303)	-	**0**	-	**(0)**	**0**	**(0)**
Increase/(Decrease) in 2013/14		625	(2,303)	1,410	**(268)**	24,342	**24,073**	**(3)**	**24,070**
Adjustments relating to JANEs		0	0	0	**0**	0	**0**	**0**	**0**
Balance at 31st March 2014 carried forward		**8,068**	**13,249**	**8,023**	**29,340**	**51,550**	**80,888**	**572**	**81,460**
Movement in reserves during 2014/15:									
Surplus/(deficit) on the provision of services		558	-	-	**558**	-	**558**	**(183)**	**375**
Other Comprehensive Income and Expenditure		-	-	-	**0**	(41,733)	**(41,733)**	**80**	**(41,653)**
Total Comprehensive Income and Expenditure		558	0	0	**558**	(41,733)	**(41,175)**	**(103)**	**(41,278)**
Adjustments between accounting basis & funding basis under regulations	10.2	(2,763)	-	9,606	**6,843**	(6,843)	**(0)**	**0**	**(0)**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(2,205)	0	9,606	**7,401**	(48,576)	**(41,175)**	**(103)**	**(41,278)**
Transfers to/(from) Earmarked Reserves	10.4	2,268	(2,268)	-	**0**	-	**0**	**0**	**0**
Increase/(Decrease) in 2014/15		64	(2,268)	9,606	**7,401**	(48,576)	**(41,175)**	**(103)**	**(41,278)**
Balance at 31st March 2015 carried forward		**8,132**	**10,980**	**17,629**	**36,741**	**2,974**	**39,714**	**468**	**40,182**

SECTION 6

Comprehensive Income and Expenditure Statement for the year ended 31st March 2015

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

		31 March 2015			31 March 2014		
		Gross Expenditure	**Gross Income**	**Net Expenditure**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
	Note	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Education and children's services		93,992	(19,001)	74,991	90,934	(18,830)	72,104
Adult social care		38,161	(6,835)	31,326	38,257	(6,399)	31,858
Highways and transport services		34,118	(20,866)	13,252	23,852	(5,750)	18,102
Environment and Regulatory Services		11,920	(3,345)	8,575	12,681	(3,465)	9,216
Cultural and Related Services		15,476	(4,900)	10,576	12,651	(5,072)	7,579
Planning Services		4,305	(2,457)	1,848	6,722	(2,610)	4,111
Central services to the public		14,848	(6,624)	8,224	12,431	(9,692)	2,739
Housing services		27,403	(25,482)	1,921	27,486	(25,439)	2,047
Corporate and democratic core		924	(791)	133	10,056	(796)	9,260
Non distributed costs - other		1,001	0	1,001	307	(0)	307
Net Cost of Services	11.1	**242,148**	**(90,301)**	**151,847**	**235,376**	**(78,054)**	**157,322**
Other operating expenditure:							
Precepts & Levies:							
Gwent Police Authority		8,995	0	8,995	8,739	0	8,739
South Wales Fire & Rescue Authority		4,271	0	4,271	4,317	0	4,317
Community and Town Councils		1,669	0	1,669	1,523	0	1,523
National Parks		115	0	115	126	0	126
Internal Drainage Boards		117	0	117	117	0	117
Gains/losses on the disposal of non-current assets		10,100	(10,093)	7	903	(980)	(77)
		25,267	(10,093)	15,175	15,725	(980)	14,745
Financing and investment income and expenditure	11.2	22,151	(31,921)	(9,770)	24,547	(17,019)	7,528
Taxation & non-specific grant income:							
Council Tax	11.4	421	(57,579)	(57,158)	70	(54,833)	(54,763)
Non-domestic rates redistribution	11.5	0	(28,984)	(28,984)	0	(28,377)	(28,377)
General government grants	11.6	0	(71,485)	(71,484)	1	(79,893)	(79,892)
				(157,627)			(163,031)
(Surplus) or Deficit on Provision of Services				**(375)**			**16,564**
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				597			(11,850)
(Gains)/losses on remeasurement of pension assets / liabilities	14.2/16.7			41,196			(28,626)
Adjustments relating to JANEs	16.7			(141)			(159)
Other Comprehensive Income and Expenditure				**41,653**			**(40,635)**
Total Comprehensive Income and Expenditure				**41,278**			**(24,070)**

SECTION 7

Balance Sheet

as at 31st March 2015

BALANCE SHEET AS AT 31 MARCH 2015

31 March 2014 £000s		Note	31 March 2015 £000s
	Property, Plant & Equipment		
162,251	Other land and buildings	12.1	156,291
452	Other land and buildings - JANEs	16.7	436
5,075	Vehicles, plant, furniture and equipment	12.1	4,080
62,749	Infrastructure	12.1	61,613
3,908	Community assets	12.1	3,887
3,559	Assets under construction	12.1	1,141
216	Surplus assets not held for sale	12.1	4
238,209			227,452
4,650	Heritage Assets	12.13	4,647
25,138	Investment Property	12.8	42,716
345	Intangible Assets		670
40	Long-Term Investments	13.1	40
449	Long Term Debtors		383
268,830	**Long term assets**		275,908
6,569	Short Term Investments	13.1	4,016
476	Inventories		424
22,146	Short Term Debtors	13.5	16,392
3,736	Cash and Cash Equivalents	15.3	20,406
29,165	Assets Held for Sale	12.9	22,095
62,092	**Current Assets**		63,333
(2,916)	Cash and Cash Equivalents	15.3	(0)
(30,219)	Short Term Borrowing	13.1	(33,552)
(20,299)	Short Term Creditors	13.6	(22,440)
(2,942)	Provisions	13.7	(3,153)
(56,376)	**Current Liabilities**		(59,145)
(121,878)	Liability related to defined benefit pension scheme	14.4	(167,414)
(161)	Provisions	13.7	(179)
(68,415)	Long Term Borrowing	13.1	(67,761)
(301)	Long term Creditors	16.7	(137)
(1,378)	Other Long Term Liabilities	13.1/16.7	(1,293)
(953)	Capital Grants Receipts in Advance	11.7(b)	(3,130)
(193,087)	**Long Term Liabilities**		(239,914)
81,460	**Net Assets**		**40,182**
8,067	Council Fund Balance	10.3	8,132
13,249	Earmarked Reserves	10.4	10,980
422	Earmarked Reserves - JANEs	16.7	398
8,023	Capital Receipts Reserve	10.6	17,629
29,761	**Usable Reserves**		37,139
45,441	Revaluation Reserve	10.7	33,753
(121,878)	Pensions Reserve	10.9	(167,414)
131,770	Capital Adjustment Account	10.8	140,531
7	Deferred Capital Receipts Reserve		2
(1,095)	Financial Instrument Adjustment Account		(1,015)
(2,696)	Accumulating Absence Adjustment Account	10.10	(2,884)
151	Unusable Reserves - JANEs	16.7	69
51,699	**Unusable Reserves**		3,042
81,460	**Total Reserves**		**40,182**

SECTION 8

Cash Flow Statement

for the Year Ended

31st March 2015

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Note	**31 March 2015 £000**	**31 March 2015 £000**	31 March 2014 £000	31 March 2014 £000
Net (surplus) or deficit on the provision of services	15.1	**(375)**		16,564	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	15.1	**(25,167)**		(20,008)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15.1	**14,991**		3,872	
Adjustments relating to JANEs	15.1	**143**		(361)	
Net cash flows from Operating Activities	15.1		**(10,408)**		67
Investing Activities					
Cash outflows					
Purchase of property, plant and equipment, investment property and intangible assets		**10,782**		19,710	
Purchase of short-term and long-term investments		**16,999**		20,015	
Other payments for investing activities		**2,042**		1,442	
		29,823		41,167	
Cash Inflows					
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		**(11,478)**		(2,749)	
Proceeds from short-term and long-term investments		**(19,550)**		(17,703)	
Other receipts from investing activities		**(5,560)**		(2,569)	
		(36,588)		(23,021)	
Net Cash (Inflow)/Outflow from Investing Activities			**(6,765)**		18,145
Financing Activities					
Cash Outflows					
Repayments of short- and long-term borrowing		**37,559**		12,427	
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		**132**		123	
		37,691		12,550	
Cash Inflows					
Cash receipts of short- and long-term borrowing		**(40,250)**		(28,000)	
Other receipts from financing activities		**146**		356	
		(40,104)		(27,644)	
Net Cash (Inflow)/Outflow from Financing Activities			**(2,413)**		(15,093)
Net (increase) / decrease in cash and cash equivalents			**(19,585)**		3,118
Cash and cash equivalents at the beginning of the reporting period			**820**		3,938
Cash and cash equivalents at the end of the reporting period	15.3		**20,406**		820

Notes to the Accounts

for the Year Ended

31st March 2015

9 STATEMENT OF ACCOUNTING POLICIES

9.1 General Principles

9.1.1 The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the *Accounts and Audit (Wales) Regulations 2005* , 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 2014/15* and the *Service Reporting Code of Practice 2014/15* , supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

9.1.2 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.

9.2 *Accounting Standards issued not yet adopted*

9.2.1 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 an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standard within the 2015/16 Code:

9.2.2 IFRS 13 Fair Value Measurement - This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

9.2.3 IFRIC 21 Levies - This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

9.2.4 Annual Improvements to IFRSs (2011 – 2013 Cycle) - These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts.

9.3 Accruals of Income and Expenditure

9.3.1 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.

9.4 Cash and Cash Equivalents

9.4.1 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.

9.4.2 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.

9.5 Charges to Revenue for Non-Current Assets

9.5.1 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.

9.5.2 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.

9.6 Critical Judgements in Applying Accounting Policies

9.6.1 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. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- 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 2014/15 was 17% (35% for 2013/14).

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

9.7.1 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.

9.7.2 The items in the Authority's Balance Sheet at 31 March 2015 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 14.10 concerning changes in the pension assets and liabilities that have resulted from estimates being corrected as a result of experience.
Provisions	The Council has included provisions for known insurance claims as at 31 March 2015. 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 2015 are deemed to provide sufficient cover for the Authority's claims exposure. Notes 13.8(a) & 13.8(b) provide further information on the types of claims the Authority is exposed to.

Arrears	At 31 March 2015, the Authority had a balance of £11.2m (£9.1m as at 31 March 2014 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 £3.2m (£2.8m as at 31 March 2014) 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.

9.8 Employee Benefits

Benefits Payable During Employment

9.8.1 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

9.8.2 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.

9.8.3 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

9.8.4 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

9.8.5 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.

9.8.6 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

9.8.7 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.

9.8.8 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.

9.8.9 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.

9.8.10 Further details are given in section 14 of the notes to the Financial Statements.

9.8.11 The impact of accounting for IAS19 *Employee Benefits* as analysed in 14.2 has had the following effects on the results of the prior and current periods:

- The overall amount to be met from the Council Fund has remained unchanged as a result of statutory provisions in place, but the cost amounts included in Net Cost of Services are £845,000 (0.55%) lower (£397,000 (0.25%) in 2013/14) after the replacement of employer's contributions by current and past service costs. The surplus on the Provision of Services is £4,400,000 (90.2%) lower (£5,459,000 (49.2%) lower in 2013/14) than it would otherwise have been.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported total reserves of the authority by 85.6% (reduced by 59.9% in 2013/14).

Discretionary Benefits

9.8.12 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.

9.9 Events After the Balance Sheet Date

9.9.1 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.

9.9.2 Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9.1 Exceptional Items

9.10.1 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.

9.11 Financial Instruments

Financial Liabilities

9.11.1 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.

9.11.2 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.

9.11.3 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.

9.11.4 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.

9.11.5 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

9.11.6 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.

9.11.7 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.

9.11.8 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.

9.11.9 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.

9.12 Government Grants and Contributions

9.12.1 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.

9.12.2 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.

9.12.3 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.

9.12.4 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.

9.13 Heritage Assets

9.13.1 Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture.

9.13.2 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.

9.13.3 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.

9.13.4 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.

9.13.5 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.

9.13.6 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.

9.14 Intangible Assets

9.14.1 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.

9.14.2 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).

9.14.3 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.

9.14.4 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.

9.14.5 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.

9.15 Interests in Companies and Other Entities

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

9.15.2 These accounting requirements result in the consolidation of the transactions and balances of subsidiaries and of interests in associates and joint ventures, thus ensuring group accounts provide a complete picture of the authority's control over other entities.

9.15.3 The authority does not hold any material interests in subsidiaries, associated or jointly controlled entities. In the Authority's own single-entity accounts, it is the Authority's policy to disclose as a note to the balance sheet details of the name, business, shareholding, net assets and results of operations and other financial transactions of any related companies.

9.16 Inventories and Long Term Contracts

9.16.1 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.

9.16.2 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.

9.17 Investment Property

9.17.1 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.

9.17.2 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.

9.17.3 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.

9.18 Jointly Controlled Operations and Jointly Controlled Assets

9.18.1 Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

9.18.2 Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

9.19 Leases

9.19.1 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.

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

9.19.3 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

9.19.4 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.

9.19.5 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.

9.19.6 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).

9.19.7 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

9.19.8 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

9.19.9 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.

9.19.10 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).

9.19.11 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.

9.19.12 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

9.19.13 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.

9.2 Overheads and Support Services

9.20.1 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 2014/15 (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.

9.20.2 These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

9.21 Property, Plant and Equipment

9.21.1 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.

Recognition

9.21.2 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.

9.21.3 A further condition for expenditure to be capitalised is that it exceeds the relevant de minimus limit in place. Different de-minimus limits are in place for different categories of asset. These are:

- Land and Buildings - no de minimus limit
- Vehicles - no de minimus limit
- IT Equipment - £10,000
- Plant and Machinery - £5,000

Measurement

9.21.4 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.

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

9.21.6 The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

9.21.7 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.

9.21.8 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 assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

9.21.9 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.

9.21.10 Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

9.21.12 Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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.

9.21.13 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.

9.21.14 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

9.21.15 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.

9.21.16 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.

9.21.17 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

9.21.18 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).

9.21.19 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.

9.21.20 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

9.21.21 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.

9.21.22 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.

9.21.23 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

9.21.24 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.

9.21.25 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.

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

9.21.27 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.

9.21.28 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.

9.21.29 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.

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

9.22.1 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.

9.22.2 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.

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

9.23 Private Finance Initiative (PFI) and Similar Contracts

9.23.1 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.

9.23.2 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.

9.23.3 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.

9.23.4 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
- 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.

9.24 Provisions, Contingent Liabilities and Contingent Assets

Provisions

9.24.1 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.

9.24.2 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.

9.24.3 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.

9.24.4 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

9.24.5 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.

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

Contingent Assets

9.24.7 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.

9.24.8 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.

9.25 Reserves

9.25.1 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.

9.25.2 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.

9.26 Revenue Expenditure Funded from Capital under Statute

9.26.1 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.

9.27 VAT

9.27.1 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.

10 MOVEMENT IN RESERVES STATEMENT NOTES

10.1 Movement on 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 1 April 2013	Movement in Reserve	Balance at 31 March 2014	Movement in Reserve	Balance at 31 March 2015
		£000	£000	£000	£000	£000
Usable Reserves:						
Council Fund balance: Authority	10.3	6,203	876	7,079	(89)	6,992
Council Fund balance: LMS School Balances	10.5	1,240	(252)	988	152	1,140
Earmarked reserves	10.4	15,552	(2,303)	13,249	(2,268)	10,980
Capital Receipts Reserve	10.6	6,613	1,410	8,023	9,606	17,629
Total Usable Reserves		**29,608**	**(269)**	**29,339**	**7,401**	**36,741**
Unusable Reserves:						
Revaluation Reserve	10.7	35,860	9,581	45,441	(11,688)	33,753
Capital Adjustment Account	10.8	139,693	(7,924)	131,770	8,762	140,531
Financial Instruments Adjustment Account		(1,175)	80	(1,095)	80	(1,015)
Pension Reserve	10.9	(144,986)	23,108	(121,878)	(45,536)	(167,414)
Deferred Capital Receipts Reserve		13	(6)	7	(5)	2
Accumulated Absences Adjustment Account	10.10	(2,198)	(497)	(2,695)	(189)	(2,884)
Total Unusable Reserves		**27,207**	**24,342**	**51,550**	**(48,577)**	**2,973**
Total Authority Reserves		**56,815**	**24,074**	**80,889**	**(41,176)**	**39,714**

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 2014/15:	**Council Fund Balance £000**	**Capital Receipts Reserve £000**	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of Property, Plant and Equipment assets	12,548	0	**12,548**	(12,548)	**0**
Charges for impairment of Heritage Assets	82	0	**82**	(82)	**0**
Revaluation movements on Property Plant and Equipment (charged to SDPS)	6,031	0	**6,031**	(6,030)	**0**
Revaluation movements on Assets Held for Sale (charged to SDPS)	(2,290)	0	**(2,290)**	2,290	**0**
Movements in the market value of Investment Properties	(17,497)	0	**(17,497)**	17,497	**0**
Revaluation movements on Heritage Assets	20		**20**	(20)	**0**
Amortisation and impairment of intangible assets	61	0	**61**	(61)	**0**
Capital grants and contributions applied	(1,944)	0	**(1,944)**	1,944	**0**
Revenue expenditure funded from capital under statute	2,042	0	**2,042**	(2,042)	**0**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	11,014	0	**11,014**	(11,014)	**0**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment (MRP)	(5,496)	0	**(5,496)**	5,496	**0**
Capital expenditure charged against the Council Fund	(370)	0	**(370)**	370	**0**
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(11,472)	11,472	**0**	0	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,871)	**(1,871)**	1,871	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	5	**5**	(5)	**0**
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(79)	0	**(79)**	79	**0**

10.2 Adjustments Between Accounting Basis and Funding Basis Under Regulations (continued)

Movements in 2014/15 (continued):	**Council Fund Balance £000**	**Capital Receipts Reserve £000**	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	14,905	0	**14,905**	(14,905)	**0**
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,505)	0	**(10,505)**	10,505	**0**
Adjustment involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	188	0	**188**	(188)	**0**
Total adjustments between accounting basis & funding basis under regulations	**(2,763)**	**9,606**	**6,843**	**(6,843)**	**0**

Movements in 2013/14:

	Council Fund Balance £000	**Capital Receipts Reserve £000**	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	18,009	0	**18,009**	(18,009)	**0**
Charges for impairment of Heritage Assets	121	0	**121**	(121)	**0**
Revaluation losses on Property Plant and Equipment (charged to SDPS)	8,218	0	**8,218**	(8,218)	**0**
Revaluation losses on Assets Held for Sale (charged to SDPS)	(6,810)	0	**(6,810)**	6,810	**0**
Movements in the market value of Investment Properties	(1,577)	0	**(1,577)**	1,577	**0**
Amortisation and impairment of intangible assets	82	0	**82**	(82)	**0**
Capital grants and contributions applied	(5,137)	0	**(5,137)**	5,137	**0**
Revenue expenditure funded from capital under statute	1,442	0	**1,442**	(1,442)	**0**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,487	0	**2,487**	(2,487)	**0**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment (MRP)	(4,871)	0	**(4,871)**	4,871	**0**
Capital expenditure charged against the Council Fund	(362)	0	**(362)**	362	**0**

10.2 Adjustments Between Accounting Basis and Funding Basis Under Regulations (continued)

Movements in 2013/14 (continued):

	Council Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,744)	2,744	**0**	0	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,339)	**(1,339)**	1,339	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	5	**5**	(5)	**0**
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(79)	0	**(79)**	79	**0**
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	15,566	0	**15,566**	(15,566)	**0**
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,107)	0	**(10,107)**	10,107	**0**
Adjustment involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	498	0	**498**	(498)	**0**
Total adjustments between accounting basis & funding basis under regulations	**14,735**	**1,410**	**16,145**	**(16,145)**	**0**

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:

	At 1 April 2013 £000	In Year Movement £000	At 31 March 2014 £000	In Year Movement £000	At 31 March 2015 £000
Amount of Council Fund Balance held by Schools under Local Management Schemes	1,240	(252)	988	152	**1,140**
Amount of Council Fund Balance generally available for new expenditure	6,203	876	7,079	(89)	**6,992**
Total Council Fund Balance	7,443	625	8,068	63	**8,132**
Earmarked Revenue Reserves	15,552	(2,303)	13,249	(2,268)	**10,980**
Total Usable Reserves available for Revenue Purposes	**22,995**	**(1,679)**	**21,317**	**(2,205)**	**19,112**

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 £1,140,000 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.

