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County Hall
Rhadyr
Usk
NP15 1GA

Wednesday, 27 June 2018

Notice of meeting

Audit Committee

Thursday, 5th July, 2018 at 2.00 pm,
County Hall, The Rhadyr, Usk, NP15 1GA

AGENDA

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

Paul Matthews
Chief Executive

MONMOUTHSHIRE COUNTY COUNCIL
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:

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

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Welsh Language

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Aims and Values of Monmouthshire County Council

Our purpose

Building Sustainable and Resilient Communities

Objectives we are working towards

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

Our Values

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

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

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

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

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Public Document Pack Agenda Item 4

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 24th May, 2018 at 2.00 pm

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

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

OFFICERS IN ATTENDANCE:

Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Kellie Beirne	Deputy Chief Executive
Peter Davies	Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Terry Lewis	Wales Audit Office

APOLOGIES:

Councillors

1. Election of Chair

Mr. P. White was elected as Chair.

2. Appointment of Vice Chair

County Councillor J. Higginson was appointed Vice Chair.

3. Declarations of Interest

County Councillors V. Smith, B. Strong and P. Clarke declared a personal, non-prejudicial interest as Governors of Usk Church in Wales Primary School in respect of Item 11: Implementation of Internal Audit Recommendations – 2016/17.

County Councillor A. Easson declared a personal, non-prejudicial interest regarding Item 4.8 Ysgol Gymraeg Y Ffin as he is a governor of the school.

4. Public Open Forum

No members of the public were present.

5. To confirm minutes of the previous meeting held on 8th March 2018

The minutes of the meeting held on 8th March 2018 were confirmed and signed by the Chair as a true record.

6. To note the Action List from 8th March 2018

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The Action List from the last meeting was noted.

7. Audit Committee Annual Report 2017/18

The Audit Committee Annual Report, which provides an overview of the last year's work was presented. The report is written by the Chair with the Chief Internal Auditor.

It was agreed that the report was a fair account of the work of the Committee.

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

8. Unsatisfactory Audit Opinions

The Chief Auditor presented the regular 6 monthly report to the Audit Committee of unsatisfactory audit opinions issued across all County Council services. The opinions arise from work undertaken by the Internal Audit team to assess the adequacy of the internal control environment, apply a rating and provide an update on previously reported matters that have been followed up.

Referring to the report, the Chief Auditor provided details of historic opinions back to 2014 and noted that where an improved opinion has been given it demonstrates that managers have taken on board the recommendations. They have made changes to their systems to provide better financial management in that service therefore provide a greater degree of assurance. Some matters are carried forward to the following year to allow managers sufficient time to implement improvements.

The Committee's attention was drawn to compliance with the Bribery Act 2010 as a second Limited opinion has been awarded. It was recommended that the Committee may wish to call in the responsible officer to seek assurance that progress has been made and actions taken to address the identified shortcomings.

The Chief Officer, Resources agreed it was appropriate for the Committee to challenge this matter as the recommendations have not been suitably and sufficiently advanced. It was explained that there are two key areas to address within:

- People Services concerning some weaknesses in Induction processes; and
- Procurement concerning the updating of Contract Procedure Rules

Regarding People Services, work is planned but has not yet been implemented and acted upon hence the second Limited opinion.

In terms of Procurement, this area was added to the Chief Officer's portfolio of responsibility approximately 12 months ago. The Head of Service responsible has concentrated on the corporate landlord role and also procurement savings. A procurement strategy will be reported to Council in the near future. The new strategy will generate a programme of work to deliver savings and wider benefits.

Clarification was provided that this matter is to do with compliance with the Act rather than allegations of bribery. Assurance was received that the matter is being taken forward and it was agreed that appropriate officers would be invited to a future meeting to provide a progress report on either 5th July or 13th September 2018. It was agreed that further evidence of compliance with the Bribery Act 2010 would be required by the Committee to address concerns.

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In 2017/18 there were 8 limited opinions (from 30 opinions awarded) and will be followed up in 2018/19. The opinions and reasons given are detailed in the report.

County Councillor A. Eason declared a personal, non-prejudicial interest regarding Item 4.8 Ysgol Gymraeg Y Ffin as he is a governor of the school.

A Member questioned if the problem with Youth Service bank accounts was a new or historic problem referring to a previously reported matter. It was responded that the current matter is separate from individual groups. It refers to the historic setting up of a bank account that was highlighted in the course of an audit.

A Member asked, when a vehicle is being fuelled, if the mileage is checked. It was explained that this should happen but tends not to be carried out routinely. It was queried and responded that it is a recommendation that the Manager implements this process. The use of fuel cards relies on the drivers and ultimately the card can be withdrawn for non-compliance. It was agreed that Managers must emphasise the conditions of using the card with users. An action plan has been developed with the Manager, the matter will be followed up in 2018/19 and if there is a lack of response, it will be reported to Audit Committee. In response to a question, it was confirmed that fuel cards are generally for the council fleet with a few exceptions. The fleet vehicles tend to be fuelled in council depots and the cards are used as a fall-back arrangement.

It was questioned if there was a rising trend of unsatisfactory opinions and responded that the checking process is the same, is prioritised and is within professional standards, but it is not usually a like for like comparison.

It was queried and confirmed that the peer review of public sector internal audit standards carried out by Neath Port Talbot will be presented to Committee.

9. Annual Governance Statement

This matter was deferred and will be considered at the next meeting. The Annual Governance Statement will be sent out to Members for comments within the next two weeks before being included in the draft accounts.

10. Implementation of Internal Audit Recommendations

The Chief Auditor introduced the report, the purpose of which is to present an update on the progress of implemented and agreed audit recommendations to address weaknesses discovered in audit jobs in service areas. Opinions are agreed according to the number of weaknesses and strengths identified in the audit. Where weaknesses are identified, an action plan of recommendations is agreed with the manager with the purpose of improving overall financial management and the internal control environment.

Committee members were reminded that in 2015/16 97% were agreed by Managers to implement; the percentage for 2016/17 was 96%. Audit will follow up to double check implementation.

Car park income and outdoor education were areas highlighted as areas where recommendations had not been implemented. It was agreed to recirculate Appendix D that provided details of 3 significant audit recommendations not implemented in outdoor education, benefits and community meals. It was agreed to provide further detail on recommendations agreed with Managers and not implemented outside the meeting.

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A Member drew attention to Appendix C, there were 11 recommendations for implementation for refuse and garden waste (all implemented) and questioned what the relevance of the implementation requirement. The Member also asked for further information about the implementation of recommendations for County farms. A response will be provided in due course.