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.

- **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.

- **Single Status & Equal Pay Reserve**

The Authority approved a Single Status Collective Agreement in September 2010, confirming an implementation date of 1st April 2009. The reserve was set up to cover any additional potential future costs, for which provision was not in place, as a result of the implementation or any equal pay claims that were lodged prior to the implementation date.

- **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.

- **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.

- **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.

10.4 Earmarked Reserves (continued)

The transfers to and from Earmarked Reserves in 2014/15 can be summarised as follows:

Description	At 1 April 2013	Transfer to Reserves	Transfer from Reserves	31 March 2014	Transfer to Reserves	Transfer from Reserves	31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Invest to Redesign Reserve	3,120	20	(931)	**2,209**	85	(809)	**1,484**
Priority Investment Reserve	3,450	0	(981)	**2,469**	0	(496)	**1,974**
Insurance and risk management reserve	1,522	562	(117)	**1,968**	282	0	**2,250**
IT Transformation Reserve	1,383	0	(436)	**947**	0	(307)	**640**
Single Status and Equal Pay Reserve	1,552	0	(500)	**1,052**	0	(1,052)	**0**
Treasury equalisation reserve	1,124	0	0	**1,124**	204	(338)	**990**
Capital Investment Reserve	1,593	75	(31)	**1,637**	0	(16)	**1,621**
Redundancy and Pensions Reserve	622	500	(378)	**744**	500	(644)	**600**
Capital Receipt Generation Reserve	332	0	(88)	**244**	357	(141)	**460**
I Learn Wales Reserve	0	0	0	**0**	49	0	**49**
Other reserves							
Elections reserve	33	25	0	**58**	25	0	**83**
Museums acquisition reserve	59	0	0	**59**	0	0	**59**
Chairman's reserve	37	0	0	**37**	0	0	**37**
Service Reserves:							
Grass Routes to Schools Reserve	260	0	(73)	**187**	0	(26)	**161**
Education Achievement Service Reserve	0	69	0	**69**	0	(69)	**0**
Trading Accounts:							
Youth Offending Team trading reserve	383	0	(2)	**381**	0	0	**381**
Outdoor education centres trading reserve	133	24	0	**157**	33	0	**190**
School library service trading reserve	(47)	0	(44)	**(91)**	195	(104)	**0**
Building Control trading reserve	(4)	0	0	**(4)**	4	0	**0**
	15,552	1,276	(3,579)	**13,249**	1,734	(4,002)	**10,980**

10.5 School Balances

The balance on the Council Fund includes £1,140,032 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:

School Name	At 1 April 2013	In Year Movement	At 31 March 2014	In Year Movement	At 31 March 2015
	£	£	£	£	£
Comprehensives					
Caldicot	**36,934**	23,686	**60,620**	20,748	**81,368**
Chepstow	**1,999**	(216,589)	**(214,589)**	(174,098)	**(388,688)**
King Henry VIII	**219,715**	(105,197)	**114,519**	(71,553)	**42,966**
Monmouth	**80,537**	50,437	**130,974**	(21,124)	**109,851**
Sub Total	**339,185**	(247,662)	**91,523**	(246,027)	**(154,504)**
Primaries					
Archbishop R Williams	**(18,555)**	40,546	**21,992**	15,856	**37,847**
Cantref	**75,384**	(7,246)	**68,138**	(13,735)	**54,403**
Castle Park	**(97,802)**	(196)	**(97,999)**	58,270	**(39,729)**
Chepstow Alliance	**0**	0	**0**	28,092	**28,092**
Cross Ash	**61,834**	(13,845)	**47,989**	17,901	**65,890**
Deri View	**(170,667)**	90,715	**(79,952)**	101,715	**21,762**
Dewstow	**94,370**	11,743	**106,113**	20,482	**126,594**
Durand	**64,772**	(20,047)	**44,725**	9,036	**53,761**
Gilwern	**54,827**	(13,770)	**41,057**	(2,144)	**38,913**
Goytre Fawr	**7,808**	(3,100)	**4,708**	24,124	**28,832**
Kymin View	**10,162**	24,193	**34,355**	10,279	**44,634**
Llandogo	**7,539**	(13,319)	**(5,780)**	(6,567)	**(12,346)**
Llanfair Kilgeddin VC	**23,475**	(863)	**22,612**	(10,690)	**11,922**
Llanfoist	**18,235**	14,699	**32,934**	41,333	**74,267**
Llantilio Pertholey	**105,594**	(40,254)	**65,340**	(18,115)	**47,225**
Llanvihangel Crucorney	**(60,486)**	19,830	**(40,656)**	25,617	**(15,040)**
Magor VA	**24,665**	6,472	**31,136**	5,325	**36,462**
New Pembroke Primary	**42,353**	37,318	**79,671**	(46,122)	**33,549**
Osbaston Church in Wales	**36,343**	12,369	**48,713**	7,284	**55,997**
Our Lady's & St Michael's Catholic Primary	**45,192**	(21,529)	**23,663**	17,151	**40,813**
Overmonnow	**66,628**	(32,899)	**33,729**	(33,403)	**326**
Raglan	**42,941**	(1,681)	**41,259**	21,487	**62,747**
Rogiet	**71,372**	11,780	**83,152**	(13,274)	**69,879**
Shirenewton	**75,178**	6,390	**81,568**	(3,289)	**78,279**
St Mary's (Chepstow)	**2,952**	(2,139)	**813**	17,695	**18,509**
The Dell	**21,699**	28,408	**50,107**	33,103	**83,210**
Thornwell	**62,403**	(46,267)	**16,135**	32,862	**48,997**
Trellech	**29,209**	4,396	**33,606**	39,283	**72,889**
Undy	**7,188**	2,928	**10,116**	31,563	**41,679**
Usk VC	**19,991**	8,695	**28,686**	(4,871)	**23,815**
Ysgol Gymraeg Y Fenni	**92,212**	(60,052)	**32,161**	34,042	**66,203**
Ysgol Gymraeg Ffin	**(42,366)**	24,451	**(17,915)**	36,066	**18,152**
Sub Total	**774,451**	67,725	**842,176**	476,355	**1,318,530**
Special					
Mounton House	**76,592**	(58,128)	**18,465**	(44,418)	**(25,954)**
Pupil Referral Unit	**49,815**	(13,823)	**35,992**	(34,033)	**1,959**
Sub Total	**126,407**	(71,951)	**54,457**	(78,452)	**(23,995)**
TOTAL	**1,240,044**	(251,888)	**988,156**	151,876	**1,140,032**

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.

The in-year movements on the reserve are summarised below: -

	2014-15 £000	2013-14 £000
Balance as at 1st April	**8,023**	6,613
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**11,472**	2,744
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	**5**	5
Less: use of the Capital Receipts Reserve to finance new capital expenditure	**(1,871)**	(1,339)
Balance as at 31st March	**17,629**	8,023

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.

	2014-15 £000	**2014-15 £000**	2013-14 £000	2013-14 £000
Balance at 1 April		**45,441**		35,860
Upward revaluation of assets	**915**		13,541	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**(1,512)**		(1,621)	
Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(597)**		11,920
Difference between fair value depreciation and historical cost depreciation	**(1,780)**		(1,896)	
Accumulated gains on assets sold or scrapped	**(9,311)**		(443)	
Amount written off to the Capital Adjustment Account		**(11,091)**		(2,339)
Balance at 31 March		**33,753**		45,441

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.

	2014-15 £000	**2014-15 £000**	2013-14 £000	2013-14 £000
Balance at 1 April		**131,770**		139,693
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of property, plant and equipment assets	**(12,548)**		(18,009)	
• Revaluation movements on heritage assets	**(20)**		0	
• Charges for impairment of heritage assets	**(82)**		(121)	
• Revaluation movements on Property, Plant and Equipment	**(6,031)**		(8,218)	
• Revaluation movements on Assets Held for Sale	**2,290**		6,810	
• Amortisation & impairment of intangible assets	**(61)**		(82)	
• Revenue expenditure funded from capital under statute	**(2,042)**		(1,442)	
• 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	**(1,703)**		(2,044)	
• Adjusting amounts written out of the Revaluation Reserve	**1,780**		1,896	
		(18,417)		(21,210)
Capital financing applied in the year:				
• Use of the Capital Receipts Reserve to finance new capital expenditure	**1,871**		1,339	
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**1,944**		5,137	
• Statutory provision for the financing of capital investment charged against the Council Fund	**5,496**		4,871	
• Capital expenditure charged against the Council Fund	**370**		362	
		9,681		11,709
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		**17,497**		1,577
Balance at 31 March		**140,532**		131,770

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.

	2014-15 £000	2013-14 £000
Balance at 1 April	**(121,878)**	(144,986)
Remeasurement gains or (losses) on pension assets and liabilities	**(41,136)**	28,567
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	**(14,905)**	(15,566)
Employer's pensions contributions and direct payments to pensioners payable in the year	**10,505**	10,107
Balance at 31 March	**(167,414)**	(121,878)

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.

	2014-15 £000	2013-14 £000
Balance at 1 April	**(2,695)**	(2,198)
Settlement or cancellation of accrual made at the end of the preceding year	**2,695**	2,198
Amounts accrued at the end of the current year	**(2,884)**	(2,695)
Balance at 31 March	**(2,884)**	(2,695)

11 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

11.1 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice* . However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Support service recharges are not reported as they do not have a net impact on the revenue account. However, such costs are reported in the Comprehensive Income and Expenditure Statement as required by CIPFA's *Service Reporting Code of Practice* .

The income and expenditure of the Authority's directorates, also referred to as Net Cost of Services, is recorded in the budget monitoring reports for the year is as follows:

a) Service Information

For the year ended 31 March 2015

	Social Care & Health £000	Children & Young People £000	Enterprise £000	Operations £000	Chief Executives Dept £000	Corporate Costs and Levies £000	Schools £000	Total £000
Fees, charges & other service income	(6,329)	(3,060)	(5,101)	(35,819)	(253)	(544)	(54,193)	**(105,299)**
Government grants and contributions	(4,116)	(9,652)	(6,176)	(865)	(25,055)	0	0	**(45,863)**
Total Income	**(10,445)**	**(12,712)**	**(11,278)**	**(36,684)**	**(25,308)**	**(544)**	**(54,193)**	**(151,163)**
Employee expenses	16,456	5,807	11,792	15,102	8,073	927	44,998	**103,156**
Other operating expenses	32,081	59,068	9,776	39,433	24,189	16,984	9,043	**190,573**
Total operating expenses	**48,537**	**64,875**	**21,569**	**54,535**	**32,262**	**17,911**	**54,041**	**293,729**
Net Cost of Services reported to Internal Management	**38,092**	**52,163**	**10,291**	**17,851**	**6,954**	**17,367**	**(152)**	**142,566**

For the year ended 31 March 2014

	Social Care & Health £000	Children & Young People £000	Regeneration & Culture £000	Chief Executives Dept £000	Corporate Costs and Levies £000	Schools £000	Total £000
Fees, charges & other service income	(6,434)	(2,045)	(30,541)	(24,112)	(308)	(52,970)	**(116,411)**
Government grants and contributions	(3,237)	(11,121)	(6,006)	(2,136)	0	0	**(22,500)**
Total Income	**(9,671)**	**(13,166)**	**(36,547)**	**(26,248)**	**(308)**	**(52,970)**	**(138,911)**
Employee expenses	15,949	7,064	26,451	8,224	792	44,494	**102,974**
Other operating expenses	30,939	58,325	37,907	28,540	16,401	8,728	**180,840**
Total operating expenses	**46,887**	**65,389**	**64,359**	**36,764**	**17,192**	**53,222**	**283,814**
Net Cost of Services	**37,217**	**52,223**	**27,812**	**10,516**	**16,884**	**252**	**144,903**

11.1 Amounts Reported for Resource Allocation Decisions (continued)

b) Information Reported to Internal Management in addition to Net Cost of Services

	2014-15	2013-14
	£000	£000
Net Cost of Services b/f	142,566	144,903
Attributable Costs – Fixed Asset Disposal	145	103
Interest & Investment Income	(98)	(192)
Interest Payable & Similar Charges	3,547	3,670
Charges Required Under Regulation	5,576	4,950
Capital Expenditure Financed from Revenue	138	76
Contributions to Earmarked Reserves	1,734	1,276
Contributions from Earmarked Reserves	(3,771)	(3,294)
General Government Grants	(69,540)	(74,755)
Non-Domestic Rates	(28,984)	(28,377)
Council Tax	(57,158)	(54,763)
Council Tax Benefit Support (included in n.c.s)	5,784	5,775
Total (surplus)/deficit reported to Internal Management	**(63)**	(625)

c) Reconciliation of Directorate Income and Expenditure to Net Cost of Services in the Comprehensive Income and Expenditure Statement

		2014-15	2013-14
		£000	£000
Cost of Services in Service Analysis		148,351	150,678
Add:	Amounts not reported to management	18,251	21,287
Less:	Amounts reported to management not included in Comprehensive Income and Expenditure Statement	(14,754)	(14,644)
Net Cost of Services in Comprehensive Income and Expenditure Statement		**151,847**	**157,322**

11.1 Amounts Reported for Resource Allocation Decisions (continued)

d) Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

For the year ended 31 March 2015

Reconciliation to Subjective Analysis	Service Analysis £000s	Not Reported to Management £000s	Not Included in I&E £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(105,299)	0	0	**(105,299)**	0	**(105,299)**
Income and movement in relation to investment properties	0	0	281	**281**	(18,142)	**(17,861)**
Interest and Investment Income	0	0	0	**0**	(98)	**(98)**
Income from council tax	0	0	0	**0**	(57,158)	**(57,158)**
Income Non-Domestic Rates Redistribution	0	0	0	**0**	(28,984)	**(28,984)**
Internal Recharges	0	(15,781)	0	**(15,781)**	0	**(15,781)**
Government grants and contributions	(45,863)	0	0	**(45,863)**	(71,484)	**(117,348)**
Total Income	**(151,163)**	**(15,781)**	**281**	**(166,662)**	**(175,868)**	**(342,530)**
Employee expenses	103,156	0	0	**103,156**	7	**103,163**
Expenditure in relation to investment properties	0	0	0	**0**	0	**0**
Other service expenses	181,322	94	0	**181,416**	0	**181,416**
Internal recharges	0	18,599	0	**18,599**	0	**18,599**
Depreciation, amortisation and impairment	0	15,980	0	**15,980**	0	**15,980**
Interest Payments and Similar Charges	0	0	0	**0**	3,541	**3,541**
Precepts & Levies	15,168	0	(15,168)	**0**	15,168	**15,168**
(Surplus)/Deficit on Trading Undertakings not within NCS	(132)	0	132	**0**	(309)	**(309)**
Gain or Loss on Disposal of Fixed Assets	0	0	0	**0**	0	**0**
Accumulated absences	0	188	0	**188**	0	**188**
Pension costs as required by Code	0	(1,012)	0	**(1,012)**	5,239	**4,227**
Total operating expenses	**299,513**	**33,850**	**(15,036)**	**318,327**	**23,645**	**341,973**
Adjustments relating to JANEs	0	182	0	**182**	1	**183**
(Surplus)/deficit on the provision of services	**148,351**	**18,251**	**(14,754)**	**151,847**	**(152,221)**	**(375)**

For the year ended 31 March 2014

Reconciliation to Subjective Analysis	Service Analysis £000s	Not Reported to Management £000s	Not Included in I&E £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(117,243)	0	0	**(117,243)**	0	**(117,243)**
Income and movement in relation to investment properties	0	0	255	**255**	(1,903)	**(1,648)**
Interest and Investment Income	0	0	0	**0**	(192)	**(192)**
Income from council tax	0	0	0	**0**	(54,763)	**(54,763)**
Income Non-Domestic Rates Redistribution	0	0	0	**0**	(28,377)	**(28,377)**
Internal Recharges	0	(18,395)	0	**(18,395)**	0	**(18,395)**
Government grants and contributions	(21,668)	0	0	**(21,668)**	(79,892)	**(101,560)**
Total Income	**(138,911)**	**(18,395)**	**255**	**(157,051)**	**(165,126)**	**(322,177)**
Employee expenses	102,974	0	0	**102,974**	0	**102,974**
Other service expenses	171,716	149	0	**171,865**	0	**171,865**
Support Service recharges	0	19,190	0	**19,190**	0	**19,190**
Depreciation, amortisation and impairment	0	20,257	0	**20,257**	0	**20,257**
Interest Payments	0	0	0	**0**	3,662	**3,662**
Precepts & Levies	14,822	0	(14,822)	**0**	14,822	**14,822**
(Surplus)/Deficit on Trading Undertakings not within NCS	76	0	(76)	**0**	107	**107**
Gain or Loss on Disposal of Fixed Assets	0	0	0	**0**	(77)	**(77)**
Accumulated absences	0	498	0	**498**	0	**498**
Pension costs as required by Code	0	(560)	0	**(560)**	5,852	**5,292**
Total operating expenses	**289,589**	**39,533**	**(14,899)**	**314,224**	**24,366**	**338,590**
Adjustments relating to JANEs	0	149	0	**149**	2	**151**
(Surplus)/deficit on the provision of services	**150,678**	**21,287**	**(14,644)**	**157,322**	**(140,758)**	**16,564**

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.

		31 March 2015			31 March 2014		
		Gross Expend	Gross Income	Net Expend	Gross Expend	Gross Income	Net Expend
	Note	£000	£000	£000	£000	£000	£000
Interest payable and similar charges	13.2	**3,553**	**(13)**	**3,541**	3,680	(18)	3,662
Pensions interest cost and expected return on pensions assets	14.2/16.7	**5,239**	**0**	**5,239**	5,854	0	5,854
Interest receivable and similar income	13.2	**0**	**(89)**	**(89)**	0	(166)	(166)
Income and expenditure in relation to investment properties and changes in their fair value	12.8	**1,741**	**(19,884)**	**(18,142)**	2,463	(4,366)	(1,903)
(Surpluses)/deficits on trading undertakings not included in the Net Cost of Services	11.3	**11,618**	**(11,927)**	**(309)**	12,550	(12,443)	107
Other investment income	13.2	**0**	**(9)**	**(9)**	0	(26)	(26)
Total Financing and Investment Income and Expenditure		**22,151**	**(31,921)**	**(9,770)**	24,547	(17,019)	7,528

11.3 Significant Trading Operations

The Authority has established 8 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations.

Details of those units are as follows:

Grounds Maintenance	2014-15			2013-14		
	£000	£000	£000	£000	£000	£000
	Internal	External	Total	Internal	External	Total
Turnover	(2,488)	(1,184)	(3,672)	(2,451)	(1,378)	(3,829)
Expenditure	2,488	1,128	3,616	2,451	1,313	3,764
(Surplus)/Deficit	**0**	**(56)**	**(56)**	**0**	**(65)**	**(65)**

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

Building Cleaning	2014-15			2013-14		
	£000	£000	£000	£000	£000	£000
	Internal	External	Total	Internal	External	Total
Turnover	(624)	(25)	(649)	(733)	0	(733)
Expenditure	664	24	688	788	0	788
(Surplus)/Deficit	**40**	**(1)**	**39**	**55**	**0**	**55**

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. This has not happened in 14-15 where a loss has been made due in the main to operational costs exceeding original expectations. this is being reviewed and compensatory measures will put in place to ensure the shortfall is addressed in future.

11.3 Significant Trading Operations (continued)

Building Control

	2014-15			2013-14		
	£000	£000	£000	£000	£000	£000
	Internal	External	Total	Internal	External	Total
Turnover	**0**	**(336)**	**(336)**	**0**	**(329)**	**(329)**
- Chargeable	0	**(335)**	(335)	0	(329)	(329)
- Non-Chargeable	0	(1)	(1)	0	0	0
Expenditure	**0**	**500**	**500**	**0**	**472**	**472**
- Chargeable	0	330	330	0	330	330
- Non-Chargeable	0	170	170	0	142	142
(Surplus)/Deficit	**0**	**164**	**164**	**0**	**143**	**143**
- Chargeable	0	(5)	(5)	0	1	1
- Non-Chargeable	0	169	169	0	142	142

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 £5,000 (£1,000 deficit in 2013/14). The building control trading account reserve has a £1,000 surplus as at 31st March 2015.

Retail Markets

	2014-15			2013-14		
	£000	£000	£000	£000	£000	£000
	Internal	External	Total	Internal	External	Total
Turnover	0	(366)	(366)	0	(356)	(356)
Expenditure	0	558	558	0	950	950
(Surplus)/Deficit	**0**	**192**	**192**	**0**	**594**	**594**

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. Financial performance was down from previous years and was a result of a realignment of employee costs that will not occur in future years due to a departmental restructure.

Industrial Units

	2014-15			2013-14		
	£000	£000	£000	£000	£000	£000
	Internal	External	Total	Internal	External	Total
Turnover	0	(55)	(55)	0	(140)	(140)
Expenditure	0	5	5	0	84	84
Movement in asset value	0	68	68	0	(28)	(28)
(Surplus)/Deficit	**0**	**18**	**18**	**0**	**(84)**	**(84)**

The Council manages 44 industrial units, situated predominantly in the south of the County. The units are let at market rents on flexible terms, and generate a net surplus which is used to support service delivery.

Wentwood Timber Centre

	2014-15			2013-14		
	£000	£000	£000	£000	£000	£000
	Internal	External	Total	Internal	External	Total
Turnover	0	0	0	0	(29)	(29)
Expenditure	0	(1)	(1)	0	32	32
(Surplus)/Deficit	**0**	**(1)**	**(1)**	**0**	**3**	**3**

Wentwood Timber Centre provided locally sourced sustainable timber to wood finishing and building companies. Its trading objective was to return a profit but in recent years the account has returned deficits and the centre has ceased operating. The entries in 14-15 and 13-14 predominately relate to shut down costs and include stock write off and equipment sales.

11.3 Significant Trading Operations (continued)

Highways External Clients

	2014-15			2013-14		
	£000	£000	£000	£000	£000	£000
	Internal	External	Total	Internal	External	Total
Turnover	0	(6,500)	(6,500)	0	(6,610)	(6,610)
Expenditure	0	5,943	5,943	0	6,096	6,096
(Surplus)/Deficit	**0**	**(557)**	**(557)**	**0**	**(514)**	**(514)**

The authority provides a range of Highways Maintenance services to external clients including adjacent LA's, Gwent Police and agents of WG. The works were awarded via a combination of competitive tender, negotiated rates and agreed resource schedule rates. The unit provides services ranging from safety fence repairs to winter Maintenance on all trunk roads and motorways in the Cardiff and Greater Gwent region. The trading objective is to recover costs, reduce MCC overheads and ensure value for money. The level of surplus is dependent upon spend patterns in WG and LA's within the South East Wales region. Higher than budgeted spend patterns in the Greater Gwent region, skews surpluses significantly as overheads are fully recovered at budgeted levels.

Trade Refuse

	2014-15			2013-14		
	£000	£000	£000	£000	£000	£000
	Internal	External	Total	Internal	External	Total
Turnover		(427)	(427)	0	(363)	(363)
Expenditure		359	359	0	393	393
(Surplus)/Deficit	**0**	**(68)**	**(68)**	**0**	**30**	**30**

The Authority offers a residual waste collection to local businesses. Financial performance has improved in the last year and it is now returning a surplus mainly as a result of improved turnover.

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.

	2014-15 £000	2013-14 £000
Net (Surplus)/Deficit On Trading Operations	**(269)**	162
Support Services recharged to Expenditure of Continuing Operations	**(40)**	(55)
Net (Surplus)/Deficit taken to financing and investment income and expenditure	**(309)**	**107**

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, Gwent Police Authority 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 44,199 for 2014/15 (44,083 for 2013/14).

This average basic amount for a Band D property, £1,284.61 (£1,230.83 in 2013/14), 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		486	3042	6619	8253	6803	7106	5067	1680	643
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:

	2014-15 £000	2013-14 £000
Council tax collectable	**(57,579)**	(54,833)
Provision for non-payment of council tax	**421**	70
	(57,158)	(54,763)

11.5 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate, 0.473p per £ in 2014/15 (0.464p per £ in 2013/14) 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 £20,759,000 (£20,197,000 for 2013/14) was based on an average rateable value of £56,437,306 (£56,609,000 for 2013/14).

The analysis of the net proceeds from non-domestic rates is as follows:

	2014-15 £000	2013-14 £000
Non-domestic rates collectable	**20,891**	20,430
Cost of collection allowance	**(172)**	(170)
(Increase)/Decrease in provision for bad debts	**41**	(64)
Payments into national pool	**20,759**	20,197
Redistribution from national pool	**(28,984)**	(28,377)

11.6 General Government Grants

The Authority received grants of £71,484,000 of General Government grants in 2014/15 that were identified as not being attributable to specific services within Net Cost of Services (£79,892,000 in 2013/14). The following analysis is provided:

	2014-15 £000	2013-14 £000
Revenue support grant	**(68,524)**	(73,386)
Outcome Agreement grant	**(812)**	(820)
21c Schools Annuity Funding	**(204)**	0
Council tax reduction scheme	**0**	(549)
Capital grants and contributions	**(1,944)**	(5,137)
Total	**(71,484)**	(79,892)

11.7 Grant Income

a) Capital Grants and Contributions

The Authority has also credited £3,504,000 to the Comprehensive Income and Expenditure Statement in 2014/15 (£5,307,000 in 2013/14). This is comprised of:

	2014-15	2013-14
	£000	£000
WAG General Capital Grant	**1,473**	1,420
Section 106 Developer Contributions	**452**	228
HLF	**0**	14
WAG Grants	**1,322**	865
Other Contributions	**257**	811
Insurance Settlement Income	**0**	1,970
	3,504	5,307

The capital grants and contributions have been credited to the Comprehensive Income and Expenditure Statement as follows:

	2014-15	2013-14
	£000	£000
Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute	**(1,560)**	(170)
Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income	**(1,944)**	(5,137)
	(3,504)	(5,307)

b) Capital Grants and Contributions Received in Advance

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

	2014-15		2013-14	
	£000		£000	
Capital Grants Receipts in Advance:				
Gloucestershire County Council	**358**		0	
Regional Transport Consortia Grant	**0**		34	
		358		34
Developer Contributions held in Advance:				
S106 Developer contributions	**2,772**		919	
		2,772		919
		3,130		953

11.7 Grant Income (Continued)

c) Revenue Grants and Contributions

The Authority credited the £23,877,000 of revenue grants and contributions to Net Cost of Services within the Comprehensive Income and Expenditure Statement for 2013/14 (£21,669,000 in 2013/14), along with Housing benefits subsidy of £21,987,000 (£22,213,000 in 2013/14). These are comprised of:

	2014-15		2013-14	
	£000	£000	£000	£000
Central Government				
Housing benefit subsidy	21,987		22,213	
		21,987		22,213
Welsh Assembly Government				
Sixth Form Funding (DCELLS)	3,501		3,476	
Early Years / Foundation Phase	2,648		2,699	
Supporting People	2,197		2,256	
Sustainable Waste Management	1,890		1,923	
SEG / WEG (PDG)	1,626		1,185	
Rural Development Plan	1,355		1,277	
Flying Start Grant	1,116		899	
Concessionary Fares (PTSG)	891		868	
Families First	738		794	
Enhancement of Learning	195		431	
Other WAG grants	4,303		3,133	
		20,460		18,943
Home Office				
Unaccompanied Asylum Seeking Children	25		62	
Police and Crime Commissioner	117		119	
		142		181
Other Grants & Contributions		3,275		2,544
Revenue Grants and Contributions Receivable		45,864		43,881

12 NON-CURRENT ASSET & CAPITAL FINANCING NOTES

12.1 Property, Plant and Equipment

a) 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 & Sustainability Manager, Mrs D. Hill-Howells MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

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

- The 2014/15 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 9 of the notes to the accounts.
- All assets requiring valuations have been revalued in the 5 year period ending 31st March 2015. The valuations carried out during 2014/15 primarily included some museums and theatres, some primary schools and some land parcels.

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Carried at historical cost	208	4,080	61,613	3,887	0	1,141	**70,928**
Valued at fair value as at:							
31 March 2015	16,489	0	0	0	0	0	**16,489**
31 March 2014	9,351	0	0	0	0	0	**9,351**
31 March 2013	84,013	0	0	0	4	0	**84,017**
31 March 2012	46,230	0	0	0	0	0	**46,230**
31 March 2011	0	0	0	0	0	0	**0**
Total Cost or Valuation	**156,291**	**4,080**	**61,613**	**3,887**	**4**	**1,141**	**227,016**

12.1 Property, Plant and Equipment (continued)

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 2015 and 31st March 2014.

Movements in 2014/15:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment*
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:								
At 1 April 2014	175,110	10,658	82,741	3,908	215	3,559	**276,191**	1,189
Additions	4,375	677	3,952	7	25	747	**9,782**	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,216)	1	0	0	0	0	**(1,216)**	57
Revaluation increases/ (decreases) recognised in the SDPS	(7,770)	(214)	0	(0)	0	0	**(7,984)**	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(7)	0	0	0	0	0	**(7)**	0
Impairment losses/(reversals) recognised in the SDPS	258	(18)	(3,623)	0	(25)	(259)	**(3,667)**	0
Reclassified (to)/from Held for Sale	(0)	(6)	0	0	(212)	0	**(217)**	0
Other movements in cost or valuation	2,094	0	20	(29)	0	(2,906)	**(821)**	0
At 31 March 2015	**172,844**	**11,097**	**83,090**	**3,887**	**4**	**1,141**	**272,062**	**1,245**
Accumulated Depreciation:								
At 1 April 2014	(12,859)	(5,583)	(19,992)	0	0	0	**(38,434)**	(7)
Depreciation charge	(5,853)	(1,653)	(1,485)	0	0	0	**(8,991)**	(42)
Depreciation written out to the Revaluation Reserve due to revaluation increases/decreases	309	0	0	0	0	0	**309**	0
Depreciation written out to SDPS due to revaluation increases/decreases	1,739	214	0	0	0	0	**1,954**	0
Depreciation written out to the Revaluation Reserve due to impairments	0	0	0	0	0	0	**0**	0
Depreciation written out to SDPS due to impairments	110	0	0	0	0	0	**110**	0
Reclassified (to)/from Held for Sale	0	6	0	0	0	0	**6**	0
Other movements in depreciation	0	0	0	0	0	0	**0**	0
At 31 March 2015	**(16,553)**	**(7,017)**	**(21,477)**	**0**	**0**	**0**	**(45,047)**	**(49)**
Net Book Value:								
At 31 March 2015	156,291	4,080	61,613	3,887	4	1,141	**227,016**	1,196
At 1 April 2014	162,251	5,075	62,749	3,908	216	3,559	**237,757**	1,181

12.1 Property, Plant and Equipment (continued)

Movements in 2013/14:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment*
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:								
At 1 April 2013	176,974	9,709	82,599	3,192	2,014	9,316	**283,804**	1,200
Additions	7,507	1,128	4,673	56	848	3,303	**17,513**	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(639)	0	0	(17)	0	0	**(656)**	(11)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,509)	0	(0)	0	0	0	**(8,509)**	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(38)	0	(0)	(1)	0	0	**(39)**	0
Impairment losses/(reversals) recognised in the SDPS	(451)	(64)	(4,553)	(31)	(806)	0	**(5,906)**	0
Derecognition – disposals	0	0	0	0	0	0	**0**	0
Assets reclassified (to)/from Held for Sale	(7,632)	(115)	0	(6)	(1,741)	(446)	**(9,939)**	0
Other movements in cost or valuation	7,897	0	23	715	(100)	(8,613)	**(77)**	0
At 31 March 2014	**175,109**	**10,658**	**82,741**	**3,908**	**215**	**3,559**	**276,191**	**1,188**
Accumulated Depreciation:								
At 1 April 2012	(5,089)	(3,654)	(18,511)	0	(255)	0	**(27,510)**	(0)
Depreciation charge	(8,480)	(2,044)	(1,481)	0	(101)	0	**(12,106)**	(41)
Depreciation written out to the Revaluation Reserve due to revaluation increases/decreases	184	0	0	0	0	0	**184**	34
Depreciation written out to SDPS due to revaluation increases/decreases	293	0	0	0	0	0	**293**	0
Depreciation written out to the Revaluation Reserve due to impairments	3	0	0	9	0	0	12	0
Depreciation written out to SDPS due to impairments	0	0	0	0	0	0	**0**	0
Reclassified (to/from Held for Sale	218	115	0	0	357	0	**689**	0
Other movements in depreciation	14	0	0	(9)	0	0	**5**	0
At 31 March 2014	**(12,859)**	**(5,583)**	**(19,992)**	**0**	**0**	**0**	**(38,434)**	**(8)**
Net Book Value:								
At 31 March 2014	162,250	5,075	62,749	3,908	215	3,559	**237,756**	1,181
At 1 April 2013	171,885	6,055	64,088	3,192	1,759	9,316	**256,294**	1,200

12.1 Property, Plant and Equipment (continued)

c) Information on Assets Held

Plant, property and equipment assets owned by the Council as at 31st March 2015 include the following:

	31 March 2015 Number	31 March 2014 Number (Restated)
Schools:		
Primary	**22**	22
Comprehensive	**4**	4
Special	**1**	1
Land Parcels	**3**	3
Nurseries	**4**	5
Playgroups	**1**	1
Associations and Clubs	**45**	44
Parks Open, Spaces, & Recreational Grounds	**353**	351
Libraries	**5**	5
Historic Sites	**2**	2
Museums and Theatres	**5**	5
Leisure Centres	**4**	4
Youth Centres	**2**	2
Outdoor Education Centres	**2**	2
Learning and Resource Centres	**1**	1
Residential Homes	**4**	4
Sheltered Housing Units	**4**	4
Community Centres	**8**	7
Day Centres	**2**	2
Industrial Units	**6**	25
Land Parcels	**77**	76
Allotments	**5**	5
Car Parks	**39**	38
Offices & Depots	**33**	41
Public Conveniences	**20**	21
District Shops & Restaurants	**2**	2
Cemeteries & Crematoria	**15**	15
Waste Disposal Sites	**5**	5
Sewerage Treatment Plants	**10**	11
Markets	**2**	2
Bus Stations	**1**	1
Vehicles	**120**	131
Plant and Machinery	**45**	40
Infrastructure	**19**	19
Arts and Antiquities	**1**	1
IT Equipment	**26**	20
Surplus Assets not Held for Sale	**1**	5

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 account.

Total capital expenditure in the year amounted to £14,256,000 in 2014/15 (£20,433,000 in 2013/14). The expenditure was accounted for as follows:

	2014-15 £000	2013-14 £000
Enhancing value:		
Property, plant and equipment additions	**6,095**	11,528
Investment properties	**0**	51
Intangible assets	**369**	133
Assets held for sale	**56**	329
Heritage assets	**17**	54
Not enhancing value:		
Property, plant and equipment additions	**3,688**	5,986
Investment properties	**293**	241
Intangible assets	**17**	52
Assets held for sale	**38**	328
Heritage assets	**82**	121
Revenue Expenditure Funded from Capital under Statute	**3,601**	1,612
	14,256	20,433

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.

£7,000 of expenditure that did not enhance the value of Property, Plant and Equipment assets was subsequently impaired and debited to the Revaluation Reserve in 2014/15 (£39,000 in 2013/14).

12.3 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year which has enhanced assets which are not owned by the Authority, may be capitalised under statutory provisions but does not result in the creation of fixed assets. It has therefore been charged as expenditure to the Comprehensive Income and Expenditure Statement in the year.

As the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the Comprehensive Income and Expenditure Statement so there is no impact on the level of council tax.

Revenue expenditure funded from capital under statute for the year amounted to £3,601,000 (£1,612,000 in 2013/14) and comprised grants for the Community Economic Development Schemes (CEDS), Disabled Facility Grants (DFGs) provided to homeowners within the community and other Capital Grants and payments. Grant & external contribution funding applied by the Authority to finance such expenditure amounted to £1,560,000 (£170,000 in 2013/14).

	CED's Grants £000	**Disabled Facility Grants £000**	**Other £000**	**Total £000**
Capital expenditure incurred during the year	93	635	2,874	**3,601**
Associated grant financing	0	0	(1,560)	**(1,560)**
	93	635	1,314	**2,042**

12.4 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.

The Capital Financing Requirement effectively represents the Authority's underlying need to borrow. The capital financing requirement as at 31st March 2015 was £122,860,000 (£119,845,000 as at 31st March 2014), an increase of £3,015,000 (£8,554,000 in 2013/14).

	31 March 2015 £000	**31 March 2015 £000**	31 March 2014 £000	31 March 2014 £000
Opening Capital Financing Requirement		**119,845**		111,291
Capital investment:				
Property, Plant and Equipment	**9,782**		17,513	
Investment Properties	**293**		292	
Assets held for sale	**94**		656	
Heritage Assets	**99**		175	
Intangible Assets	**387**		184	
Revenue Expenditure Funded from Capital under Statute	**3,601**		1,612	
		14,256		20,433
Sources of finance:				
Capital receipts	**(1,871)**		(1,339)	
Government grants and other contributions	**(3,504)**		(5,308)	
Direct revenue contributions	**(370)**		(362)	
		(5,744)		(7,008)
Other:				
Minimum revenue provision	**(5,496)**		(4,871)	
		(5,496)		(4,871)
Closing Capital Financing Requirement		**122,861**		119,845

Explanation of movements in year

Increase in underlying need to borrowing - supported by Government financial assistance	**2,420**	2,325
Increase in underlying need to borrowing - unsupported by Government financial assistance	**6,091**	11,100
Less: Minimum revenue provision	**(5,496)**	(4,871)
Increase / (decrease) in Capital Financing Requirement	**3,015**	8,554

12.5 Capital Commitments

At 31 March 2015, the Authority has entered into major contracts for the construction of Property, Plant and Equipment in 2015/16 and later years budgeted to cost £2,369,000 (£4,528,000 at 31st March 2014).