A Member asked for clarification about the recommendations not implemented, querying if they were agreed by the manager first and not then implemented. If so, what follow up takes place.

It was confirmed that if there is an overall unfavourable opinion, this is revisited in the follow up review. If found to be more favourable, there will be a 6 month review, and will be carried forward, chasing progress with managers as required. Where there are issues, these can be brought back to Audit Committee.

A Member expressed concern about recommendations agreed and not implemented by Managers in view of the amount of work undertaken by the Internal Audit Team. It was confirmed that reports are sent to Senior Leadership Team Agreed and all Heads of Service. Follow up reports also go to Heads of Service to raise responsibility to Directorate level. In response to a question, it was explained that elected members are involved when a manager is asked to attend Audit Committee. The Chief Officer, Resources, will liaise with the Chief Auditor to facilitate escalation to the relevant Head of Service for non-implementation of unsatisfactory opinions.

In response to a question about the high proportion of recommendations not implemented in Finance and Leisure, some detail is included in the appendix but a note will be added to record which directorate the job is related to provide further information.

The Assistant Head of Finance will seek further information about recommendations not implemented in Finance areas thought to be related to system changes. Regarding the seriousness of those not implemented, there are 3 significant issues, and an undertaking was given to provide further information. The higher risk elements were in relation to Benefits, Outdoor Education and Community Meals

The recommendation that Audit Committee considers this report, identifies any concerns of non-implementation of audit recommendations and considers where appropriate calling-in any managers for further explanation as to why the implementation of actions has not been as productive as expected was noted. It was also noted that overall, non-implementation of audit recommendations has not led to a significant risk to the Council.

11. Forward Work Programme

The Forward Work Programme was noted.

12. To confirm the date and time of the next meeting as 5th July 2018

13. To consider whether to exclude the press and public from the meeting during consideration of the following items of business in accordance with Section 100A of the Local Government Act 1972, as amended, on the grounds that it involves the information as defined in Paragraphs 13 and 14 of Part 4 of the Schedule 12A to the act (Proper Officer's view attached)

It was resolved to exclude the Press and public from the meeting during consideration of the following item of business in accordance with Section 100A of the local Government Act 1972,

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as amended, on the grounds that it involves the information as defined in Paragraphs 13 and 14 of Part 4 of the Schedule 12A to the act (Proper Officer's view provided).

14. Events Update

The Committee reviewed and confirmed the accuracy of a confidential file note of a Special meeting held on the 18th December 2017 subject to a check back through the record to verify the accuracy of one sentence which was subsequently confirmed as accurate.

As per the report recommendations, the Committee considered the outcome of the independent Events review; and considered the forward plan for Events and provided input to inform a Cabinet paper for future decision making.

The meeting ended at 4.00 pm

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Agenda Item 5

Audit Committee Actions 24th May 2018

Agenda Item:	Subject	Officer	Outcome
8	Unsatisfactory Audit Opinions	1) Peter Davies 2) Andrew Wathan	1) Appropriate officers invited to attend either 5 th July or 13 th September 2018 meeting regarding compliance with the Bribery Act. 2) Peer Review report to be presented at future meeting
9	Annual governance statement	Andrew Wathan	Document to be sent out to Audit Committee Members for comments
10	Implementation of Internal Audit Opinions	1 & 2) Andrew Wathan 3) Peter Davies/Andrew Wathan 4) Andrew Wathan 5) Mark Howcroft	1) Provide detail on Appendix D 3 significant opinions not implemented 2) recommendations refuse and garden waste and County Farms – further detail requested. 3) Chief Officer, Resources and Chief Internal Auditor to liaise re escalation to Head of Service for non-implementation of recommendations for unsatisfactory opinions 4) add column to record which directorate 5) seek information about Finance recommendations not implemented
14	Exclusion of Press and public: update on events and confirmation of notes of special meeting on the 18th December 2017	Kellie Beirne and Wendy Barnard	Track back record regarding CC Greenland's attendance at Audit Committee

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REPORT

SUBJECT: TREASURY OUTTURN 2017/18

MEETING: Audit Committee

DATE: 5th July 2018

DIVISION/WARDS AFFECTED: Countywide

1. PURPOSE:

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

2. RECOMMENDATIONS:

- 2.1 That Members note the results of treasury management activities and the performance achieved in 2017/18 below and in the two Appendices.

3. KEY ISSUES:

3.1 External Context

Both the CIPFA code and Welsh Government's Guidance on Investments, require the Authority to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield. The Authority's strategy has always adopted a risk averse approach which compliments this guidance.

2017/18 has brought a significant number of events relating to treasury management, which are detailed in Appendix 1 including -

- A Push-pull effect from expectations of Quantitative Easing and from geopolitical tensions & import tariffs.
- The effects of the EU referendum in June 16 such as the fall in Sterling causing a rise in CPI up to 3.1% in November and continued uncertainty over implementation despite an agreement in March 17 to a transition phase.

- The UK economy proved more resilient after EU referendum in June 16 than many thought but still slowed down, helped by improvements in EU and US economies.
- Uncertainty from surprise General Election in June 17 and reduction in Government majority.
- The UK Bank Rate was increased in November 2017 by 0.25% for the first time in 10 years reversing the cut in August 2016 with indications of further rises ahead, resulting in an increase in money market rates.
- CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017 which Monmouthshire will be implementing through 2018/19.
- The Welsh Government published the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018 in March 2018.
- These changes to the regulatory environment will result in a change to treasury management reporting such that there will need to approve a more holistic capital strategy informing and supporting the traditional treasury strategy for 2018/19 onwards.
- Barclays, the Authority's banker, was one of the first to implement ring-fencing of its retail customers during Easter 2018.
- The EU Money market fund regulations were approved with implementation by January 2019 which may result in some funds closing & possibly a reduction in returns.
- Monmouthshire CC successfully opted up to Professional Status in relation to Mifid II by the deadline of 3rd January and committed to a balance of £10 million of investments as such.
- Northamptonshire CC issued a section 114 notice during 2017/18 due to severe financial difficulties.

3.2 Prudential Indicators and Treasury Management Indicators

All investments made during the year complied with the Council's agreed Treasury Management Strategy. Maturing investments were repaid to the Council in full and in a timely manner. Counterparty credit quality has been maintained through the period.

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

The detailed Prudential Indicator Outturn Report for 2017/18 is attached as Appendix 2.