12.6 Financing Capital Expenditure

Total capital expenditure in the year amounted to £14,256,000 (£20,433,000 in 2013/14). The expenditure was financed as follows:

Financing	£000	Capital Expenditure - Schemes	£000
Supported Borrowing	2,420	Infrastructure and Transport Schemes	3,952
Unsupported Borrowing	6,091	Asset Management Schemes	2,437
General Capital Grant	1,473	School Development Schemes	4,438
Capital grants and contributions	1,579	Regeneration Schemes	1,166
Council Fund Capital Receipts	1,711	Inclusion Schemes	765
Low Cost Home ownership receipts	27	Sustainability Schemes	65
ESR Capital receipts	134	ICT Schemes	484
Revenue Contribution:		Other Schemes	173
Earmarked Reserves	232	County Farms Schemes	292
Council Fund	138	Vehicles	484
S106 contributions	452		
Total	14,256		14,256

12.7 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 2008 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 February 2014 applying to the 2014/15 financial year. The policy allows capital expenditure financed via unsupported borrowing to be subject to MRP using either the equal annual instalment method or the annuity method, based on the useful life applicable to the nature of the expenditure. The Authority also makes additional voluntary revenue contributions in respect of finance leased assets.

The amount of revenue provision made by the Authority in 2014/15 was £5,496,000 (£4,871,000 in 2013/14).

12.8 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 in relation to investment properties:

	2014-15 £000	2013-14 £000
Rental income from investment property	**(447)**	(414)
Direct operating expenses arising from investment property	**151**	202
Net (gain)/loss	**(296)**	(213)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

	2014-15 £000	2013-14 £000
Balance at start of the year	**25,138**	24,847
Additions:		
Subsequent expenditure	**293**	292
Disposals	**(1,033)**	(1,651)
Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure	**17,497**	1,577
Transfers:		
(To)/from Property, Plant and Equipment	**821**	73
Balance at end of the year	**42,716**	25,138

Capital receipts totalling £1,382,000 were credited to the Capital receipts reserve during 2014/15 in relation to investment properties (£1,764,000 in 2013/14)

12.9 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 2015 are shown below:

	2014-15 £000	2013-14 £000
Balance outstanding at start of year	**29,165**	864
Additions	**94**	656
Assets newly classified as held for sale:		
Property, Plant and Equipment	**212**	9,253
Revaluation losses	**(107)**	(939)
Revaluation gains	**2,750**	20,498
Impairment losses	**(38)**	(328)
Assets declassified as held for sale:		
Property, Plant and Equipment	**0**	(4)
Assets sold	**(9,981)**	(836)
Balance outstanding at year-end	**22,095**	29,165

12.10 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.

Property Plant and Equipment

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).

12.11 Leases - Authority as Lessee

a) Finance Leases

The Authority has entered into the following finance lease agreements:

- An agreement in April 2005 that resulted in capital works being undertaken to allow fitness suites to be incorporated into Chepstow Leisure Centre. Whilst the fitness equipment is held under operating lease arrangements, the initial capital works are accounted for as a finance lease as the risks and rewards of ownership reside with the Authority.
- A long term agreement for the lease of Beaufort Cottage Public Convenience.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

			2014-15			2013-14
			£000			£000
	GBV	**Depn**	**NBV**	GBV	Depn	NBV
Other Land and Buildings	806	(733)	73	806	(658)	148
	806	**(733)**	**73**	**806**	**(658)**	**148**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2014-15	2013-14
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Current	**1**	103
Non-Current	**48**	49
Finance costs payable in future years	**0**	9
Minimum lease payments	**49**	162

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	2014-15	2013-14	**2014-15**	2013-14
	£000	£000	**£000**	£000
Not later than one year	**1**	113	**1**	103
Later than one year and not later than five years	**3**	3	**3**	3
Later than five years	**46**	46	**46**	46
	50	162	**50**	152

In 2014/15, minimum lease payments were paid by the Authority of £113,000 (no change from the previous year) in respect of those assets held as a finance lease.

b) Operating Leases

The Authority has acquired property, vehicles, plant and equipment by entering into operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	2014-15	2013-14
	£000	£000
Not later than one year	**516**	641
Later than one year and not later than five years	**680**	1,175
Later than five years	**98**	159
	1,294	1,975

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £736,000 (£760,000 in 2013/14).

12.12 Leases - Authority as Lessor

Operating Leases

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

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

	2014-15	2013-14
	£000	£000
Not later than one year	**666**	492
Later than one year and not later than five years	**1,671**	1,737
Later than five years	**6,406**	5,849
	8,743	8,077

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 £697,000 of minimum lease payments were receivable by the Authority (£652,000 in 2013/14).

12.13 Heritage Assets

The Code requires that heritage assets are measured at valuation in the 2014/15 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 over the year:

Movements in 2014/15:

	Property Heritage Assets £000	Museum Exhibits £000	Civic Regalia, Artwork & Collect'n £000	Total £000
Cost or Valuation:				
At 1 April 2014	20	4,450	180	**4,650**
Additions	85	14	0	**99**
Revaluation increases/ (decreases) recognised in the SDPS	(20)	0	0	**(20)**
Impairment losses/(reversals) recognised in the SDPS	(82)	0	0	**(82)**
At 31 March 2015	**3**	**4,464**	**180**	**4,647**

Movements in 2013/14:

	Property Heritage Assets £000	Museum Exhibits £000	Civic Regalia, Artwork & Collect'n £000	Total £000
Cost or Valuation:				
At 1 April 2013	0	4,416	180	**4,596**
Additions	141	34	0	**175**
Impairment losses/(reversals) recognised in the SDPS	(121)	0	0	**(121)**
At 31 March 2014	**20**	**4,450**	**180**	**4,650**

Additions relating to property heritage assets of £99,000 relates to non-enhancing capital expenditure (£83,000) and works at The Slaughterhouse Arches, Monmouth (£2,000). The remaining additions relate to the purchase of a painting (£14,000).

The Authority is required to provide a five-year summary of transactions for heritage assets, illustrating the acquisitions, donations, disposals (including sales proceeds) and impairments. This summary is intended to separately report transactions that are reported in the Balance Sheet and those that are not. Information has not been provided for the period before 1 April 2010 as it is not practicable to do so.

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.

12.14 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 2015, shown in the Authority's balance sheet, is £94,715,000 (£107,970,000 as at 31st March 2014).

13 FINANCIAL INSTRUMENTS, CURRENT ASSETS & LIABILITIES NOTES

13.1 Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet as at 31st March 2015:

		Long-Term		Short-Term	
		31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	Note	**£000**	£000	**£000**	£000
Investments					
Loans & receivables	13.4	**0**	0	**4,016**	6,569
Unquoted equity investments	13.4	**40**	40	**0**	0
Cash & cash equivalents	15.3	**-**	-	**20,406**	3,736
Total Investments		**40**	**40**	**24,422**	10,305
Debtors					
Receivables	13.5	**383**	449	**16,392**	22,146
Total Debtors		**383**	**449**	**16,392**	22,146
Borrowings					
Financial liabilities at amortised cost	13.4	**(67,761)**	(68,415)	**(33,552)**	(30,219)
Cash & cash equivalents	15.3	**-**	-	**0**	(2,916)
Total Borrowings		**(67,761)**	**(68,415)**	**(33,552)**	(33,135)
Other Long Term Liabilities					
PFI and finance lease liabilities		**(863)**	(996)	**0**	0
Other Long Term Liabilities		**(431)**	(383)	**0**	0
Total Other Long Term Liabilities		**(1,293)**	**(1,379)**	**0**	**0**
Creditors					
Payables		**0**	0	**(22,439)**	(20,298)
Total Creditors		**0**	0	**(22,439)**	(20,298)

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.

The 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(iv).

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.

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:

	2014-15	**2014-15**	2013-14	2013-14
	£000	**£000**	£000	£000
Financial Liabilities measured at amortised cost:				
Interest payable on external debt	**3,511**		3,623	
Debt reimbursement from third parties	**(13)**		(18)	
		3,499		3,605
Interest payable to trust funds	**9**		15	
Interest payable on finance leases	**33**		42	
		42		57
Interest payable and similar charges		**3,541**		3,662
Financial assets - loans and receivables:				
Interest income	**(89)**		(88)	
Interest income accrued on impaired financial assets	**0**		(5)	
Investment Losses / (Gains)	**0**		(73)	
Interest and investment income		**(89)**		(166)
Other interest and investment income	**(9)**		(26)	
Other investment income		**(9)**		(26)
Total interest and investment income		**(98)**		(192)
Net (gain)/loss for the year		**3,442**		3,470

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:

	Carrying Amount		Fair Value	
	31 March 2015 £000	31 March 2014 £000	**31 March 2015 £000**	31 March 2014 £000
Borrowings				
Financial liabilities at amortised cost	**(101,313)**	(98,634)	(125,441)	(114,021)

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

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 held investments in institutions in the following countries at 31st March 2015:

	31 March 2015				31 March 2014			
	Banks	Local Authorities	Equity Investments	**Total**	Banks	Local Authorities	Equity Investments	Total
	£000	£000	£000	**£000**	£000	£000	£000	£000
United Kingdom	4,016	0	40	**4,056**	6,569	0	40	6,609
	4,016	**0**	**40**	**4,056**	6,569	0	40	6,609

13.4 Nature and Extent of Risks arising from Financial Instruments (continued)

The authority does not expect any losses from non-performance by any of its counterparties in relation to investments held as at 31st March 2015.

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:

	31 March 2015 £000	31 March 2014 £000
Public Works Loan Board	**54,981**	58,503
Market Loans	**13,813**	13,815
Welsh Government	**1,460**	272
Other local authorities	**31,058**	26,044
	101,313	98,634
The Loans Mature as follows:-		
Less than one year	**33,552**	30,219
Between one and two years	**6,000**	1,775
Between two and five years	**2,895**	7,296
Between five and ten years	**21,093**	22,051
More than ten years	**37,773**	37,293
	101,313	98,634

Financial liabilities with Welsh Government consist of interest free Salix loans that have been provided to fund capital schemes targeted towards energy efficiencies initiatives and a loan of £1.25m for Vibrant & viable places. 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.

13.4 Nature and Extent of Risks arising from Financial Instruments (continued)

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 2015 (£nil at 31 March 2014).

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep the level of variable rate loans below the level of investment of surplus cash balances thus reducing interest rate exposure on 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 31 March 2015, 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 £9,064,000 (£7,053,000 reduction in 2013/14).
- 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 2015, repayable within 12 months of the balance sheet date, is summarised below:-

	31 March 2015			31 March 2014		
	Gross	**Impairment**	**Net**	Gross	Impairment	Net
	£000	**£000**	**£000**	£000	£000	£000
Central Government Bodies:						
HM Customs & Excise	0	0	0	1,389	0	1,389
NNDR Debtor	1,636	0	1,636	1,746	0	1,746
Welsh Government	1,738	0	1,738	1,161	0	1,161
Other	766	0	766	3,935	(1)	3,934
Other Local Authorities	3,330	(19)	3,311	2,805	(7)	2,798
NHS Bodies	97	(33)	64	194	(4)	190
Other entities and individuals:						
Revenue debtors	3,986	(76)	3,910	5,266	0	5,266
Capital debtors	631		631	1,093	0	1,093
Council tax arrears	3,191	(2,202)	989	3,254	(1,875)	1,379
Social Services debtors	595	(100)	494	690	(102)	588
Corporate sundry debtors	2,181	(270)	1,911	2,088	(250)	1,838
Rent arrears	143	(118)	25	131	(104)	27
Housing benefit overpayments	1,471	(557)	915	1,255	(518)	737
	19,766	**(3,374)**	**16,392**	25,008	(2,862)	22,146

The aged analysis of the debtors outstanding as at 31st March 2015 is as follows:

	Not Overdue	Up to 3 Months	3 Months - 12 Months	Over 12 Months	Over 24 Months	**Total**
	£000	£000	£000	£000	£000	**£000**
Central Government Bodies:						
NNDR Debtor	1,492	0	0	85	59	**1,636**
Other	2,310	0	0	0	0	**2,310**
Other Local Authorities	2,300	320	138	36	5	**2,799**
NHS Bodies	44	0	14	24	14	**97**
Other entities and individuals:						
Revenue debtors	4,636	0	22	18	36	**4,712**
Capital debtors	631	0	0	0	0	**631**
Council tax arrears	0	0	0	1,113	2,078	**3,191**
Social Services debtors	166	57	199	122	51	**595**
Corporate sundry debtors	1,028	513	335	109	196	**2,181**
Rent arrears	18	4	11	14	95	**143**
Housing benefit overpayments	126	170	471	330	374	**1,471**
	12,751	1,065	1,191	1,851	2,908	**19,766**

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2015 is as follows:

	Not Overdue	Up to 3 Months	3 Months - 12 Months	Over 12 Months	Over 24 Months	**Total**
	£000	£000	£000	£000	£000	**£000**
Other	0	(1)	(17)	(1)	0	**(19)**
NHS Bodies	0	0	(4)	(14)	(15)	**(33)**
Revenue debtors	0	0	(22)	(18)	(36)	**(76)**
Council Tax Arrears	0	0	0	(708)	(1,494)	**(2,202)**
Social Services sundry debtors	0	0	(49)	(19)	(32)	**(100)**
Corporate sundry debtors	0	(14)	(77)	(59)	(120)	**(269)**
Rent arrears	0	(1)	(6)	(14)	(96)	**(118)**
Housing benefit overpayments	0	0	(169)	(153)	(235)	**(557)**
	0	(16)	(344)	(986)	(2,028)	**(3,374)**

13.6 Creditors

The nature and value of payments due to be made by the Council in the year but not actually made as at 31st March 2015 is summarised below: -

	Central Government Bodies	Other Local Authorities	NHS Bodies	Other entities & individuals	Total £000
H.M.R.C	280	0	0	0	**280**
Revenue Creditors	704	3,040	177	9,932	**13,853**
Capital Creditors	0	0	0	1,496	**1,496**
Sundry Creditors	0	0	0	(99)	**(99)**
Payroll Creditors	1,518	0	0	2,069	**3,587**
Monies invested on behalf of Trust Funds	0	0	0	350	**350**
Unapplied Commuted Maintenance Sums	0	0	0	2,125	**2,125**
Prepaid Council Tax	0	0	0	847	**847**
Balance as at 31st March 2015	**2,502**	**3,040**	**177**	**16,720**	**22,439**

	Central Government Bodies	Other Local Authorities	NHS Bodies	Other entities & individuals	Total £000
Revenue Creditors	461	1,932	179	9,180	**11,752**
Capital Creditors	0	0	0	1,634	**1,634**
Sundry Creditors	0	0	0	(116)	**(116)**
Payroll Creditors	1,772	0	0	1,773	**3,545**
Monies invested on behalf of Trust Funds	0	0	0	384	**384**
Unapplied Commuted Maintenance Sums	0	0	0	2,173	**2,173**
Prepaid Council Tax	0	0	0	926	**926**
Balance as at 31st March 2014	**2,233**	**1,932**	**179**	**15,954**	**20,298**

It is the Authority's policy to pay creditors promptly, without undue delay and within mutually agreed terms. 83.4% of payments were paid within a 30 day target settlement date (86.7% in 2013/14).

13.7 Provisions and Contingent Liabilities

The value of provisions as at 31st March 2015, together with their movement for the year, is summarised below:

	Note	As at 1 April 2014 £000	Additional Provisions Made £000	Amounts Used £000	Unused Amounts Reversed £000	As at 31 March 2015 £000
Insurance Claims	13.8a	288	324	(195)	(93)	**324**
Insurance Claims - MMI	13.8b	33	0	0	0	**33**
Accumulating Compensated Absences	13.8c	2,696	2,884	(2,696)	0	**2,884**
Redundancy Payments	13.8d	86	91	(86)	0	**91**
		3,103	3,299	(2,977)	(93)	**3,332**

13.7 Provisions and Contingent Liabilities (Continued)

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 £000 31 March 2015	Long Term £000 31 March 2015	Total £000 31 March 2015	Current £000 31 March 2014	Long Term £000 31 March 2014	Total £000 31 March 2014
Insurance Claims	162	162	324	144	144	288
Insurance Claims - MMI	16	17	33	16	17	33
Accumulating Compensated Absences	2,884	0	2,884	2,696	0	2,696
Redundancy Payments	91	0	91	86	0	86
	3,153	179	3,332	2,942	161	3,103

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 31st March 2009 by the Authority's insurance brokers. Although this actuarial assessment has only provided the Authority with anticipated ultimate losses up to 31st March 2012, 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 2015. Provision has only been made where the likelihood of success has been deemed as exceeding 50%. 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 received 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.

The provision in place at 31st March 2015 was £324,000 (£228,000 at 31st March 2014) and the balance on the insurance and risk management reserve as at 31st March 2015 was £2,250,000 (£1,968,000 as at 31st March 2014). These balances are deemed to provide sufficient cover for the Authority's claims exposure. The Authority's insurance brokers have stated that, based on recent data, the majority of the costs associated with the provision are likely to materialise over the next three financial years.

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

	2014-15 £000	2013-14 £000
Policy Type		
Public Liability	**199**	213
Employer's Liability	**125**	75
Property	**0**	0
Total	**324**	288

The total number of open claims made against the Authority as at 31st March 2015 was 123 (131 open claims as at 31st March 2014).

13.7 Provisions and Contingent Liabilities (Continued)

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%.

The amount recovered by the liquidators was based on a percentage of the member's aggregate total value of claims paid and outstanding unpaid claims (less £50,000 from each scheme member). The 15% levy was then applied on the total value of claim payments, less £50,000 from each scheme member. The total value of the levy paid during 2013/14 was £236,000, split between obligations relating to Monmouth Borough Council (£48,000) and the Authority's share of the former Gwent County Council (£188,000). This was fully covered by the provision made at the end of 2012/13.

It should be noted that MMI's actuaries have indicated that a levy range of between 9.5% and 28% may be necessary to achieve a solvent run off. The initial 15% levy applied was estimated by MMI's actuaries as being the most likely scenario utilising projected outstanding liabilities and investment return assumptions. In the eventuality of the maximum levy of 28% being applied the Authority would incur further costs of £205,000 over and above the amount paid to date. The Authority's Insurance reserve was increased by this amount to allow for such an eventuality.

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 2015, a provision of £33,000 has been made for outstanding claims of this nature. A further £47,000 is included in the Insurance reserve for outstanding claims which the Authority considers have a lower probability of being settled and do not merit provision.

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 of March 2015 was £2,883,700 (£2,696,000 at 31st March 2014).

13.7 Provisions and Contingent Liabilities (continued)

d) Redundancy Payments

As at 31st March 2014 a provision had been made for redundancy payments of £86,000. As this is no longer required it has been reversed out to the service concerned. A new provision of £91,000 was made at 31st March 2015 to cover redundancy costs which are expected to be incurred in 2015/16 but where the decisions on redundancy were made prior to year end.

During 2014/15 many services within the Authority continue to restructure or are planning for restructure in order to reduce the cost of services to the Authority. The costs of redundancies that have occurred during the financial year are disclosed in note 16.10.

A great deal of uncertainty exists relating to the timing and the likely resultant costs to the Authority due to restructuring proposals not detailing the exact posts being lost. If posts are identified the cost may be dependent on the years of service of the individual redundancy or of their preference of terms of redundancy. Redundancy costs may be avoided if redeployment opportunities are identified.

e) 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 £5.932million, as updated annually by RPI, for a period of 15 years from the date of transfer of 20th January 2008. 8 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 £5.932million as updated by RPI (£5.9 million as at 31st March 2014) , 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 2015) is £42,000 (previously £32,000 for the period 21st January 2008 to 31st March 2014).

f) Abergavenny Regeneration Scheme

The CPO relating to the removal of the shooting rights at Bryngwyn was settled during the financial year with no liability falling upon the Authority.

13.7 Provisions and Contingent Liabilities (continued)

g) Capita Gwent Consultancy

In 2002, the Council, along with three other local authorities in Gwent formed a collaborative partnership for the joint procurement of engineering and related services through Capita Gwent Consultancy Limited (Capita Gwent), a private joint venture company. Capita Gwent sought admission to the Greater Gwent Pension Fund that was underpinned by an Admission agreement dated the 13 September 2002 and a Guarantee dated the 13 September 2002 signed by the Capita Group (PLC).

The termination of the Gwent Consultancy framework agreement in August 2012 resulted in an outstanding pension liability for the Greater Gwent pension fund totalling £7.3m. Following extensive legal negotiations with the Capita Group and officer consultation with the Pensions Committee of the Greater Gwent Pension Fund, a settlement of £3.3 million from the Capita Group was accepted on 2 October 2014.

Approval was obtained during June 2014 from each of the four respective Councils Cabinets that any unfunded residual liability would be settled in equal share to the Pension Fund. As a settlement has been reached, this has resulted in a liability of £1m for each Council. This has been agreed by the Greater Gwent Pension Fund to be absorbed into the Council's employers pension contribution rate, and paid over 25 years. The Fund's actuary has indicated that: “Using the actuarial valuation approach agreed for the councils as at the 2013 Valuation, each £1m of extra deficit would give rise to an additional deficit recovery amount of £49,500 p.a. if recovered over 25 years, reflecting that the annual deficit recovery amounts would increase by 4.1% p.a.”

14 POST-EMPLOYMENT BENEFIT NOTES

14.1 Participation in Pension Schemes

Teachers

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the scheme is unfunded and 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 scheme liability as at 31 March 2014 was £250,200 million (£224,900 million as at 31 March 2013). The latest actuarial valuation of the scheme, 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). During 2012/13 the 2008 valuation was suspended pending the final report by the IPSPC (Independent Public Service Pensions Commission) and full consideration of the Spending Review announcements. Future actuarial valuations will be every 4 years.

In 2014/15 the Authority paid £3,475,000 (£3,477,000 in 2013/14) to the scheme in respect of teachers' retirement benefits, representing 14.1% of teachers' pensionable pay (14.1% for 2013/14).

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 £290,000 of contributions remaining payable to the scheme at the year end (£297,000 at 31st March 2014).

Other Employees

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments at the time the employees earn their future entitlement and that needs to be disclosed.

The Authority participates in a number of different schemes which meet the needs of the employees in particular services. These schemes provide members with defined benefits related to pay and service.

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 (see 14.5 for changes at 1 April 2014), meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- 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 pensions payments as they eventually fall due.

There were £1,067,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2014 £1,019,000 was payable) and £2,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£10,000 at 31 March 2014).

14.2 Transactions Relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported net cost of services when they are earned by employees, rather than 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 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:

	Local Government Pension Scheme		**Teachers' Unfunded Discretionary Benefits**	
	2014-15 £000's	2013-14 £000's	**2014-15 £000's**	2013-14 £000's
Comprehensive Income and Expenditure Account				
Net Cost of Services:				
• current service cost	**8,669**	9,354	**0**	0
• past service cost / (gain)	**51**	35	**0**	0
• curtailment cost	**773**	158	**0**	0
• settlement gain	**0**	0	**0**	0
• administration expenses of plan assets	**173**	167	**0**	0
	9,666	9,714	**0**	0
Financing and Investment Income and Expenditure:				
• interest cost on pension liabilities	**15,495**	14,893	**207**	182
• expected return on assets in the scheme	**0**	0	**0**	0
• interest on plan assets	**(10,463)**	(9,223)	**0**	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**14,698**	15,384	**207**	182
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:				
• actuarial (gains) and losses	**0**	0	**0**	0
• (gains) and losses on remeasurement	**40,887**	(28,807)	**249**	240
	40,887	(28,807)	**249**	240
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**55,585**	(13,423)	**456**	422
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-	**(14,698)**	(15,384)	**(207)**	(182)
Actual amount charged against the Council Fund for pensions in the year:				
• employers' contributions payable to scheme	**9,970**	9,573	**534**	534

In addition to the recognised gains and losses included in the (Surplus) or Deficit on Provision of Services above, remeasurement gains of £41,136,000 (£28,567,000 in 2013/14) are included within Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

14.3 Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		**Teachers Unfunded Discretionary**	
	2014-15 £000	2013-14 £000	**2014-15 £000**	2013-14 £000
As at 1st April	**(349,554)**	(358,822)	**(5,082)**	(5,194)
Current service cost	**(8,669)**	(9,354)	**0**	0
Past service (cost) / gain	**(51)**	(35)	**0**	0
Curtailment costs	**(773)**	(158)	**0**	0
Settlement gains	**0**	0	**0**	0
Interest on pension liabilities	**(15,495)**	(14,893)	(207)	(182)
Contributions by scheme participants	**(2,752)**	(2,654)	**0**	0
Actuarial gains / (losses)	**0**	0	**0**	0
(Gains) / losses on remeasurement of liabs	**(58,091)**	25,285	**(249)**	(240)
Benefits paid	**13,219**	11,077	**535**	534
As at 31st March	**(422,166)**	(349,554)	**(5,003)**	(5,082)

Of the £422,000,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2015, there are £4,843,000 of unfunded liabilities (£4,599,000 as at 31st March 2014). £374,000 of employer contributions were made in respect of these liabilities during the year.

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2014-15 £000	2013-14 £000
As at 1st April	**232,758**	219,030
Settlement costs	**0**	0
Expected return on scheme assets	**0**	0
Interest on plan assets	**10,463**	9,223
Employers contributions	**9,970**	9,573
Contributions by scheme participants	**2,752**	2,654
Actuarial gains / (losses)	**0**	0
(Gains) / losses on remeasurement of assets	**17,204**	3,522
Administration expenses of plan assets	**(173)**	-167
Benefits paid	**(13,219)**	(11,077)
As at 31st March	**259,755**	232,758

14.3 Assets and Liabilities in Relation to Post-Employment Benefits (continued)

In 2014/15, the pension deficit for the two schemes has Increased markedly during the year. This is the reverse of 2013/14. The increase was £46m in 2014/15 (decrease of £23m in 2013/14). This is mainly due to remeasurement losses net of remeasurement gains of £41,136,000 which in turn is mainly due to:

- Remeasurement losses on liabilities of £58,340,000 (gains of £25,045,000 in 2013/14) due to changes in financial assumptions. The Discount rate has reduced from 4.5% to 3.3% increasing the liability at the 31st March 2015.
- Offset by remeasurement gains on plan assets which have increased to £17,204,000 in 2014/15 from gains of £3,522,000 in 2013/14.

The actual return on plan assets is made up of the interest on plan assets and the remeasurement of plan assets. The interest on plan assets is dependent on the interest rate used at the start of the year. The remeasurement on plan assets is therefore a reflection of the extent to which the investment returns have achieved higher returns compared to the interest rate used at the start of the year. A weighted average is used to reflect the contribution expected from different asset classes.

The assumed investment return on government bonds is the yield on 20-year fixed interest gilts at the relevant date. The expected investment return on corporate bonds is based on market yields at the relevant date, less a reduction to reflect a risk of default on the yield. The assumed investment return on equities is the yield on 20-year fixed interest gilts plus an allowance of about 3.6% p.a. for the “risk premium” associated with equity investment.

14.4 Scheme History

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	**2014/15 £000**
Local Government Pension Scheme					
Present value of scheme liabilities	(278,806)	(305,888)	(358,822)	(349,554)	**(422,166)**
Fair value of scheme assets	185,865	189,094	219,030	232,758	**259,755**
Surplus / (deficit) in the scheme	(92,941)	(116,794)	(139,792)	(116,796)	**(162,411)**
Teachers Unfunded Discretionary Benefits					
Present value of scheme liabilities	(5,012)	(4,904)	(5,194)	(5,082)	**(5,003)**
Fair value of scheme assets	-	-	-	-	**-**
Surplus / (deficit) in the scheme	(5,012)	(4,904)	(5,194)	(5,082)	**(5,003)**
Total					
Present value of scheme liabilities	(283,818)	(310,792)	(364,016)	(354,636)	**(427,169)**
Fair value of scheme assets	185,865	189,094	219,030	232,758	**259,755**
Surplus / (deficit) in the scheme	(97,953)	(121,698)	(144,986)	(121,878)	**(167,414)**

The liabilities show the underlying commitment that the authority has in the long-run to pay post-employment benefits. The total net liability of £167,414,000 (£121,878,000 in 2013/14) has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in an overall balance of £39,836,000 (£80,888,000 in 2013/14).

14.5 The Risks associated with the pension schemes

Statutory arrangements for funding the deficit on the schemes mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- As the total membership of the local government scheme is made up as follows, the burden of making up the shortfall will fall to the active members:

	2014-15	2013-14
Active	**2,643**	2,495
Deferred	**1,919**	1,753
Pensioners	**1,312**	1,226
Widows	**178**	169
	6,052	5,643

- A detailed asset breakdown of the local government fund investments 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.

14.6 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 2015 is £9,514,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2015 are £535,000.

14.7 Basis for Estimating Pension Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years which is dependent on the underlying assumptions which have been made about mortality rates, salary levels, etc. Any differences which arise between these assumptions and actual trends will cause an associated change in the net pension liability arising. This liability eventually falls to the Council to fund. Both the Teachers unfunded discretionary benefits and the County Council fund liabilities have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries.

The latest full actuarial valuation of the Greater Gwent (Torfaen) Pension Scheme was carried out on the 31st March 2013. In between formal valuations the actuary uses the full valuation plus other information to decide the extent of the employers pension assets and liabilities.

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

	Local Government Pension Scheme			Teachers Unfunded Discretionary Benefits		
Financial Assumptions	**31 March 2015**	**31 March 2014**	**1 April 2013**	**31 March 2015**	**31 March 2014**	**1 April 2013**
Rate of inflation (CPI)	**2.0%**	2.4%	2.4%	**2.0%**	2.4%	2.4%
Rate of increase in salaries	**3.5%**	3.9%	3.9%	**-**	-	-
Rate of increase in pensions	**2.0%**	2.4%	2.4%	**2.0%**	2.4%	2.4%
Rate for discounting scheme liabilities	**3.3%**	4.5%	4.2%	**3.1%**	4.3%	3.7%
Life Expectancy:						
Current male pensioner aged 65 (years)	23	**23.0**	21.7	23	**23.0**	21.7
Current female pensioner aged 65 (years)	25.5	**25.4**	23.9	25.5	**25.4**	23.9
Future male pensioner aged 65 in 20 years' time (years)	25.3	**25.2**	23.2	**-**	-	-
Future female pensioner aged 65 in 20 years' time (years)	27.9	**27.8**	26.5	**-**	-	-

Estimated Macaulay duration (weighted average) of liabilities (at later of 31 March 2013 or admission date): 18 year

Duration profile of Monmouthshire County Council members used to determine assumptions: Mature

14.8 Sensitivity Analysis

As noted above, changes to the financial assumptions disclosed in 14.7 will result in movements in the key pension related financial outcomes. This is described by means of the table below.

		Change in forecast based on + 0.1% p.a. movement in financial			
Disclosure item	**Central Case**	**Discount Rate**	**Inflation**	**Pay Growth**	**1 Year increase in Life Expectancy**
	£000	**£000**	**£000**	**£000**	**£000**
Liabilities	422,166	(7,669)	7,810	1,978	7,989
Assets	(259,755)	0	0	0	0
Deficit / (Surplus)	162,411	(7,669)	7,810	1,978	7,989
Projected Service Cost 15/16	10,987	(316)	330	0	233
Projected Interest Cost 15/16	5,203	(104)	263	71	269

The figures provided above are approximate only and different results would be produced if a full actuarial revaluation were to be carried out. The discount rate assumption adopted is prescribed by the relevant accounting standard and might be considered not to be the best estimate of the rate at which pension scheme cash flows should be discounted.

14.9 Pension Scheme Assets

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:

Split of Assets between Investment Categories

	Quoted	**31 March 2015**		31 March 2014	
		£000	**%**	£000	%
Equities : UK	Y	**50,392**	**19.4%**	75,762	32.5%
Investment funds: Equities	N	**151,957**	**58.5%**	106,487	45.8%
: Government bonds	N	**20,001**	**7.7%**	16,991	7.3%
: Corporate bonds	N	**20,261**	**7.8%**	17,457	7.5%
Property	N	**7,013**	**2.7%**	6,052	2.6%
Cash accounts	N	**1,429**	**0.6%**	2,095	0.9%
Alternatives	N	**8,702**	**3.4%**	7,914	3.4%
		259,755	**100.0%**	232,758	100.0%

14.10 History of Experience Gains and Losses

The approach in calculating pension assets and liabilities for accounting purposes, and in between full actuarial valuations, is approximate in nature. At each triennial valuation, the position is reassessed, with the assets and liabilities being fully recalculated. The adjustment to the assets and liabilities that arises from this recalculation is presented as part of the remeasurement values. For liabilities this is shown as the experience gain / loss on liabilities. For assets, the experience adjustment is included in remeasurement gain / loss on assets. The value of the adjustment on plan assets is interest on plan assets plus remeasurement of assets less the actual return on plan assets.

The experience adjustments and actual return on plan assets at 31st March 2015 and the previous four financial years arising on the scheme liabilities are expressed as a percentage of the total scheme liabilities, and the scheme assets are expressed as a percentage of the total scheme assets:

	2010/11	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Local Government Pension Scheme					
Experience gains and losses on assets	0.9%	(6.4)%	8.4%	N/A	**N/A**
Actual return on plan assets	N/A	N/A	13.6%	7.4%	**10.7%**
Experience gains and losses on liabilities	5.1%	0.0%	0.0%	1.3%	**0.0%**
Teachers Unfunded Discretionary Benefits					
Experience gains and losses on liabilities	12.2%	0.0%	0.0%	1.0%	**0.0%**

15 NOTES TO THE CASH FLOW STATEMENT

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

	2014-15 £000	2014-15 £000	2013-14 £000	2013-14 £000
Net (surplus) or deficit on the provision of services		**(375)**		16,564
Non-cash transactions:				
Depreciation of non-current assets	**(8,991)**		(12,106)	
Impairment and downward valuations	**(7,417)**		(7,432)	
Amortisation of intangible non-current assets	**(44)**		(82)	
Increase/decrease in impairment for provision for bad debts	**(472)**		(58)	
Increase/(decrease) in inventories	**(52)**		(42)	
Increase/(decrease) in debtors	**(4,715)**		1,209	
(Increase)/decrease in creditors	**(5,331)**		4,975	
(Increase)/decrease in provisions	**(228)**		(103)	
Pension liability	**(4,400)**		(5,459)	
Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised	**(11,014)**		(2,487)	
Movement in the value of investment properties	**17,497**		1,577	
		(25,167)		(20,008)
Items classified in another classification in the cash flow statement				
Other payments for investing activities	**(2,042)**		(1,442)	
Other receipts from investing activities	**5,560**		2,569	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**11,472**		2,744	
		14,991		3,872
Adjustments relating to JANEs		**143**		(361)
Net cash flows from Operating Activities		**(10,408)**		66

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:

	2014-15 £000	2013-14 £000
Returns on Investments received:		
Interest received	**(100)**	(106)
Other interest and investment income	**(9)**	(26)
	(109)	(131)
Servicing of Finance paid:		
Interest paid	**3,542**	3,899
Interest element of finance lease rental payments	**33**	42
	3,575	3,941
	3,466	3,810

15.3 (Increase)/decrease in Cash and Cash Equivalents

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

	At 31 March 2014	In Year Movement	At 31 March 2015
	£000	£000	£000
Current Assets			
Cash held by the Authority	89	(40)	49
Bank current accounts	709	11,468	12,177
Short-term call account deposits	2,939	5,241	8,180
	3,736	16,669	**20,406**
Current Liabilities			
Bank current account overdrafts	(2,916)	2,916	0
	(2,916)	2,916	**0**
	820	19,585	**20,406**

16 OTHER NOTES TO THE ACCOUNTS

16.1 Members Allowances

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

	2014-15	2013-14
	£000	£000
Basic allowance	**572**	562
Special responsibility allowance	**205**	202
Travel allowance	**36**	50
Subsistence allowance	**4**	5
IT Costs	**0**	0
Total	**817**	**819**

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

16.2 Audit Costs

The Authority has incurred the following costs during 2014/15 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:

	2014-15	2013-14
	£000	£000
Fees payable to the appointed auditor with regard to external audit services - financial audit	**176**	181
Fees payable to the appointed auditor with regard to external audit services - Local Government Measure (LGM)	**103**	101
Refund in relation previous year's audit fees	**(59)**	0
Fees payable to the appointed auditor for certification of grant claims & returns	**50**	70
Fees payable in respect of other services provided by the appointed auditor	**4**	1
	274	353

Notification was received in May 2014 that a refund relating to previous year's audit fees would be received during 2014/15. This refund totalled £59,000, representing 21% of the 2014/15 audit fee for financial audit and local government measure.

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 University 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.

16.3 S31 and S33 Pooled Budget Arrangements (continued)

a) Mardy Park Rehabilitation Scheme (continued)

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 2015 was:

	2014-15	2013-14
	£000	£000
Funding		
Monmouthshire County Council	**(211)**	(211)
Monmouthshire Local Health Board	**(159)**	(151)
TOTAL FUNDING	**(370)**	(362)
Expenditure		
Employee related	**295**	269
Premises related	**31**	35
Supplies & Services	**9**	11
Agency & Contracted	**10**	15
Central and Support services recharges	**11**	38
Capital Financing	**18**	18
TOTAL EXPENDITURE	**374**	386
Net (Under)/over spend	**4**	24

b) Gwent Integrated Community Equipment Store (GWICES)

The Authority has entered into a pooled budget arrangement with the Aneurin Bevan University 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 £3,589,000 (£2,937,000 for 2013/14) and gross income of £3,589,000 (£2,937,000 for 2013/14) for the financial year ended 31st March 2015. Monmouthshire County Council's contribution for the year was £355,000 (£405,000 for 2013/14).

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

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

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

Aneurin Bevan Health Board is the host for the Partnership, who recorded gross expenditure of £3,075,000 (£3,032,000 for 2013/14) and gross income of £3,042,000 (£3,142,000 for 2013/14) for the financial year ended 31st March 2015. Monmouthshire County Council's total contribution for the year was £994,000 (£954,000 for 2013/14).

16.3 S31 and S33 Pooled Budget Arrangements (continued)

d) Gwent Frailty Programme

A Section 33 Partnership Agreement exists between five Local Authorities in the former Gwent area and Aneurin Bevan University 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 £13,300,000 (£13,810,000 for 2013/14) and gross income of £12,603,000 (£12,805,000 for 2013/14) for the financial year ended 31st March 2015. Monmouthshire County Council's total contribution for the year was £968,000 (£979,000 for 2013/14).

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 2014/15 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.

16.4 Related Party Transactions (Continued)

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 Chief Executive, Head of Finance (S151 officer), Monitoring Officer for the Authority, Chief Officer for Enterprise, Chief Officer for Children & Young People, Chief Officer for Social Care & Health, 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 2014/15.

The Head of Commercial & People Development held the following position during the year

- Director to SRS Business Solutions Ltd.