3.3 Borrowing and Investment Activity

External borrowing

	£m	£m	
	April 17	Mar 18	Average Rate
Short Term	19.5	52.6	0.55%
Long Term	<u>69.8</u>	<u>76.4</u>	3.7%
Total Borrowing	89.3	129.0	

Investments

Short Term & Cash & Cash Equivalents	<u>4.5</u>	<u>17.1</u>	0.24%
<u>Net Borrowing</u>	<u>84.8</u>	<u>111.9</u>	

For more detail, see Annual Treasury Management Outturn report for 2017/18 in Appendix 1.

3.4 Capital Financing Requirement (CFR)

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

Between 1st April 2017 and the 31st March 2018, the CFR has increased by £11.5m due to the £15.4m of borrowing funded capital expenditure incurred within 2017/18, offset by the £3.9m of minimum revenue provision made in year.

<u>Capital Financing Requirement</u>	£m
31 March 2018	146.1
1 April 2017	<u>134.6</u>
Movement	<u>11.5</u>

The difference between the capital financing requirement at 31st March 18 of £146.1m and the net borrowing of £111.9m at the end of that financial year reflects the level of “internal borrowing” utilized (£34.2m). Internal borrowing reflects the fact that as part of treasury activities, cash balances held as a result of having unused capital receipt and other earmarked reserves as well as working capital are temporarily used to avoid formal borrowing where possible.

The CFR at 31 March 2018 was £11.8m higher than estimated largely due to the CFR at 1st April 2017 being higher than forecast.

3.5 Interest payable and receivable

Net external borrowing has increased by £27.5m during the year. This is due to a rise in CFR and a reduction in useable reserves, mainly the capital receipts reserve, used to fund the 21C schools program.

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

£5.9m of 3 year debt from a Local Authority was taken out in 2017/18 to reduce interest rate risk to an acceptable level.

4. REASONS:

- 4.1 The Authority’s Treasury Management Strategy for 2017/18 was underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management 2011.
- 4.2 The code includes the requirement for determining a treasury strategy on the likely financing and investment activity for each financial year.
- 4.3 The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA’s recommendations.

5. RESOURCE IMPLICATIONS:

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

6. EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS: None

- 7. **CONSULTEES:** Mark Howcroft – Assistant Head of Finance; Arlingclose – Treasury Management Advisors to Monmouthshire CC.

8. BACKGROUND PAPERS:

Appendix 1 – 2017/18 Treasury Management Outturn report;
Appendix 2 - The Prudential Indicator Outturn Report for 2017/18

9. AUTHOR:

Jonathan Davies
Lesley Russell

Central Finance Team Leader
Senior Treasury Accountant

10. CONTACT DETAILS:

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Treasury Management Outturn Report 2017/18

Introduction

In March 2005 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.

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

The Authority's treasury management strategy for 2017/18 was approved by Council on 9th March 2017. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

External Context (latest data as at 09/4/18)

Economic commentary

2017-18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact.

The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now span Q2 2019 to Q4 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February *Inflation Report* indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely.

In contrast, economic activity in the Eurozone gained momentum and although the European Central

Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September 2018, the central bank appeared some way off normalising interest rates. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

Financial markets: The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% in 2017/18 and at 31st March 2018 were 0.43%, 0.72% and 1.12% respectively.

Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.

The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

Credit background:

Credit Metrics

In the first quarter of the financial year, UK bank credit default swaps reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat.

The rules for UK banks' ring-fencing its retail customers were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the Authority would be dealing with, once ring-fencing was implemented and what the balance sheets of the ring-fenced and non ring-fenced entities would look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.

Barclays, the Authority's banker, was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ring-fenced bank.

Money Market Fund regulation: The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

Credit Rating developments

The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.

Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade).

Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.

Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable.

S&P downgraded Transport for London to AA- from AA following a deterioration in its financial position.

Moody's downgraded Rabobank's long-term rating due to its view on the bank's profitability and the long-term ratings of the major Canadian banks on the expectation of a more challenging operating environment and the ratings of the large Australian banks on its view of the rising risks from their exposure to the Australian housing market and the elevated proportion of lending to residential property investors. S&P also upgraded the long-term rating of ING Bank to A+.

Other developments:

In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.

In March, following Arlingclose's advice, the Authority removed RBS plc and National Westminster Bank from its counterparty list. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from BBB+ for FY 2018-19. The current long-term ratings of RBS and NatWest do not meet this minimum criterion, although if following ring-fencing NatWest is upgraded, the bank would be reinstated on the Authority's lending list.

Local Authority Regulatory Changes

Revised CIPFA Codes: CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code will be assessed for incorporation into Treasury Management Strategies and monitoring reports during 2018/19. This is expected to result in a change to treasury management reporting lines.

The 2017 Prudential Code introduces the requirement for a more holistic Capital Strategy which provides a high-level overview of the long-term context of all capital expenditure, including Investment properties, and investment decisions and their associated risks and rewards along with an

overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions.

The Authority expects to produce its Capital Strategy during 2018-19.

In the 2017 Treasury Management Code, the definition of ‘investments’ was widened from including only financial assets to now also include non-financial assets held primarily for financial returns such as Investment Properties. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is to be identified and reported.

MHCLG Investment Guidance and Minimum Revenue Provision (MRP): In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Guidance on Local Government Investments and Statutory Guidance on Minimum Revenue Provision (MRP) which applies to English Authorities.

Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called “loans” (e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate). The Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and also specifies additional indicators. Investment strategies in English Authorities must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.

The definition of prudent MRP has been changed to “put aside revenue over time to cover the CFR”; it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

There have been no moves yet by Welsh Government on proposed changes to the Guidance on Local Authority Investments. The Authority is however aware of the MHCLG’s changes to the Investment Guidance for English authorities.

Amendments to Capital Finance Legislation: The Welsh Government published the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018 in March 2018. It amends and clarifies erstwhile regulations so that investments in corporate bonds and shares in FCA (Financial Conduct Authority) approved UCITS (Undertakings for the Collective Investment of Transferable Securities) funds, Real Estate Investment Trusts (REITs) and investment schemes approved by HM Treasury are no longer treated as capital expenditure. This legislation came into effect in the 2017/18 financial year. It enables the Authority to invest in these instruments, if appropriate for the Authority’s circumstance and objectives, without the potential revenue cost of MRP (Minimum Revenue Provision) and without the proceeds from sale being considered a capital receipt.