The Head of Operations held the following position during the year

- Board Member to Capita Gwent Consultancy
- Non-Executive Director to Dragon Waste Limited

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

	2014-15 Debtors £000	**2014-15 Creditors £000**	2013-14 Debtors £000 (Restated)	2013-14 Creditors £000 (Restated)
Dragon Waste Limited	**30**	**262**	30	430
SRS Business Solutions Limited	**1**	**0**	1	0
Capita Gwent Consultancy	**0**	**0**	0	5

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

	2014-15 Payments £000	**2014-15 Receipts £000**	2013-14 Payments £000	2013-14 Receipts £000
Dragon Waste Limited	**2,569**	**31**	3,464	34
SRS Business Solutions Limited	**1**	**0**	1	0
Capita Gwent Consultancy	**31**	**0**	167	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 and are based upon unaudited figures for the year ended 31st March 2015. Funds for which Monmouthshire County Council acts as sole trustee:

	Income £000	Expend £000	Assets £000	Liabilities £000
Welsh Church Act Fund	(221)	127	5,381	(135)

The primary objective of the Charity is to assist groups and individuals for educational, social, recreational and other charitable purposes.

The Trust owns tangible fixed assets comprising eight parcels of land. Five of these are agricultural, two are grazing and one is forestry.

Llanelly Hill Social Welfare Centre	(7)	7	92	(92)

The primary objective of the fund is the provision of a Social welfare centre to the residents of Llanelly hill.

The Trust's fixed assets comprise the social welfare centre premises and land upon which it is situated.

Chairman's Charity	(6)	5	5	0

The Chairman's Charity supports and raises funds for the Chairman's nominated Charity of the year.

Funds for which Monmouthshire County Council acts as custodian trustee:

	Income £000	Expend £000	Assets £000	Liabilities £000
Monmouthshire Farm School Endowment	(67)	46	704	(5)
Appointeeship - Personal Monies	(819)	486	421	0
Appointeeship - ILF* Monies	(152)	145	20	0

* ILF - Independent Living Fund

16.6 Related Businesses and Companies

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 six companies, they do not meet the requirements for the preparation of Group Accounts.

(i) 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 unaudited accounts for the year ending 31st March 2015.

	31 March 2015 £000 Draft	31 March 2014 £000 Final (Restated)
Net Assets/(Liabilities)	**239**	213
Profit/(Loss) before Taxation	**26**	118
Profit/(Loss) after Taxation	**26**	84
Dividends	**0**	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 £231,811 to Dragon Waste Limited at the 31st March 2015 (£400,076 owed to Dragon Waste as at 31st March 2014) in respect of Waste Management contract income.

Further information can be found in Dragon Waste Limited Financial Statements for the year ended 31 March 2014 which are available from the Company Secretary, Pennon Group Plc, Peninsula House, Rydon Lane, Exeter, Devon, England, EX2 7HR.

16.6 Related Businesses and Companies (continued)

(ii) Capita Gwent Consultancy Limited

The principal activity of the Company is that of transport consultancy. The Council holds a 12% share holding in the company. The Company's draft trading results shows:-

	31 Dec 2014 £000	31 Dec 2013 £000 Final
Net Assets (Liabilities)	**N/A**	4,397
Profit/(Loss) before Taxation	**N/A**	200
Profit/(Loss) after Taxation	**N/A**	208
Dividends	**N/A**	0

The company is not currently trading and no results are available for the period ending 31st December 2014.

The Authority no longer receives any profit distribution, having previously extinguished these rights in return for a one-off payment in lieu of anticipated future lost profits. The Authority still retains its interest in the company. No assets or liabilities of the Company are reflected in the Consolidated Balance Sheet.

There were no balances owing between the Authority and Capita Gwent as at the 31st March 2015 (The Authority owed the Company £5,000 at 31st March 2014).

The Company's immediate parent undertaking is Capita Symonds Group Limited (formerly Capita Property Consultancy Limited) with a holding of 51%. The remaining 49% holding of the Company is shared equally between Monmouthshire County Council, Blaenau Gwent County Borough Council, Caerphilly County Borough Council and Torfaen County Borough Council. The original 10 year Contract Services Framework ended on 31st August 2012.

The ultimate parent company of Capita Symonds Group Limited is the Capita Group Plc. Further information can be found in Capita Gwent Consultancy Limited's Financial Statements for the year ended 31 December 2014 which are available from the Company Secretary, Capita Gwent Consultancy Limited, St David's House, Pascal Close, St Mellons, Cardiff, Great Britain, CF3 0LW.

(iii) 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 2014/15 expenditure incurred was fully covered by the contributions from the partners.

16.6 Related Businesses and Companies (continued)

(iv) SRS Business Solutions Limited

Adjacent to the collaborative arrangement outlined in 16.6 (iii), 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 2015.

	31 March 2015 £000 Draft	31-Mar 2014 £000 Final
Net Assets/(Liabilities)	**60**	48
Profit/(Loss) before Taxation	**12**	0
Profit/(Loss) after Taxation	**12**	0
Dividends	**0**	0

Further information can be found in SRS Business Solutions Limited financial statements for the year ended 31 March 2014 which are available from the Head of Finance, Monmouthshire County Council, @Innovation House, Wales 1, Magor, NP26 3DG.

(v) Community MC² Community Interest Company (CMC²)

In July 2011 the Authority established CMC², 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.

CMC² is a company limited by guarantee and liability is therefore limited to £1 for its members.

The Company's latest available trading results are the draft accounts for the financial year that ended on the 31st March 2015. This is an 18 month accounting period to bring the CMC2 accounts reporting date in line with the Authority.

	31st March 2015 £000 Draft	30th Sept 2013 £000 Final
Net Assets (Liabilities)	**(122)**	(44)
Profit/(Loss) before Taxation	**(78)**	7
Profit/(Loss) after Taxation	**(78)**	6
Dividends	**0**	0

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.

The Authority is owed £184,000 by the company as at the 31st March 2015 (£86,000 as at the 31st March 2014).

16.6 Related Businesses and Companies (continued)

(vi) 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 2015.

	31 March 2015 £000 Draft	31 March 2014 £000 Final
Total Assets/(Liabilities)	**7,930**	4,527
Profit/(Loss) before Taxation	**0**	0
Profit/(Loss) after Taxation	**0**	0
Dividends	**0**	0

16.7 Interests in Joint Committees

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

These accounting requirements result in the consolidation of the transactions and balances of subsidiaries and of interests in associates and joint ventures, thus ensuring group accounts provide a complete picture of the authority's control over other entities.

The Authority accounts for its respective contributions to joint committees within services in the Comprehensive Income and Expenditure Statement on an accruals basis. For 2014/15 the Authority has consolidated its respective shares of the income, expenditure, assets and liabilities into its financial statements.

The Authority had interests in the following Joint Committees as at 31st March 2015:

- Prosiect Gwyrdd ("Project Green") Joint Committee - Each authority holds a 1/5th equal share.
- Welsh Purchasing Consortium - each authority holds an equal 1/19th share.
- Gwent Joint Records Joint Committee - the authority holds an 19.40% interest.
- Greater Gwent Cremation Joint Committee - the authority holds an 18.45% interest.
- South East Wales Transport Alliance Joint Committee was wound up during the 2014/15 financial year.

Comprehensive Income & Expenditure Account 31 March 2015	**MCC as per I&E 2014-15**	**Project Gwyrdd**	**WPC**	**SEWTA**	**Archives**	**Cremator-ium**	**Total I&E 2014-15**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Highways and transport services	**13,222**	15	(1)	16	0	0	**13,252**
Corporate and democratic core	**(19)**	0	0	0	172	(20)	**133**
Total non-affected lines	**138,462**	0	0	0	0	0	**138,462**
Surplus/Deficit on Continuing Operations	**151,665**	15	(1)	16	172	(20)	**151,847**
Pension interest costs and expected return on pension assets	**5,239**	0	0	0	1	0	**5,240**
Total non-affected lines	**(157,461)**	0	0	0	0	0	**(157,461)**
Surplus/Deficit on Provision of Services	**(557)**	15	(1)	16	173	(20)	**(375)**
Actuarial gains/losses on pension assets/liabilities	**41,136**	0	0	0	41	19	**41,196**
Adjustment for JANEs amounts within MCC CIES	**0**	0	0	0	(141)	0	**(141)**
Total non-affected lines	**597**	0	0	0	0	0	**597**
Other comprehensive income & expenditure	**41,733**	0	0	0	(99)	19	**41,653**
Total Comprehensive income & expenditure	**41,177**	**15**	**(1)**	**16**	**74**	**(1)**	**41,278**

Movement in reserves statement for the years ended 31 March 2015	**Project Gwyrdd**	**WPC**	**SEWTA**	**Archives**	**Cremator-ium**	**Total Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2014 carried forward	52	23	16	30	450	**571**
Surplus (Deficit) on provision of services	(15)	1	(16)	(173)	20	**(183)**
Other comprehensive income and expenditure	0	0	0	(41)	(19)	**(60)**
Total comprehensive income and expenditure	**(15)**	**1**	**(16)**	**(214)**	**1**	**(243)**
Adjustment for amount within Monmouthshire CIES	0	0	0	141	(0)	**140**
Net Increase/Decrease before transfers to Reserves	**(15)**	**1**	**(16)**	**(74)**	**1**	**(103)**
Transfer to/from Earmarked Reserves	0	0	0	0	0	**0**
Increase/Decrease in year	(15)	1	(16)	(74)	1	**(103)**
Adjustment for JANEs amounts	0	0	0	0	0	**0**
Balance at 31 March 2015 carried forward	**37**	**22**	**0**	**(43)**	**451**	**468**

Balance Sheet as at 31 March 2015	**Project Gwyrdd**	**WPC**	**SEWTA**	**Archives**	**Cremator-ium**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property Plant & Equipment	0	0	0	0	436	**436**
Short Term Debtors	21	0	0	0	28	**49**
Cash and cash equivalents	19	23	0	61	164	**267**
Short Term Creditors	(3)	(1)	0	(25)	(3)	**(32)**
Long term creditors	0	0	0	0	(137)	**(137)**
Other long term liabilities	0	0	0	(79)	(37)	**(116)**
Net Assets	**37**	**22**	**0**	**(43)**	**451**	**468**
Earmarked Reserves	37	22	0	36	302	**398**
Revaluation Reserve	0	0	0	0	126	**126**
Pension Reserve	0	0	0	(79)	(37)	**(116)**
Provision for Accumulated Absences	(0)	(0)	0	0	0	**(1)**
Capital adjustment account	0	0	0	0	60	**60**
Total reserves	**37**	**22**	**0**	**(43)**	**451**	**468**

Property, plant & equipment included within Monmouthshire's accounts primarily relates to the Council's share of the Gwent Crematorium. The Crematorium comprises a Chapel, Crematorium rooms, Administration offices and grounds. The total gross asset value as at the 31st March 2015 is £2.8m (£2.8m as at 31st March 2014) with Monmouthshire's share equating to 18.45%.

Comprehensive Income & Expenditure Account 31 March 2014	MCC as per I&E 2013-14	Project Gwyrdd	WPC	SEWTA	Archives	Cremator-ium (Restated)	Total I&E 2013-14
	£000	£000	£000	£000	£000	£000	£000
Highways and transport services	**18,110**	0	(2)	(6)	0	0	**18,102**
Corporate and democratic core	**9,103**	0	0	0	172	(15)	**9,260**
Total non-affected lines	**129,960**	0	0	0	0	0	**129,960**
Surplus/Deficit on Continuing Operations	**157,173**	0	(2)	(6)	172	(15)	**157,322**
Pension interest costs and expected return on pension assets	**5,852**	0	0	0	2	0	**5,854**
Total non-affected lines	**(146,612)**	0	0	0	0	0	**(146,612)**
Surplus/Deficit on Provision of	**16,413**	0	(2)	(6)	174	(15)	**16,564**
Actuarial gains/losses on pension assets/liabilities	**(28,567)**	0	0	0	(16)	(43)	**(28,626)**
(Surplus)/deficit on revaluation of Property Plant and Equipment	**(11,920)**	0	0	0	0	70	**(11,850)**
Adjustment for JANEs amounts	**0**	0	0	0	(159)	0	**(159)**
Total non-affected lines	**0**	0	0	0	0	0	**0**
Other comprehensive income & expenditure	**(28,567)**	0	0	0	(175)	27	**(40,635)**
Total Comprehensive income & expenditure	**(12,154)**	**0**	**(2)**	**(6)**	**(1)**	**12**	**(24,071)**

Movement in reserves statement for the years ended 31 March 2014	Project Gwyrdd	WPC	SEWTA	Archives	Cremator-ium (Restated)	Total Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013 carried forward	52	21	10	30	463	**575**
Surplus (Deficit) on provision of services	0	2	6	(174)	15	**(151)**
Other comprehensive income and expenditure	0	0	0	16	(27)	**(11)**
Total comprehensive income and expenditure	**0**	**2**	**6**	**(158)**	**(12)**	**(162)**
Adjustment for amounts within Monmouthshire CIES	0	(0)	0	159	(0)	**158**
Net Increase/Decrease before transfers to Reserves	**0**	**2**	**6**	**1**	**(12)**	**(3)**
Transfer to/from Earmarked Reserves	0	0	0	0	0	**0**
Increase/Decrease in year	0	2	6	1	(12)	**(3)**
Adjustment for JANEs amounts	0	0	0	0	0	**0**
Balance at 31 March 2014 carried forward	**52**	**23**	**16**	**30**	**450**	**572**

Balance Sheet as at 31 March 2014	**Project Gwyrdd**	**WPC**	**SEWTA**	**Archives**	**Crematorium (Restated)**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property Plant & Equipment	0	0	0	0	452	**452**
Short Term Debtors	0	0	1,293	0	23	**1,316**
Cash and cash equivalents	78	24	122	97	271	**592**
Short Term Creditors	0	(0)	(1,399)	(34)	(6)	**(1,439)**
Long term creditors	(26)	0	0	0	(275)	**(301)**
Other long term liabilities	0	0	0	(33)	(15)	**(48)**
Net Assets	**52**	**23**	**16**	**31**	**450**	**572**
Earmarked Reserves	52	24	16	63	266	**422**
Revaluation Reserve	0	(0)	0	0	138	**138**
Pension Reserve	0	0	0	(33)	(16)	**(49)**
Provision for Accumulated Absences	0	0	0	0	0	**0**
Capital adjustment account	0	0	0	0	62	**62**
Total reserves	**52**	**23**	**16**	**31**	**450**	**572**

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 2015

Post Holder	**Salary including fees and allowances £**	**Compensation for loss of employment £**	**Expense Allowances £**	**Total Remuneration excluding Pension contributions £**	**Pension Contributions (Based on Common Rate from Actuary) £**	**Total Remuneration including Pension contributions £**
Chief Executive Officer	110,000	0	0	**110,000**	23,210	**133,210**
Chief Officer - Children and Young People	79,596	0	0	**79,596**	16,795	**96,391**
Chief Officer - Enterprise	79,596	0	0	**79,596**	16,795	**96,391**
Chief Officer - Social Care and Health	78,988	0	0	**78,988**	16,795	**95,783**
Head of Operations	69,607	0	0	**69,607**	14,698	**84,305**
Head of Finance and Section 151 Officer	69,647	0	0	**69,647**	14,695	**84,342**
Head of Democracy and Regulatory Services	63,566	0	0	**63,566**	13,413	**76,979**
Head of Legal Services (also temporary Monitoring Officer from	63,140	0	0	**63,140**	13,323	**76,463**
Monitoring Officer (April to October)	23,124	0	0	**23,124**	4,879	**28,003**
	637,265	0	0	**637,265**	134,602	**771,866**

16.8 Senior Officer Remuneration (continued)

Year ended 31st March 2014

Post Holder	**Salary including fees and allowances £**	**Compensation for loss of employment £**	**Expense Allowances £**	**Total Remuneration excluding Pension contributions £**	**Pension Contributions (Based on Common Rate from Actuary) £**	**Total Remuneration including Pension contributions £**
Chief Executive	110,000	0	0	**110,000**	23,210	**133,210**
Director of Transition (April - 20th May)	13,317	0	0	**13,317**	2,436	**15,752**
Deputy Chief Executive (April-Jan)	41,226	0	0	**41,226**	7,833	**49,059**
Chief Officer - Children & Young People	68,555	0	0	**68,555**	14,465	**83,020**
Monitoring Officer	41,887	0	0	**41,887**	8,768	**50,655**
Chief Officer - Social Care & Health	78,605	0	0	**78,605**	16,711	**95,316**
Head of Finance (Section 151 Officer)	69,337	0	0	**69,337**	14,622	**83,959**
Chief Officer - Regeneration & Culture	70,666	0	0	**70,666**	14,256	**84,923**
Chief Officer - Regeneration & Culture (April-August)	31,663	0	0	**31,663**	6,681	**38,344**
Head of Democracy & Regulatory Service (March)	5,271	0	0	**5,271**	1,112	**6,383**
Head of Policy & Engagement (March)	4,904	0	0	**4,904**	1,035	**5,939**
Head of Operations (March)	5,772	0	0	**5,772**	1,218	**6,990**
	541,203	0	0	**541,203**	112,349	**653,551**

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.

There is no remuneration in respect of bonuses or compensation for loss of employment.

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 2013/14). Expense allowance are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2014-15 (Nil in 2013/14).

A new requirement has been 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. The median employee position has been calculated as £19,742, equating to spinal point 21 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5.57:1.

16.9 Officers' Emoluments

The number of employees whose remuneration was £60,000 or more in bands of £5,000, during the year ended 31 March 2015, was:

Remuneration Band	**2014-15** Number of employees	2013-14 Number of employees
£115,000 - £119,999	**0**	1
£110,000 - £114,999	**1**	0
£105,000 - £109,999	**0**	0
£100,000 - £104,999	**1**	1
£95,000 - £99,999	**1**	0
£90,000 - £94,999	**0**	1
£85,000 - £89,999	**1**	0
£80,000 - £84,999	**5**	2
£75,000 - £79,999	**6**	2
£70,000 - £74,999	**4**	2
£65,000 - £69,999	**7**	5
£60,000 - £64,999	**14**	11
	40	25

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 2013/14) and 14.1% of pensionable pay for staff within the Teachers' Pension Scheme (14.1% in 2013/14).

For the purposes of reporting remuneration, voluntary aided schools employees have been included in the remuneration notes 16.9 to 16.11, 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 Authority terminated the contracts of a number of employees in 2014/15, incurring liabilities of £1,146,000 (£668,000 in 2013/14) for redundancy payments. None of these costs related to Directors or Chief Officers. This total relates to employees who were made redundant as a result of the Authority's ongoing rationalisation of services and is split as follows:

	Number of Employees		**Redundancy Costs**	
			£000	£000
Directorate	**2014-15**	2013-14 (Restated)	**2014-15**	2013-14 (Restated)
Chief Executive's Unit	6	3	108	70
Children and Young People	39	54	474	541
Enterprise	13	12	157	112
Operations	15	3	407	23
Social Care and Health	0	2	0	20
Adjustment for Redundancy Provision not made	0	1	0	(97)
	73	75	1,146	668

In addition, the Authority has paid for enhancements to pensions, relating to redundancies which occurred in 2014/15. The total agreed sum was £595,000 (£264,000 in 2013/14), although this will be paid in instalments over a five year period. This includes an additional 4 employees who did not receive any termination benefit, but did receive pension enhancement.

The redundancy costs arising within the Children & Young People's directorate principally related to the costs of school based redundancies which are required to be met by the LEA.

16.11 Exit Packages

The numbers of exit packages together with the total cost per band and the total cost of the compulsory and other redundancies are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014-15	2013-14	**2014-15**	2013-14	**2014-15**	2013-14	**2014-15**	2013-14
							£000	**£000**
£0 - £20,000	41	55	0	2	41	57	278	289
£20,001 - £40,000	22	13	0	1	22	14	552	365
£40,001 - £60,000	6	4	0	0	6	4	273	211
£60,001 - £80,000	6	1	0	0	6	1	423	67
£80,001 - £100,000	1	0	0	0	1	0	98	0
£100,001 - £150,000	1	0	0	0	1	0	116	0
Total	**77**	**73**	**0**	**3**	**77**	**76**	**1,740**	**932**

16.12 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 30th June 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no post balance sheet events of any significance warranting disclosure as at the time the Statement of Accounts was authorised for issue.

SUBJECT:	**INTERNAL AUDIT SECTION** **PROGRESS REPORT 3 Months into 2015/16**
DIRECTORATE:	**Chief Executive's**
MEETING:	**Audit Committee**
DATE:	**23rd September 2015**
DIVISION/WARDS AFFECTED: All	

1. PURPOSE

To consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30th June 2015.

To consider the performance of the Internal Audit Section over the first 3 months of the current financial year.

2. RECOMMENDATION(S)

That the Committee note the audit opinions issued.

That the Committee note the progress made by the Section towards meeting the 2015/16 Operational Audit Plan and the Section's performance indicators at the three months stage of the financial year.

3. KEY ISSUES

3.1 The Section has started to undertake its programme of audits in accordance with the 2015/16 Operational Audit Plan.

3.2 This report gives brief details of the work undertaken in the year to date. The report also gives details of the Section's performance indicators for the 3 months to 30th June 2015.

3.3 The Public Sector Internal Audit Standards came into force in April 2013 which the Internal Audit team needs to demonstrate it is compliant with; these replaced the former Code of Practice for Internal Audit within Local Government. The new standards have been reported to the Audit Committee separately.

4. REASONS

4.1 Since the start of the financial year, the Internal Audit Section has completed 9 audit jobs from its 2015/16 Operational Audit Plan, although none were opinion related. As at 30th June 2015, 1 grant claim had been given an unqualified audit opinion. These reports are listed in the table shown in Appendix 1.

4.2 In relation to the normal audit opinion related reports, none have yet been issued during the first quarter. One report related to the annual governance statement where no opinion was given, but this forms part of the Council's annual financial statements and financial advice was given in several areas.

4.3 The definitions of the five internal audit opinions and the risk ratings used by the Section are provided at Appendix 2 for Members' information.

4.4 Finalisation work from 2014/15 continues; of the 14 reviews at draft report stage at 31 March 2015, 1 has subsequently been finalised; Treasury Management was issued with a Very Good Opinion.

4.5 Audit management have also been involved with 6 special investigations to date this year, some of which have continued from 2014/15; these are often very sensitive and time consuming. Work has been undertaken on 2 unplanned areas, providing additional advice and support for service managers.

4.6 Appendix 3 of the report gives details of the Section's performance indicators as at 30th June 2015.

4.7 Although only 2 audit reviews were finalised in the quarter, the acceptance of audit recommendations was good at 100%. Evaluation questionnaires have not yet been returned from operational managers so no data is available to measure how were satisfied they were with the audit service they had received.

4.8 Draft reports have taken 3 days to issue following receipt of management comments. It has taken 12 days to issue final report.

4.9 Getting audit reports out to service managers are key indicators. The audit management will endeavour to continue to turnaround the work within the target time set for draft and final reports.

4.10 The percentage coverage of the audit plan at 14% (32% 2015/16) is lower than the same period of the previous year and below the profiled target of 20% at this stage of the financial year. Management will keep this indicator under careful review for the rest of the year to ensure that the audit coverage by the year end is as comprehensive as possible. The operational plan will be re-prioritised to ensure the higher risk areas are covered by the year end if resources become an issue again.

4.11 The team started the year with an ongoing vacancy. An Interim Principal Auditor was appointed during May to help support the resources within the team and help achieve more of the audit plan. One of the Senior Auditors left the team during the quarter to take up a new post within the Authority. These two vacancies will be filled within the next two months on a permanent basis. There was an unexpected absence within the team and further on the job training was required for inexperienced staff new to the team.

4.12 The team also took time out of planned work to develop a new reporting format to improve the efficiency and effectiveness of audit work. Audit opinions are also in the process of being revised and updated in order to give a better understanding of the level of assurance gained from undertaking the audit work. These will be presented to Audit Committee in due course.

4.13 In quarter 1 the team get involved with the verification and validation of the Council's annual performance indicators before they are submitted to Welsh Government. This is often a time consuming exercise with tight timescales. The team are also involved with the administration of the National Fraud Initiative (NFI) data sets on behalf of the Council.

5. SERVICE MANAGEMENT RESPONSIBILITIES

5.1 Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by including their management responses within the audit reports. When management agree the audit action plans they are accepting responsibility for addressing the issues identified within the agreed timescales.

5.2 Ultimately, managers within MCC are responsible for maintaining adequate internal controls within the systems they operate and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Heads of Service for information and appropriate action where necessary.

6. FOLLOW UP AUDIT REVIEWS

6.1 Where unsatisfactory and unsound opinions are issued, they are followed up within a twelve month timescale to ensure that the agreed actions have been taken by management and that the internal control systems are improved. These will be reported separately to the Audit Committee.

7. RESOURCE IMPLICATIONS

None.

8. CONSULTEES

Head of Finance

Results of Consultation:

N/A

9. BACKGROUND PAPERS

Operational Audit Plan 2015/16

10. AUTHORS AND CONTACT DETAILS

Andrew Wathan, Chief Internal Auditor
Telephone: x.4243
Email: andrewwathan@monmouthshire.gov.uk

David Walton, Audit Manager
Telephone: x.4258
Email: davewalton@monmouthshire.gov.uk

AUDIT COMMITTEE SEPTEMBER 2015

INTERNAL AUDIT SECTION PROGRESS REPORT
2015/16 – 3 MONTHS

APPENDIX 1

Internal Audit reviews from the 2015/16 Operational Audit Plan where fieldwork has been completed and/or final reports issued since 1/4/15 are listed in the table below.

Internal Control Opinions give the auditor's overall conclusion on the control environment operating in each system/establishment under review. Opinions range from very good through to unsound.

Draft issued indicates that a draft report has been issued and a response is awaited from the client before the report can be finalised.

Status of reports as at 30 June 2015

Internal Audit Services - Management Information for 2015/16 – Quarter 1

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Complete when FINALISED	Opinion given
P15/16/43	Enterprise	Community-led Delivery	Digital Inclusion Grant	Low	Finalised	Unqualified
P15/16/62	Corporate	Corporate	Annual Governance Statement	Not Applicable	Draft	N/A
P15/16/07	Chief Executive's	Finance	Audit Advice			
P15/16/17	Chief Executive's	Operations	Audit Advice			
P15/16/18	Children & Young People	Resources	Audit Advice			
P15/16/34	Children & Young People	Schools	Audit Advice			
P15/16/39	Enterprise	Commercial & People Development	Audit Advice			
P15/16/47	Enterprise	Tourism, Leisure & Culture	Audit Advice			
P15/16/58	Social Care & Health	Commissioning	Audit Advice			

APPENDIX 2

Internal Audit Opinions

Each report contains an opinion which is an overall assessment of the control environment reviewed. The full list of audit opinions used is shown below:

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.

Recommendation Ratings

Each recommendation contained within the Internal Audit report has a 2 part priority rating. The number refers to Internal Audit assessment attached to the relevant weakness identified, whilst the letter relates to the urgency with which we believe the recommendation should be implemented (see tables below).

Rating	Assessment of the Weakness Identified
1	Fundamental weakness.
2	Highly significant weakness.
3	Significant weakness.
4	Minor weakness.

Rating	Proposed Timescale for Implementation
A	Should be actioned immediately
B	Should be implemented as soon as possible but within 3 months.
C	Ongoing requirements or within 12 months.

Unqualified opinion - the terms and conditions of the grant were generally complied with;
Qualified opinion - the terms and conditions of the grant were not fully complied with

AUDIT COMMITTEE SEPTEMBER 2015

INTERNAL AUDIT SECTION PROGRESS REPORT
2015/16 – 3 MONTHS

APPENDIX 3

Performance Indicators

	2014-15	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	32%	43%	47%	65%	50% (80% pa)
2	Percentage of audits completed within planned time	0%	0%	0%	0%	60%
3	Average no. of days from audit closing meeting to issue of a draft report	9 days	35 days	40 days	52 days	12 days
4	Average no. of days from receipt of response to draft report to issue of the final report	4 days	12 days	33 days	29 days	5 days
5	Percentage of recommendations made that were accepted by the clients	100%	99%	95%	96%	90%
6	Percentage of clients at least 'satisfied' by audit process	N/A	100%	100%	91%	90%
7	Percentage of directly chargeable time (actual v planned)	94%	92%		85%	100%
8	Number of special investigations	3	5		6	

	2015/16	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	14%				20% (80% pa)
2	Percentage of audits completed within planned time	0%				60%
3	Average no. of days from audit closing meeting to issue of a draft report	3 days				12 days
4	Average no. of days from receipt of response to draft report to issue of the final report	12 days				5 days
5	Percentage of recommendations made that were accepted by the clients	100%				90%
6	Percentage of clients at least 'satisfied' by audit process	N/A				90%
7	Percentage of directly chargeable time (actual v planned)	94%				100%
8	Number of special investigations	6				

N /A – not available

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monmouthshire
sir fynwy

SUBJECT:	**Draft Income Generation Strategy**
MEETING:	**Audit Committee**
DATE:	**23rd September 2015**
DIVISION/WARDS AFFECTED: All	

1. PURPOSE:

1.1 To consider the draft income generation strategy as part of the work on closing the gap in the MTFP

2. RECOMMENDATIONS:

2.1 That Members of Audit committee consider any comments or changes on the draft Income Generation Strategy before Cabinet considers the strategy on 7th October 2015.

3. KEY ISSUES:

3.1 The Income Generation strategy (Appendix 1) provides an overview of opportunities to secure new and additional resources and to sustain current income flows, over and above the level of financial allocation or 'settlement' received by the Council.

3.2 As public funding becomes increasingly constrained and under more intense scrutiny, greater emphasis has to be placed upon self-generated income and developing and packaging products and services that will resonate with paying customers. We have opportunities to make more use of what we have – property, skills, ideas, assets, staff, knowledge and ways of working – and to think carefully about the kinds of new markets and opportunities we may be uniquely placed to enter, for social-commercial advantage.

3.3 This strategy aims to set out an ambitious and wide-ranging approach that will package-up services and products in a coherent and commercial way which ensures market appeal whilst addressing the needs and priorities of our county. Income generation requires entrepreneurial activity. In certain contexts this may require a shift in position, from partner or recipient of grant, to a supplier or contractor. It must enable us to more accurately reflect the assets we have in our organisation whether these are physical or involve Intellectual Property. As a local authority we have a number of skills and capabilities that are directly transferrable to business and through offering a more varied and flexible range of ways through which to offer our products and services – it widens the volume of potential relationships and commercial offerings and partners.

4. REASONS:

4.1 There is a need to explore in a comprehensive way the opportunities to generate income in order to reduce the impact of reducing resources on local services

5. RESOURCE IMPLICATIONS:

5.1 Opportunities to generate income will form individual mandates in the MTFP budget process and fees and charges annual review.

6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:

6.1 The significant impacts will be identified in the assessment of individual proposals as they are developed.

7. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS:

Nil

8. CONSULTEES:

Cabinet
Senior Leadership Team

9. BACKGROUND PAPERS:

Nil

10. AUTHOR:

Kellie Beirne – Corporate Director
Joy Robson – Head of Finance

11. CONTACT DETAILS:

Tel: 01633 644270
E-mail: joyrobson@monmouthshire.gov.uk

APPENDIX 1

Monmouthshire Draft Income Optimisation Strategy

Foreword

In view of the scale and nature of the continuing financial challenge, it is unsurprising that we turn our attention to the income side of balance sheets in order to keep essential services going.

At a time of accelerating financial cuts, demand for services shows no sign of slowing down. Becoming ever-more efficient in this environment is clearly crucial. However efficiency or doing the same things better, can only take us some of the way. Effectiveness and doing better things, requires a different but complementary approach. Endowed with land, assets, buildings, social capital, opportunities and an array of willing partners, as well as a track-record in new revenue generation across many service areas, we turn our attention to building a more comprehensively commercial approach to our activities. Our People Strategy talks to promoting an enterprise culture, in which colleagues feel empowered to take calculated risks, test and pilot new ways of working, challenge the status quo and are supported to 'have a go'. We know that dependency on public subsidy cannot be sustained and that our own resourcefulness is really the only tool upon which we can rely. If we are to achieve our ambition of building sustainable and resilient communities – we too must practice what it means to be self-sustaining and truly resilient.

Income generation activity however cannot be a means to an end. It has to align clearly with the Council's four core priorities around supporting educational achievement, protecting the vulnerable, galvanising enterprise and keeping local services accessible and sustainable. Whilst not every income generation activity will attach explicitly to these four key aims, surpluses will need to be reinvested in line with these core priorities. In this way, we are enterprising on purpose for purpose. We must add value through income generation activities because we are focused on the top as much as the bottom line.

There are of course, barriers to income generation and it is important we continue to build confidence in the areas in which we have experience and a legitimate presence. Whilst alignment with economic development and growth is key – this strategy has to go much wider than that and drive social, place-based and environmental outcomes too. This means seeing income generation as an opportunity to regenerate parts of the county, reinvigorate and re-purpose tired buildings and assets; tackle development sites and address the potential the private sector has been slow to recognise and respond to.

This strategy sets out a framework for direction that brings together enterprise and resources in ways which enable us to make a significant contribution to core purpose. We have a future heavily invested in its success.

Cllr B Greenland, Cabinet Member for Innovation, Enterprise and Leisure

Cllr P Murphy, Cabinet Member for Resources

1. Introduction

1.1 This strategy provides an overview of opportunities to secure new and additional resources and to sustain current income flows, over and above the level of financial allocation or 'settlement' received by the Council.

1.2 As public funding becomes increasingly constrained and under more intense scrutiny, greater emphasis has to be placed upon self-generated income and developing and packaging products and services that will resonate with paying customers. We have opportunities to make more use of what we have – property, skills, ideas, assets, staff, knowledge and ways of working – and to think carefully about the kinds of new markets and opportunities we may be uniquely placed to enter, for social-commercial advantage.

1.3 This strategy aims to set out an ambitious and wide-ranging approach that will package-up services and products in a coherent and commercial way which ensures market appeal whilst addressing the needs and priorities of our county. Income generation requires entrepreneurial activity. In certain contexts this may require a shift in position, from partner or recipient of grant, to a supplier or contractor. It must enable us to more accurately reflect the assets we have in our organisation whether these are physical or involve Intellectual Property. As a local authority we have a number of skills and capabilities that are directly transferrable to business and through offering a more varied and flexible range of ways through which to offer our products and services – it widens the volume of potential relationships and commercial offerings and partners.

2. Context

2.1 In terms of our context, Monmouthshire has historically received the lowest funding settlement (per head of population) in Wales and this pattern shows no signs of changing. In addition, as the most economically competitive Unitary LA area in Wales (UKCI 2014), we do not qualify for EU structural funds, state aid and other regeneration grants. Whilst on face value, this dearth of financial capital is hardly advantageous; it ensures we focus on utilising and optimising the social capital, ideas, assets and skills that exists within our communities as a means of unlocking new resource solutions.

2.2 This way of working provides an opportunity to think about the investment-improvement equation in a different way. Funding programmes and grants, whilst clearly beneficial, have a shelf life and can perpetuate dependencies if not gradually phased to more self-sustaining formats. We favour hand-ups and not hand-outs and as a result, our approach has to be predicated on investing in building our own capacity and resilience. This means developing a greater understanding of the importance of alignment, co-ordination and leverage potential.

2.3 The Local Government Association (LGA) has conducted recent research (2014) into income generation activities with the sector. The evidence base shows that activity generally falls into three areas: through council assets; by trading services with other councils or winning new business to deliver to other parts of the public sector and through selling commodities, such as recyclables. Allied to our People Strategy, our Income Generation Strategy must contribute to creating the conditions for entrepreneurial leadership in the public space.

2.4 Looking to the raft of good practice that exists, in 2014/15 Eastleigh BC has invested more than £100m to create a long-term income stream through acquisition of the Ageas Bowl, at £40m includes the home of Hampshire County Cricket Club, as well as a golf course and hotel that are currently being built. This will return an annual net income of around £2m – and create 500 local jobs. In Basingstoke and Deane, 30% of the total income comes from grant and tax, and 70% from other sources – the reverse of the normal proportions. The LGA case study shows £15m comes from their commercial property portfolio, the fifth largest in the country and £3.5m from investment income. The Council has also purchased the freehold of the Festival Place mall which yields a 5-6% annual return, compared with 1-2% reserves earned in the bank. Commercially trading services is also another approach with Guildford BC's strategy predicated on growing trade waste provision. Other Councils are also reporting income from commodities such as recyclables – rather than paying for them to be taken away. In 2013, Harrow LBC became one of the first local authorities to sell recyclables to a waste management firm in an on-line auction – generating £900,000 in income.

2.5 Some of our work to date has yielded some fairly significant prospects and results:

- Service-led activity: Leisure: memberships, MonAcademy, special events and MonTraining. Grounds Maintenance: external contracts and trading. Property Services: internal trading and public-public contract provision. Estates: capital receipts, rental revenue generation and energy efficiency/ renewables. Highways maintenance: SWTRA. Environmental Health: food safety licensing and Primary Authority provision. Community Meals: private offer. Building Control: DC and BC collaboration for planning and design packages. Development Management and Outdoor Education: regional collaboration.
- Product-led activity: Careline, Talent Lab, Major Events & software solutions…
- Spin-out related activity: Y-Prentis

- Market-interventionist activity: match funding raised for the Rural Development Plan

2.6 The areas above reflect approaches that explicitly aim to identify opportunities to expand market share and attract new customers. Leisure as one example, has invested in applying professional sales and marketing techniques – something which through the Invest to Redesign process, has been prioritised for wider roll-out. The approach overall however is fragmented and therefore our approach must be more than about simply identifying areas for new income generation and aligning approaches more effectively. It must equally become about transferring knowledge and expertise and providing the skills, expertise and tools to help support income generation proposals across the piece.

3. Vision and strategic aims

3.1 To harness and optimise income generation activity in ways which make meaningful and measurable contributions to our purpose ('sustainable and resilient communities').

3.2 The overarching aim of the Income Generation Strategy is to encourage activities and approaches aimed at achieving increased revenue income, in real cash terms, to the Council by the end of the Medium Term Financial Plan. Realistic targets will be established as part of the work on the MTFP and reviewed annually. Currently the income generating ideas being considered to meet the 2016/17 budget gap total circa £340k, this is separate to considering any increases on current fees and charges. This will make a contribution to the bottom line in real terms, but also to the top line in terms of simultaneously contributing to the Council's four core priorities of excellent education, protecting the vulnerable, promoting enterprise and keeping local services going.

3.3 The activity will involve:

- Optimising ideas, specialist skills and developing ' Intellectual Property' (IP)
- Optimising income generation opportunities from physical assets, land, property, IT
- Developing trading services – within and across the public sector
- Identifying new areas for development/market entry
- Developing commercial spin-out models and public-private joint ventures
- Sale of commodities
- Re-setting fees and charges
- Income generation in schools

3.4 This will have the impact of:

- Aligning activity with competitive advantage
- Maximizing and maintaining existing income sources
- Reducing reliance of public funding for key discretionary services
- Minimizing service cuts and/or reductions
- Managing behaviour and demand for services through charging
- Financing provision of premium services
- Increased transparency and governance of income generation
- Charging aligned with Council priorities
- Identifying new income and trading opportunities
- Maximising recovery of expenditure

3.5 This strategy will need to be aligned with the MTFP and positioned alongside the People and Organisational Development Strategy.All the options to achieve the strategy will need to be assessed for theirimpact on performance – Improvement Plan and the impact uponthe public and communities of Monmouthshire through Monmouthshire Engages process.