MiFID II: As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could “opt up” to professional client status, providing certain criteria were met which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority having at least a year’s relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that the person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has met the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. The Authority will continue to have access to products including money market funds, pooled funds, treasury bills, certificates of deposit, bonds, shares and to financial advice. This position will be reviewed during 2018/19 to see if the advantages of opting up have outweighed the costs. It should be noted that local authorities' investments are not protected by the Financial Services Compensation Scheme nor are they eligible to complain to the Financial Ombudsman Service regardless of whether they are retail or professional clients.

Local Context

On 31st March 2018, the Authority had net borrowing of £111.9m arising from its revenue and capital income and expenditure, an increase on 2017 of £27.5m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table 1 below.

Table 1: Balance Sheet Summary

	31.3.17 Actual £m	2017/18 Movement £m	31.3.18 Actual £m
CFR	134.6	11.5	146.1
Less: Other debt liabilities *	-1.8	0.1	-1.9
Borrowing CFR	132.8	11.4	144.2
Less: Usable reserves	-34.3	16.1	-18.2
Less: Working capital	-13.7	0.0	-14.1
Net borrowing	84.8	27.5	111.9

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

The Capital Financing Requirement has increased as new capital expenditure was budgeted to be funded from borrowing rather than actual in year financing including minimum revenue provision.

Actual Net borrowing has increased due to a rise in the borrowing CFR and also due to a reduction in usable reserves, especially due to a £15.6m reduction in the Capital receipts reserve which was used in year to fund capital expenditure on the 21 Century Schools program.

The Authority's strategy was to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31st March 2018 and the year-on-year change is shown in table 2 below.

Table 2: Treasury Management Summary

	31.3.17 Balance £m	2017/18 Movement £m	31.3.18 Balance £m	31.3.18 Rate %
Long-term borrowing	69.8	6.6	76.4	3.7%
Short-term borrowing	19.5	33.1	52.6	0.55%
Total borrowing	89.3	39.7	129.0	2.4%
Long-term investments	0.0	0.1	0.1	
Short-term investments	0.1	9.9	10.0	
Cash and cash equivalents	4.4	2.6	7.0	
Total investments	4.5	12.6	17.1	0.24%
Net borrowing	84.8	27.1	111.9	

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

Short term borrowing was increased more in year than long term borrowing. This was a policy decision to reduce the overall cost of borrowing required to fund the Authority's 21st Century schools program. It is expected that further capital receipts coming in over the next few years will replenish cash levels. An independent decision was taken early in this calendar year to hold investment balances above £10m so that the Authority meets the definition of a professional investor under the Mifid II regulations. This decision will be reviewed to see if it is cost effective.

Borrowing Activity

At 31st March 2018, the Authority held £129.0m of loans, an increase of £39.7m on the previous year, as part of its strategy for funding previous years' capital programmes. The year-end borrowing position and the year-on-year change in shown in table 3 below.

Table 3: Borrowing Position

	31.3.17 Balance £m	2017/18 Movement £m	31.3.18 Balance £m	31.3.18 Rate %	31.3.18 Average Maturity years
Public Works Loan Board	51.7	0.0	51.7	4.1%	14
LOBO Bank Loans	13.6	0.0	13.6	4.8%	24
Local authorities (long-term)	0.0	5.9	5.9	1.1%	3
Local authorities & other (ST)	19.0	33.6	52.6	0.55%	0
Interest free Loans from WG	5.0	0.2	5.2	0.0%	5
Total borrowing	89.3	39.7	129.0	2.4%	8

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are

required, with flexibility to renegotiate loans should the Authority’s long-term plans change being a secondary objective.

In furtherance of these objectives new borrowing was kept to a minimum whilst maintaining £10.0m of investments to meet the Mifid II requirements. The Authority took out £5.9m of new long term borrowing so that long term borrowing remained over 50% of net borrowing. The balance of borrowing required, £33.6m, was taken as short term borrowing. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce the credit risk on investments.

The new long term debt of £5.9m had an average maturity of 3 years and was required to fund the 21C schools Capital program. New short term debt was taken out to fund the capital program (£5.6m) and also to replenish cash used in funding reserve and capital receipt funded budgets (£34.1m).

For the majority of the year the “cost of carry” analysis performed by the Authority’s treasury management advisor Arlingclose did not indicate value in borrowing in advance for future years’ planned expenditure and therefore none was taken.

The Authority continues to hold £13.6m of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during 2017/18.

Investment Activity

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017/18, the Authority’s investment balance ranged from £2 to £28 million due to timing differences between income and expenditure. The year-end investment position and the year-on-year change is shown in table 4 below.

Table 4: Investment Position (Treasury Investments)

	31.3.17 Balance £m	2017/18 Movement £m	31.3.18 Balance £m	31.3.18 Rate %	31.3.18 Maturity days
Banks & building societies (unsecured)	1.1	-1.1	0.0		
Government (incl. local authorities)	3.4	12.7	16.1		
Money Market Funds	0.0	1.0	1.0		
Total investments	4.5	12.6	17.1	0.24%	1

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

Due to relatively low balances for most of the year, the Authority invested in CD’s and term deposits in banks and buildings societies with a credit rating of a minimum of A-, money market funds, other Local Authorities and the Debt management office. Since the introduction of Mifid II in January 2018, balances have risen so longer term investments achieving higher returns are being used. The progression of credit risk and return metrics for the Authority’s investments managed in-house are shown in the extracts from Arlingclose’s quarterly investment benchmarking in table 5 below.

Table 5: Investment Benchmarking

	Value weighted Average		Bail-in Exposure	WAM* (days)	Rate of Return
	Credit Score	Credit Rating			
31.03.2017	3.4	AA	23%	3	0.11%
30.06.2017	4.9	A+	100%	1	0.25%
30.09.2017	3.7	AA-	32%	2	0.14%
31.12.2017	5.1	A+	100%	1	0.31%
31.03.2018	3.1	AA	6%	5	0.26%
Similar LAs	4.4	AA-	48%	115	0.47%
All LAs	4.2	AA-	55%	35	1.08%

*Weighted average maturity

Financial Implications

The outturn for debt interest paid in 2017/18 was an under spend of £0.1 million derived from expenditure of £2.9 million on an average debt portfolio of £110.0 million at an average interest rate of 2.7% compared to budgeted expenditure of £3.0 million on an average debt portfolio of £100 million at an average interest rate of 2.94%. Additional budget of £0.6m for schemes which did not go ahead was also underspent.

The outturn for investment income received in 2017/18 was a surplus of £22,600 derived from income of £31,200 at an average rate of 0.24% on an average investment portfolio of £11.5 million against a budgeted £8,600 on an average investment portfolio of £5.7 million at an average interest rate of 0.15%.