4. Essential Infrastructure

4.1 Linked to other core strategies and plans, such as the Medium-term Financial Plan, the Improvement Plan, People Strategy, Whole Place and Business Growth and Enterprise Strategies, there are principles which must be adhered to:

- **Selecting right products and services**. These need to be well-defined and fit for purpose with clear outcomes stated. The best way to define competitive advantage will be to conduct a competency-based audit of the organisation. What are we good at? What makes us unique? Are these things saleable and scaleable?
- **Promoting an enterprise mindset**. Our People Strategy aims to connect people to purpose to improve outcomes. Translating ideas and creativity into delivery and a business context is key. Aligning the learning and development offer will be critical to ensure we're developing the requisite skill-sets and that leadership development focuses on promotion of enterprising mindsets.
- **Strategic buy-in**. Strategic support from the whole organisation and not just the parts with an obvious commercial offer is essential. A commercial focus on this scale represents a strategic shift that means active support and engagement.
- **Investment and Resources**. Income generation and especially, generating profit from new activity is not a 'quick win' solution as it takes time to build market demand and share. Careful resource planning is needed to identify investment needs on an Invest to Generate basis.

- **Data and evidence**. Understand subsidy of services across the council – what are our 'Top 10' subsidised services and how do we justify the subsidy they receive and to what extent is this linked to and supported by policy objectives.
- **Business cases**. Good practice for commercial ventures requires robust business cases that set out products and services, evidence, investment requirements, financial plans and plans for marketing and business development. A compelling business case for generating any new source of income will enable objectives to be clearly established and measured and set out the rationale for new charges or trading income
- **Marketing, Sales and Advertising.** Building demand for services is a pre-requisite to supplying them. Marketing is probably the most fundamental activity needed to successfully launch or create visibility for a product or service. Marketing is key to create the short and long-term conditions for success.
- **Developing investor networks**. This sits alongside marketing and promotions. Building relationships with contacts and key stakeholders is critical in terms of achieving support, identifying the skills mix needed to support activity and creating brand appeal.
- **Rationale for charging** – charging should be used to increase efficiency in allocating scare resources to sustainable services, whilst also promoting fairness and influencing behaviour. Charging is possible where:
    - **1**. There is a legal power (or lack of legal barrier)
    - 2. A charging scheme is cost effective to operate
    - 3. It is feasible to exclude non payers from using services

  (Guidance on the practical issues to consider when charging is available for managers)

- **Fairness and equity**. Monmouthshire is a rural county and access to service deprivation is a feature. We need to ensure that considering the impact of rural community delivery is reflected in costs and charging to ensure equity is factored into implementation.
- **Measuring value generation** – social and economic. Financial value will be straightforward to calculate albeit this will mean a stronger P&L focus. Social returns on investment will be critical to measure and gauge too, particularly in demonstrating value added and showing alignment with Council's four priorities.
- **Income Management** – cost effective and efficient income collection channels need to be put in place, involving payment in advance or at point of sale, wherever possible using electronic methods such as direct debit (refer to guidance for managers on charging for services)

- **Evaluation**. Commercial endeavors and ventures need to be robustly evaluated. This is vital in terms of demonstrating ROI but also in informing iterations, improvements, refinements and redevelopments.

5. Activity Proposals

5.1 Building upon the infrastructure and some of the precursor requirements set out in the section above, our Income Generation Strategy will focus upon exploring activity and opportunity in the broad areas set out below. The aspirations and ambitions around this potential activity however, must be read in conjunction with the People and Organisational Strategy. Income generation and asset and ideas optimisation will not be achieved through programmes, projects and initiatives – they will be achieved through our people. There are no real barriers to income generation and legal authority exists to support Councils in this regard (unless strict prohibitions restrict charging) and LG Act 2000 provides general powers to provide services or develop activity to invest in wellbeing and LG Act 2003 the power to trade. The freedoms and flexibilities exist and we want to help our people be risk-aware and not risk-averse.

5.2 The activity set out in Appendix 1 is comprehensive – and yet it doesn't aim to prescribe a path or mean we have to try or do it all. It is simply about provoking thought and ensuring we have a robust and systematic approach to considering all options and opportunities open to us for income generation. Local government can be a space where business and social mission converge with success measured in terms of social impact. The activity outlined below is therefore not about prescribing everything we will try and have a go at. It is about a considered approach to options assessment that will help us understand what will best work to serve our purpose. In other words, the means by which we have to achieve additional income – has to be in keeping with the ends. Understanding context and demands trends will also be important in determining entry to new markets and access to new opportunities. Allied to this will be an appreciation of the mechanisms, models and incentives capable of optimising delivery.

- Optimising ideas, specialist skills and developing ' Intellectual Property' (IP) – this is about creating the conditions for income generation ideas and options to be identified and robustly considered
- Optimising income generation opportunities from physical assets, land, property, IT – this is about maximising the opportunities for making the most of what we have got
- Developing trading services within and across the public sector – consideration to be given to trading services we are good at to achieve a surplus
- Identifying new areas for development/market entry – assessing the return on investing in new areas to achieve a surplus

- Developing commercial spin-out models and public-private joint ventures – consideration of different models for trading to establish the most effective means for this activity
- Sale of commodities
- Re-setting fees and charges – consider the potential for increasing existing discretionary charges by more than the 2.5% assumed each year
- Income generation in schools – as for 2 above but specifically related to our school estate

The long list of potential ideas under these headings is contained in Appendix 1

6. Evaluating Impact

6.1 Much of the monitoring of impact will be undertaken through the Medium Term Financial Plan process and assessment tools and metrics for gauging effective budget delivery. This means a close 'business partnership' between Finance and service departments in order to share the responsibility and accountability for successful and sustainable income generation activity.

6.2 More than this, evaluation has to clearly focus upon how income generation activities impact customers and residents and impact analysis should identify how the level of service income improves service quality or activity, directly and indirectly. This is beyond simply measuring the additional income obtained, the increase or decrease in customer-base and monitoring a suitable measure of quality for the service or function.

6.3 Evaluation of our progress with income generation – the successes and failures – has to be a long-term endeavour in order to identify what's proven; potential and possible. This means adopting a business-like discipline to becoming more adept at income generation and investing in the processes, skills and mindset needed to support and promote it. We have to invest in developing new ways of working, new mechanisms, incentives and potentially, rewards and this will require better structures, skills and methods. In addition it may mean faster learning – and that means paying greater attention to what's proven; promising and possible.

6.4 For our Council to become more adept at income generating activity and new ways of working, we need to treat it with the same seriousness with which we deal with handling risk, financial controls and regulatory enforcement. This means better structures, skills, methods and incentives so that it becomes natural for us to grow our collective awareness of potential.

7. Risks and mitigation

7.1 The background to this strategy is that along with the wider UK public sector, we face acute pressures to adapt: from fiscal pressures to changing public expectations and challenges such as ageing, climate change and the need to demonstrate ‘continuous improvement’. Risk however is often seen as the reason why working differently, ‘innovating’ and generating income are so hard in the public sector. We know from our People Strategy work that people don’t so much fear failure, but fear the reaction if things go wrong – being blamed and vilified. Experiments that don’t work can be denounced as a waste of scarce public money. It’s easy thus, to take the easier route and cut services and salami-slice them to nothing because even though it means services will likely be extinguished – it’s safer than taking the risk of what the alternative might mean.

7.2 This approach cannot be supported by a Council with an ambition to promote an enterprise culture. A better approach is to see risk as something to be managed and this is why income generation and new revenue raising is better organised on a small-scale and fast, so that the costs of things going wrong can be managed and mitigated against ahead of full-scale implementation. Risk can then be adjusted according to various factors and where choice is involved it may be legitimate to take bigger chances. Establishing skills in developing clear and thorough business cases will go a long way to identify and mitigate risk and provide clear options for decision makers. Clearly with income generation, different approaches will need to be taken dependent on how serious the threats might be if something goes wrong and investment as well as potential income, is lost. There are many ways through which risk can be intelligently managed and mitigated. In areas where we are potentially entering new markets, it might be beneficial to establish joint ventures where parties collaborate and share the risks and rewards associated with the venture. Additionally, we also need to weigh up the risks of inaction. Where these are high we may need to be prepared to take greater risks.

7.3 In working through this process of managing risk as an inherent feature of any income generation work, the process of robust options appraisal, rapid iteration, business case development and piloting risk-reward sharing arrangements will all be crucial.

8. Future Generations and Equality Impact

8.1 Working towards building sustainable and resilient communities and in particular, maintaining locally accessible services, means ensuring equality of access to all, for all of our services. Buckinghamshire County Council is committed to ensuring equality of access to all, for all of our functions. Completion of an Equality Impact Assessment (EIA) should be completed for income generation opportunities so that the equality or diversity impacts are clearly understood before decisions are made. In addition as income generation proposals would form part of the agreed business process around the Medium Term Financial Plan, supplementary safeguards are built in around the ‘mandate’ procedure to ensure considered views and outcomes are arrived at.

8.2 The wider impact on potentially affected groups must also be considered to ensure other local service changes or national policy changes are considered alongside income generation proposals in order to mitigate ‘double effects’.

Appendix 1 – Potential income generation ideas to explore

1. Optimising ideas, specialist skills and developing 'Intellectual Property'(IP)

- Training on IP creation and building knowledge on how IP generation can work in public space – is there a model we could introduce to incentivise?
- Developing and embedding an expert marketing and sales function that demonstrates measurable returns
- Delivering a 'commercial skills' package focused on developing ideas to action, rapid prototyping and iteration models, business case production, sales pitch techniques, testing delivery & measuring results
- Developing and ingraining an expert approach to identifying external and commercial potential and potential partnerships and collaborations
- Learning how to frame the challenge/ problem in ways that can be understood by community, in order that solutions and resource opportunities can be unlocked
- Implementing 'Innovation Partnerships' – new procurement legislation enables competitive dialogue so public bodies can work with potential providers to develop and secure 'innovative solutions'
- Developing a process for knowledge transfer and sharing/ scaling good practice

2. Optimising and monetising buildings, assets and physical resources

- Undertaking a comprehensive audit of assets to understand potential for advertising and sponsorship income in a methodical way
- Carrying out a comprehensive assessment of all buildings and assets for application of renewable energy features, new energy saving measures (i.e. sustainable water solutions) and income generation opportunities through fixed tariffs, paybacks and other energy-related revenue generation incentives
- Acquiring a high yield commercial property portfolio in and outside the county – identifying assets and buildings in potential high-growth, high-value areas. Options to include: office accommodation, hotel and visitor accommodation, residential development sites, leisure and recreation opportunities and other defined opportunities
- Undertaking commercial property development. Retaining disposal sites and investing to provide serviced plots for sale; barn conversions and/ or development of niche market products for which there is high demand i.e. holiday accommodation
- Hosting and enabling special and major events: using our own resources and assets to create destination attractions for Council-led

and facilitated events such as concerts, festivals, special events and occasions

- Diversifying use of assets for revenue generation – community, solar farms
- Promoting economic development through equity share schemes and risk-reward partnerships
- Exploring equity release on capital assets
- Facilitating community ownership through strategic deployment of Community Infrastructure Levy

3. Trading-out services

- Assessing potential to charge for differentiated or premium services – conservation, specialist planning advice, business support/ inward investment, expert biodiversity and ecology assistance and so on
- Promoting a business to business trading or a 'barter and exchange' system to share knowledge and resources in exchange for something we need from a partner
- Developing a consultancy offer in areas of specialism and market legitimacy –training/ Talent Lab, agile working, programme management, public protection
- Marketing specialist knowledge offer overseas – through diaspora and commonwealth networks which place a high value on specialist knowledge and experience
- Offering unique environments and spaces up to LAs across the UK for respite care
- Developing a trading policy to ensure we codify our approach and promote a shared 'house style'
- Exploring the advantages of 'trading in' – i.e. an in-house internal consultancy approach

4. New areas for development/ market entry:

- Understanding opportunity to design into demand – tourism accommodation/ optimisng cultural and recreation assets
- Exploring new and novel opportunities the market has not yet responded to in the county: professional photography service, air-drones, hydrotherapy, cemetery provision, alpine rollercoasters, spa and solarium provision
- Understanding future 'brokerage' role of SRS in supplying cloud services
- Exploring energy services provision
- Using our expertise in different contexts – e.g. bidding for commercial contracts
- Investigating social impact bonds and payments by results

- In-sourcing provision of vending and coffee machines in public buildings – Council HQs, TICs, Hubs and leisure and recreation centres
- Investigating potential for growth and development on Usk site – horticultural nursery, aquaponics and childcare provision
- Developing a commercial offer around outdoor pursuits, supported cycling tours, walking festivals, food trails and expert commentary tours

5. Developing commercial spin-out models and public-private joint ventures

- Understanding the potential to scale the 'Special Purpose Vehicle' approach in manner of Y-Prentis
- Exploring potential to spin-out commercial and trading enterprises
- Investigating opportunities around Public-Private Partnerships and Joint Ventures for development, asset optimisation and risk-reward sharing
- Testing the feasibility of Local Asset Backed Vehicles to optimise output of energy, housing and regeneration projects
- Localising services through trust models and consideration of arms-length management organisations
- Understanding potential for time-limited ventures through Limited Liability Partnerships

6. Sale of commodities and derivatives

- Exploring and exploiting the innate gifts and offer the county has to make in relation to potential around:
  a. Water and rivers – sport, recreation, tourism and health/ wellbeing
  b. Natural gas extraction
  c. National park development on par with North American model
  d. Sale of recyclates, recyclables and energy for waste
  e. National burial sites
  f. Monmouthshire seeds/ Monmouthshire honey
  g. Algae
  h. Cultural artefacts
  i. Wind
  j. Dairy

7. Re-setting fees and charges

- Assess current fees and charges and the opportunities to increase discretionary charges by more than 2.5% assumed each year
- Discretionary charges are currently circa £8 million, so for illustration a 10% increase in charges could generate circa £600k additional income

to meet the MTFP gap assuming the increase would not result in a reduction in users/customers.

8. Income generation in schools

- Understanding potential for ‘business manager’ roles
- Assisting development of schools’ lottery schemes
- Exploring gift aid and sponsorship
- Maximising energy efficiency
- Optimising use of assets, spare classroom capacity, sports facilities etc.
- Building staff enterprise skills and community relations
- Trading out specific areas of expertise – digital enterprise
- Exploring non term-time use and rentals
- Providing flexible space for professional development
- Up-skilling to staff to deliver other work that may otherwise be bought in
- Renting car park space
- Seeking sponsorship of watercoolers
- Providing and delivering community meals
- Buying in bulk selling at a profit

AUDIT COMMITTEE WORKPLAN 2015/16

16TH APRIL 2015

Audit Committee workshop to review effectiveness - facilitated by David Wilson and Chris Pugh from WAO, questionnaire to be send out in advance

Deadline for finalised reports to Cheryl – Wednesday - 10am 1st April
Finalised reports to Committee Section – Wednesday - end of day 1st April

SUBJECT	AUTHOR
AGW report on Managing early departures across Welsh Public Bodies	WAO
WAO report on Certification of Grants and Returns 2013-14	WAO
Annual Governance Statement	Andrew Wathan
Internal Audit 2015/16 Plan - Draft	Andrew Wathan
Annual Audit Outline 2014/2015	WAO

18TH JUNE 2015

Deadline for finalised reports to Cheryl – Monday 8th June 2015 - 12 noon
Finalised reports to Committee Section- Monday 8th June 2015 - end of day

All Wales Financial Position report	WAO
Internal Audit 2015/16 Plan - Final	Andrew Wathan
Internal Annual Audit report 2014/15	Andrew Wathan
Complaints to the Ombudsman - ***already circulated***	Annette Evans

16TH JULY 2015

Deadline for finalised reports to Cheryl – Monday 6th July - 10am
Finalised reports to Committee Section –Monday 6th July - end of day

Treasury Outturn report 2014/15	Lesley Russell/Jon Davies
Statement of Accounts 2014/15 - MCC and Trust Funds	Mark Howcroft/Jon Davies
Joint Progress report *-possible appx to Statement of Accounts?*	WAO/Mark Howcroft/Jon Davies
CPR Exemptions 6 monthly	Andrew Wathan
Improvement Plan Audit	WAO
SRS report	WAO
Annual Governance Statement - Update	Andrew Wathan
Report on Effectiveness of Audit Committee(following workshop on 16/4/15)	WAO
Income Generation Strategy	Joy Robson/Kellie Beirne

23RD SEPTEMBER 2015

Deadline for finalised reports to Cheryl – Friday 11th September - 10am
Finalised reports to Committee Section –Friday 11th September - end of day

ISA260 MCC Accounts 2015/16	WAO
Audited Statement of Accounts 2014/15	Mark Howcroft/Jon Davies

Internal Audit Progress report 2015/16 quarter 1	Andrew Wathan
Income Generation Strategy	Joy/Kellie
22ND OCTOBER 2015	
Deadline for finalised reports to Cheryl – Monday 12th October - 10am	
Finalised reports to Committee Section –Monday 12th October - end of day	
Joint progress report 2014/15 accounts	WAO/Mark Howcroft
Mid Year Treasury report 2015/16	Mark Howcroft
Internal Audit Progress report 2015/16 quarter 2	Andrew Wathan
Unsatisfactory Audit Opinions	Andrew Wathan
Annual Complaints report	Annette Evans
AIR/Corporate Assessment report	WAO
Proposed changes to Accounts and Audit Regs 2014	Joy Robson
3RD DECEMBER 2015	
Deadline for finalised reports to Cheryl – Monday 23rd November - 10am	
Finalised reports to Committee Section –Monday 23rd November - end of day	
Overview of Improvement Arrangements	IO's
Progress report:WAO Proposals for Improvement	IO's
CPR Exemptions 6 monthly	Andrew Wathan
Implementation of audit recommendations	Andrew Wathan
Governance arrangements for partnerships	Will McLean
Audited Trust fund accounts	Mark Howcroft
ISA260 Trust Fund Accounts	WAO
6 month performance review	Will McLean
6 month Risk Review	Will McLean
14TH JANUARY 2016	
Deadline for finalised reports to Cheryl – Monday 4th January 2016 - 10am	
Finalised reports to Committee Section –Monday 4th January 2016 - end of day	
Annual Audit Letter 2014/15	WAO
Performance Audit report and presentation	WAO
3RD MARCH 2016	
Deadline for finalised reports to Cheryl – Monday 22nd February 2016 - 10am	
Finalised reports to Committee Section –Monday 22nd February 2016 - end of day	
Internal Audit 2016/17 Plan	Andrew Wathan
Internal Audit progress report 2015/16 quarter 3	Andrew Wathan
Unsatisfactory Audit Opinions	Andrew Wathan
Audit Outline Plan 2016/17	WAO
Grants Audit report	WAO

21ST APRIL 2016	
Deadline for finalised reports to Cheryl – Monday 11th April - 10am	
Finalised reports to Committee Section –Monday 11th April - end of day	
Annual Governance Statement	Andrew Wathan

Reports for future meetings

Corporate Assessment follow up - WAO

WAO reports for Select Committee

Safeguarding arrangements - May 2015
Impact of Welfare Reform on Social Housing - July 2015
Independence of Older People - Autumn 2015
Leisure Services - Dec/Jan

WAO National Studies for 2015/16 to be reported in 2016/17

Income Generation
Council funding of the 3rd Sector
Community safety Partnerships

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