Other Non-Treasury Holdings and Activity

Although not classed as treasury management activities, the 2017 CIPFA Code will require the Authority to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational and/or regeneration as well as commercial investments which are made mainly for financial reasons. The Authority took the option not to include this in the 2018/19 Treasury Strategy but will work on this implementation during 2018/19.

The Authority holds £45m of investment properties, mainly agricultural properties but also a solar farm. This increased from £42m at 31st March 2017 mainly due to the commissioning of the solar farm. The agricultural properties have been held for a considerable time.

At the meeting of Council in May 2018, approval was given for the Authority to spend up to £50 million on new investments over a 3 year period, funded by prudential borrowing and largely for financial gain. Investments will be evaluated for having appropriate security, liquidity and yield as well as a wider set of investment and financial criteria. Risks and appropriate mitigations will be appropriately assessed against potential return and wider benefits identified. There will be a requirement that each investment will provide a net surplus over and above interest and MRP costs.

A register of such investments and financial guarantees will be maintained and continued performance monitored and adjustments made accordingly. Oakgrove Solar Farm is the only property the Authority

currently holds which was acquired with income generation in mind. £434,000 of income was generated in 2017/18. When offset by costs and loan interest this gives a return of 8% before the MRP charge is applied and 2.8% after.

This is higher than the return earned on treasury investments but reflects the additional risks to the Authority of holding such investments.

Compliance Report

The Head of Finance is pleased to report that all treasury management activities undertaken during 2017/18 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

The operational boundary was exceeded by £1.8m in 2017/18 due to an increase in gross borrowing in order to hold £10m of investments to meet the requirements of Mifid II. Compliance with the authorised limit for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	2017/18 Maximum £m	31.3.18 Actual £m	2017/18 Operational Boundary £m	2017/18 Authorised Limit £m	Complied
Borrowing	129.0	129.0	127.2	147.4	✓
PFI & finance leases	1.9	1.9	1.2	2.7	✓
Total debt	130.9	130.9	128.4	150.1	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Table 8: Investment Limits

Dealing size per deal	Used in 2017/18	2017/18 Limit	Complied
UK Government	Yes	100%	✓
UK Local Authorities	No	Higher of £2m or 10%	✓
Unsecured Investments with Banks, Building Societies, other organisations and Securities rated A- or above	Yes	£2m	✓
Secured Investments with Banks, Building Societies, other organisations and Securities rated A- or above	No	£4m	✓
Foreign countries	Yes	£4m per country	✓
Registered Providers	No	£2m	✓
Unsecured investments with unrated Building Societies	No	£1m	✓
Money Market Funds	Yes	Lower of £2m or 10%	✓

Total non-specified investments	No	£10m	
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X% is % of total Investments

Treasury Management Indicators

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

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

	31.3.18 Actual	2017/18 Target	Complied
Portfolio average credit [rating] / [score]	A	[A-] / [5.0]	✓

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring cash levels forecast to go below £2 million in the following 5 working days. Where this was the case further borrowing was taken out. Cash did not fall below £1 million during the year.

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

	31.3.18 Actual £m	2017/18 Limit £m	Complied
Upper limit on fixed interest rate exposure	61.9	100.0	✓
Upper limit on variable interest rate exposure	50.0	58.0	✓

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

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

	31.3.18 Actual % - £m	Lower Limit %	Upper Limit %	Complied
Under 12 months - LOBO's	23.6% - 13.6	0	50	✓
Under 12 months - Other	1.8% - 1.0	0		✓
12 months and within 24 months	2.9% - 1.7	0	25	✓
24 months and within 5 years	24.8% - 14.3	0	45	✓
5 years and within 10 years	13.6% - 7.8	0	30	✓

10 years and above	33.3% - 19.2	0	100	✓
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Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

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

	2017/18	2018/19	2019/20
Actual principal invested beyond year end	£0m	£0m	£0m
Limit on principal invested beyond year end	£5m	£5m	£5m
Complied	✓	✓	✓

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Prudential Indicator Outturn Report 2017/18

Introduction: The *Local Government Act 2003* requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year. Cipfa published a revised edition of the Prudential Code in December 2017. Amendments required will be incorporated during 2018/19.

This report compares the approved indicators for 2017/18 with the corresponding outturn position. Actual figures have been taken from or prepared on a basis consistent with, the Authority's draft statement of accounts. Compliance with the Operational Boundary and Authorised Limit have already been covered in Appendix 1.

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

Capital Expenditure and Financing	2017/18 Estimate £m	2017/18 Actual £m	Difference £m
Total Expenditure	41.0	48.1	7.1
Capital Receipts	18.1	17.3	(0.8)
Grants & Contributions	11.3	15.1	3.8
Reserves & Revenue	0.0	0.2	0.2
Borrowing	11.6	14.2	2.6
Vehicles - Borrowing	0.0	1.3	1.3
Total Financing	41.0	48.1	7.1

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

Capital Financing Requirement	31.03.17 Actual £m	31.03.18 Estimate £m	31.03.18 Actual £m	Difference to Estimate £m	Movement in 2017/18
Total CFR	134.6	134.3	146.1	11.8	11.5

The CFR rose by £11.5m during the year as capital expenditure financed by debt outweighed resources put aside for debt repayment. The estimated increase was £7.9m, slightly lower. The Actual CFR at 31 March 2018 was £11.8m higher than estimated in the 2017/18 Treasury Strategy largely due to the higher CFR at 1st April 2017 noted in last year's outturn report which was due principally to a £7.3m set aside of capital receipts budgeted but not carried out in 2016/17. In addition, £3.9m of budgeted borrowing was added to the capital program during the 2017/18 for 21 Century schools, City deal and Street lighting.

Actual Debt: The Authority's actual gross debt at 31st March 2018 was as follows:

Debt	31.03.18 Estimate £m	31.03.18 Actual £m	Difference £m
Borrowing	111.8	129.0	17.2
Finance leases/PFI	1.2	1.9	0.7
Total Debt	113.0	130.9	17.9

The larger borrowing increase than previously estimated, is partly due to an increased use of reserves and partly due to keeping higher investment balances to satisfy the requirements of Mifid II.

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

Debt and CFR	31.03.18 Estimate £m	31.03.18 Actual £m	Difference £m
Capital financing requirement	134.3	146.1	11.8
Total debt	113.0	130.9	17.9
Headroom	21.3	15.2	(6.1)

Total debt remained below the CFR during the forecast period.

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

Ratio of Financing Costs to Net Revenue Stream	31.03.18 Estimate %	31.03.18 Actual %	Difference %
General Fund	4.7	4.7	(0.0)

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AGENDA ITEM TBC

SUBJECT: STATEMENT OF ACCOUNTS 2017/18
MEETING: Audit Committee
DATE: 5th July 2018
DIVISIONS/WARD AFFECTED: All Authority

1. PURPOSE:

1.1 The purpose of this report is to:

- Consider the annual accounts for the Authority for 2017/18

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

2. RECOMMENDATIONS:

2.1 That the draft Monmouthshire County Council Statement of Accounts for 2017/18, as presented for audit, be reviewed. (Appendix 1).

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

- Draft Monmouthshire County Council Welsh Church Act Fund (Appendix 2)
- Draft Monmouthshire Farm School Endowment Trust Fund (Appendix 3)
- Draft Llanelly Hill Social Welfare Centre Accounts (Appendix 4)

3. KEY ISSUES

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

3.2 These accounts are therefore presented for information at this stage. However once the External Audit process is complete, the Audited Statement of Accounts will be approved by Council in September 2018.

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

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

- 3.4 In complying with these Standards, the accounts are highly technical and do not always make easy reading. With this in mind a supporting summary position has been prepared to assist understanding (Appendix 5).
- 3.5 The formal Statement of Accounts includes the following prescribed reporting focus,
- Income & Expenditure Statement
 - Balance Sheet
 - Cashflow Statement
 - Movement in Reserves Statement
- 3.6 The Income and Expenditure Statement largely reflects the revenue budget outturn report, however there are some additional aspects that appear in the formal Accounting Statements e.g. depreciation, amortisation and impairment.
- 3.7 2017/18 saw significant cost pressures within the service budgets, which are expected to continue into 2018/19. Members and Officers will therefore need to ensure that the budget is carefully managed in order to ensure that the current stable corporate financial position is maintained.
- 3.8 The Authority also acts as sole or custodian trustee for a number of charitable trust funds. These trust funds require independent audit scrutiny and examination. The accounts have to be prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on the 16th July 2014 and the Charities Act 2011 and the UK Generally Accepted Practice as it applies from the 1st January 2015.
- 3.9 The Monmouthshire County Council Welsh Church Act Fund accounts and the Llanelly Hill Social Welfare Centre Accounts will be approved by Council at its meeting in September 2018. Whilst the Monmouthshire Farm School Endowment Trust Fund is commonly considered by the Monmouthshire Farm School Endowment Trust Fund Committee during July.

4. REASONS

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

5. RESOURCE IMPLICATIONS

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

6. CONSULTEES

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

7. BACKGROUND PAPERS

Statutory and legislative guidance.

Appendices:

1. Draft Statement of Accounts (prior to audit) 2017/18
2. Draft Monmouthshire County Council Welsh Church Fund Accounts 2017/18

3. Draft Monmouthshire Farm School Endowment Trust Fund 2017/18
4. Draft Llanelly Hill Social Welfare Centre Accounts 2017/18
5. Summary of Activity

6. AUTHORS:

Mark Howcroft Assistant Head of Finance

7. CONTACT DETAILS

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MONMOUTHSHIRE COUNTY COUNCIL

ANNUAL ACCOUNTS

2017/18



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1 NARRATIVE REPORT

1.1 Introduction

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

Key facts about Monmouthshire



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

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

Political and management structure

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

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

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

Social Care & Health

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

Children & Young People

Schools and Early Years provision, Standards and Resources.

Chief Executive's Unit

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

Resources

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

Enterprise

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

Corporate

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

1.2 The Council's corporate aims and objectives

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

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

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

Helping build sustainable & resilient communities in Monmouthshire

Our five organisational goals - progress so far



BEST POSSIBLE START IN LIFE



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



New secondary school builds in Caldicot and Monmouth

THRIVING & CONNECTED COUNTY



Continuing to support the rollout of high speed broadband



90%
of planning applications determined in time - which is good performance in Wales

NATURAL & BUILT ENVIRONMENT

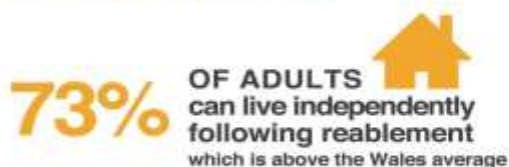


99% OF STREETS at a high or acceptable standard of cleanliness

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



LIFELONG WELL-BEING



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



49%
of pupils hooked on sports for life

FORWARD-LOOKING, FUTURE-FOCUSSED COUNCIL



Total budget of
£146 MILLION

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



1.3 Financial Performance for the Year

Revenue Budget for 2017/18

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

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

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

In providing its day to day services the Council incurred employee costs of £120m, running costs of £139m and capital costs of £30m. To fund these costs the Council received £58m from fees, charges and other income, £97m from Council Tax & Business rates and £108m in external grants.

The net cost of services in the table above of £146.2m is reported on a management accounting basis, i.e. the same basis as the budget reports used for internal reporting during the year. The figure for the net cost of services in the Comprehensive Income and Expenditure (CIES) of £168.7m is different because it is prepared on a financial accounting basis, which is specified by accounting guidelines.

Note 11.1 to the accounts shows how the figures reconcile.

Level of general and specific reserves/balances

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

Reserves & balances	2015/16 £000	2016/17 £000	2017/18 £000
Council Fund Balance	7,111	7,111	7,111
School Balances	1,156	269	175
Earmarked Reserves	8,498	6,870	6,390
Service Reserves	244	278	147
Trading Accounts	527	655	837
Total Usable Reserves & balances	17,535	15,184	14,660

Capital expenditure & financing

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

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

Significant capital receipts

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

Revaluation and disposals of non-current assets

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

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

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

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

Borrowing arrangements and sources of funds

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

31st March 2017 £000		31st March 2018 £000
51,756	Public Works Loan Board	52,415
13,600	Market Loans & Bank loans	13,816
5,593	Other sources	15,639
19,000	Temporary borrowing (for cash flow purposes)	48,000
89,949	Total borrowing	129,870

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

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

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

Collection of Council Tax and Non-Domestic Rates

The Council Tax bill for Monmouthshire County Council in 2017/18 including amounts raised for Police and Community Councils was £1,466.49 (£1,405.95 in 2016/17) for properties in valuation Band D. We collected 98.2% in year of the total due (98.1% 2016/17). Our collection rate for Non-Domestic Rates increased to 97.7% in 2017/18 (97% in 2016/17). During the year £149,000 Council Tax and £378,000 Non-Domestic Rates' debts were written off (£183,000 and £287,000 in 2016/17).

Pension Liabilities

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

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

1.4 The Financial Outlook

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

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

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

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

Cardiff Capital Region City Deal (CCRD)

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

The CCRD Investment Fund comprises two distinct elements:-

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

1.5 The Accounting Statements

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

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

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

Cash Flow Statement

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

Notes to the Accounts

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

J Robson
Head of Finance (S151 Officer)

Date

2 STATEMENT OF RESPONSIBILITIES

2.1 The Authority's Responsibilities

The Authority is required to:-

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

2.2 The Head of Finance's Responsibilities

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

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

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

The Head of Finance has also:

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

CERTIFICATION OF ACCOUNTS

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

Joy Robson
Head of Finance (S151 Officer)

Date

I confirm that these accounts were approved by the Leader of the Council on 13th September 2018 on behalf of Monmouthshire County Council.

Cllr Peter Fox
Leader of the Council

Date

Movement In Reserves Statement for the Year Ended 31st March 2018							
	Note	Council Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1st April 2016		8,267	9,268	5,423	22,958	11,930	34,888
Movement in reserves during 2016/17							
Total Comprehensive Income and Expenditure		(2,424)	-	-	(2,424)	(14,788)	(17,213)
Adjustments between accounting basis & funding basis under regulations	10.2	73		13,729	13,802	(13,802)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(2,351)	-	13,729	11,377	(28,590)	(17,213)
Transfers to/(from) Earmarked Reserves	10.4	1,464	(1,464)		-		-
Increase/(Decrease) in 2016/17		(886)	(1,464)	13,729	11,377	(28,590)	(17,213)
Balance at 31st March 2017 carried forward		7,381	7,804	19,152	34,336	(16,660)	17,676
Movement in reserves during 2017/18							
Total Comprehensive Income and Expenditure		(24,096)	-	-	(24,096)	22,004	(2,091)
Adjustments between accounting basis & funding basis under regulations	10.2	23,572	-	(15,598)	7,974	(7,974)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(524)	-	(15,598)	(16,122)	14,030	(2,091)
Transfers to/(from) Earmarked Reserves	10.4	430	(430)	-	-	-	-
Increase/(Decrease) in 2017/18		(95)	(430)	(15,598)	(16,122)	14,030	(2,091)
Balance at 31st March 2018 carried forward		7,286	7,374	3,554	18,214	(2,630)	15,585

Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2018							
2016/17 (Restated)					2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
70,111	(11,894)	58,217	Children & Young People		77,984	(11,746)	66,238
58,054	(14,014)	44,040	Social Care & Health		64,096	(16,188)	47,908
10,960	(4,777)	6,184	Enterprise		24,290	(9,768)	14,523
54,218	(27,541)	26,677	Chief Executives Unit		42,786	(21,599)	21,188
32,083	(20,083)	12,000	Resources		40,964	(24,354)	16,610
2,579	(262)	2,317	Corporate		2,566	(355)	2,211
228,006	(78,571)	149,434	Cost of Services	11.1	252,686	(84,009)	168,677
			Other operating expenditure:				
			<i>Precepts & Levies:</i>				
9,925	0	9,925	Gwent Police Authority		10,421	0	10,421
4,209	0	4,209	South Wales Fire & Rescue Authority		4,301	0	4,301
2,150	0	2,150	Community and Town Councils		2,480	0	2,480
106	0	106	National Parks		106	0	106
98	0	98	Internal Drainage Boards		94	0	94
17,420	(20,511)	(3,091)	Gains/losses on the disposal of non-current assets		1,322	(722)	600
		13,397	Total Other operating expenditure				18,000
15,956	(7,308)	8,648	Financing and investment income and expenditure	11.3	17,444	(7,858)	9,586
			Taxation & non-specific grant income:				
0	(64,076)	(64,076)	Council Tax	11.5	0	(67,051)	(67,051)
0	(27,981)	(27,981)	Non-domestic rates redistribution	11.6	0	(30,419)	(30,419)
0	(76,998)	(76,998)	General government grants	11.7	0	(74,698)	(74,698)
		2,424	(Surplus) or Deficit on Provision of Services				24,096
			Other Comprehensive Income and Expenditure:				
		(7,200)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(7,773)
		21,988	(Gains)/losses on remeasurement of pension assets / liabilities	14.3			(14,231)
		14,788	Total Other Comprehensive Income and Expenditure				(22,004)
		17,213	Total Comprehensive Income and Expenditure				2,092

Balance Sheet as at 31st March 2018			
31st March 2017 £000s		Note	31st March 2018 £000s
173,547	Other land and buildings	12.1	204,598
4,786	Vehicles, plant, furniture and equipment	12.1	5,245
61,417	Infrastructure	12.1	62,662
4,021	Community assets	12.1	4,235
40,724	Assets under construction	12.1	33,113
360	Surplus assets not held for sale	12.1	910
4,882	Heritage Assets	12.7	4,643
41,932	Investment Property	12.5	45,153
647	Intangible Assets		489
40	Long-Term Investments	13.1	40
4,240	Long Term Debtors	13.5	3,144
336,596	Long term assets		364,231
0	Short Term Investments	13.1	10,038
349	Inventories		242
19,937	Short Term Debtors	13.5	21,855
6,498	Cash and Cash Equivalents	15.3	7,354
2,933	Assets Held for Sale	12.6	1,450
29,717	Current Assets		40,938
(30)	Cash and Cash Equivalents	15.3	(774)
(20,267)	Short Term Borrowing	13.1	(53,960)
(28,437)	Short Term Creditors	13.6	(31,980)
(3,598)	Provisions	13.7	(3,986)
(52,332)	Current Liabilities		(90,699)
(217,236)	Liability related to defined benefit pension scheme	14.4	(217,645)
(353)	Provisions	13.7	(385)
(69,682)	Long Term Borrowing	13.1	(75,911)
(1,755)	Other Long Term Liabilities	13.1	(1,745)
(5,286)	Capital Grants Receipts in Advance	11.7(b)	(1,310)
(1,992)	Revenue Grants Receipts in Advance		(1,890)
(296,304)	Long Term Liabilities		(298,886)
17,676	Net Assets		15,585
7,381	Council Fund Balance	10.3	7,286
7,804	Earmarked Reserves	10.4	7,374
19,152	Capital Receipts Reserve	10.6	3,555
34,337	Usable Reserves		18,215
48,771	Revaluation Reserve	10.7	53,185
(217,236)	Pensions Reserve	10.9	(217,645)
151,889	Capital Adjustment Account	10.8	163,175
4,000	Deferred Capital Receipts Reserve	10.11	3,000
(839)	Financial Instrument Adjustment Account		(744)
(3,245)	Accumulating Absence Adjustment Account	10.10	(3,601)
(16,660)	Unusable Reserves		(2,630)
17,676	Total Reserves		15,585

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Cash Flow Statement for the Year Ended 31st March 2018

31st March 2017			31st March 2018
£000		Note	£000
2,424	Net (surplus) or deficit on the provision of services	15.1	24,096
(29,565)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	15.1	(39,249)
29,327	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15.1	6,251
2,186	Net cash flows from Operating Activities	15.1	(8,902)
34,512	Purchase of property, plant and equipment, investment property and intangible assets		45,801
14,000	Purchase of short-term and long-term investments		70,070
781	Other payments for investing activities		1,703
(16,677)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(1,727)
(17,999)	Proceeds from short-term and long-term investments		(61,090)
(21,653)	Other receipts from investing activities		(6,352)
(7,036)	Net Cash (Inflow)/Outflow from Investing Activities		48,405
	Financing Activities		
37,938	Repayments of short and long-term borrowing		74,543
30	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		31
(32,455)	Cash receipts of short and long-term borrowing		(114,190)
(536)	Other receipts from financing activities		0
4,977	Net Cash (Inflow)/Outflow from Financing Activities		(39,615)
127	Net (increase) / decrease in cash and cash equivalents		(112)
6,596	Cash and cash equivalents at the beginning of the reporting period		6,468
6,469	Cash and cash equivalents at the end of the reporting period	15.3	6,580

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

10 MOVEMENT IN RESERVES STATEMENT NOTES

10.1 Movement in Reserves

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

	Note	Balance at 1st April 2016 £000	Movement in Reserve £000	Balance at 31st March 2017 £000	Movement in Reserve £000	Balance at 31st March 2018 £000
Usable Reserves:						
Council Fund balance: Authority	10.3	7,111	0	7,111	0	7,111
Council Fund balance: LMS School Balances	10.5	1,156	(887)	269	(94)	175
Earmarked reserves	10.4	9,268	(1,464)	7,804	(430)	7,374
Capital Receipts Reserve	10.6	5,423	13,729	19,152	(15,597)	3,555
Total Usable Reserves		22,958	11,377	34,337	(16,121)	18,215
Unusable Reserves:						
Revaluation Reserve	10.7	47,671	1,100	48,771	4,414	53,185
Capital Adjustment Account	10.8	155,410	(3,521)	151,889	11,285	163,175
Financial Instruments Adjustment Account		(934)	95	(839)	95	(744)
Pension Reserve	10.9	(188,225)	(29,011)	(217,236)	(409)	(217,645)
Deferred Capital Receipts Reserve		0	4,000	4,000	(1,000)	3,000
Accumulated Absences Adjustment Account	10.10	(1,992)	(1,253)	(3,245)	(356)	(3,602)
Total Unusable Reserves		11,930	(28,590)	(16,660)	14,029	(2,631)
Total Authority Reserves		34,888	(17,212)	17,676	(2,091)	15,584

10.2 Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

Movements in 2017/18:	Council Fund Balance £000	Usable Reserves £000	Unusable Reserves £000
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	13,691	-	(13,691)
Charges for impairment of Heritage Assets	25	-	(25)
Revaluation movements on Heritage Assets	251	-	(251)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	8,071	-	(8,071)
Revaluation movements on Assets Held for Sale (charged to SDPS)	50	-	(50)
Movements in the market value of Investment Properties	1,982	-	(1,982)
Amortisation and impairment of intangible assets	160	-	(160)
Capital grants and contributions applied	(13,318)	-	13,318
Revenue expenditure funded from capital under statute	1,703	-	(1,703)

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Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	941	-	(941)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment (MRP)	(3,895)	-	3,895
Capital expenditure charged against the Council Fund	(264)	-	264
Adjustments involving the Capital Receipts Reserve:			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(727)	1,727	(1,000)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(17,324)	17,324
Adjustments involving the Financial Instruments Adjustment Account:			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(95)	-	95
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the CIES	25,568	-	(25,568)
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,928)	-	10,928
Adjustment involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	356	-	(356)
Adjustment between the Capital Adjustment Account and the Revaluation Reserve:			
Depreciation of non-current asset revaluation gains	-	-	-
Total adjustments between accounting basis & funding basis under regulations	23,572	(15,598)	(7,974)

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

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

10.3 Usable Reserves available for Revenue Purposes

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

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

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

10.4 Transfers to/from Earmarked Reserves

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

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

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

	At 1st April 2016 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2017 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2018 £000

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

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

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

Capital Investment Reserve - To finance future capital expenditure.

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

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

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

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

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

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

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

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

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

10.5 School Balances

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

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

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

10.6 Capital Receipts Reserve

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

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

10.7 Revaluation Reserve

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

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

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

2016/17 £000		2017/18 £000
47,671	Balance at 1 April	48,771
7,955	Upward revaluation of assets	8,762

(755)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(989)
(2,731)	Difference between fair value depreciation and historical cost depreciation	(3,300)
(3,368)	Accumulated gains on assets sold or scrapped	(58)
48,771	Balance at 31 March	53,185

10.8 Capital Adjustment Account

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

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

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

2016/17 £000		2017/18 £000
155,410	Balance at 1 April	151,889
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(11,940)	Charges for depreciation and impairment of property, plant and equipment assets	(13,691)
-	Revaluation movements on heritage assets	(251)
(8)	Charges for impairment of heritage assets	(25)
(28)	Revaluation movements on Property, Plant and Equipment	(8,071)
0	Revaluation movements on Assets Held for Sale	(50)
(181)	Amortisation & impairment of intangible assets	(160)
(781)	Revenue expenditure funded from capital under statute	(1,703)
(13,999)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(883)
2,731	Adjusting amounts written out of the Revaluation Reserve	3,300
	Capital financing applied in the year:	
2,949	Use of the Capital Receipts Reserve to finance new capital expenditure	17,324
13,431	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,318
3,278	Statutory provision for the financing of capital investment charged against the Council Fund	3,895
894	Capital expenditure charged against the Council Fund	264
133	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,982)
151,889	Balance at 31 March	163,175

10.9 Pensions Reserve

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

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

10.10 Accumulated Absences Account

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

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

10.11 Deferred Capital Receipts

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

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

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

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

2016/17 (Restated)				2017/18		
Net Expenditure Chargeable to the general fund £000	Adjustments between the Funding & Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to the general fund £000	Adjustments between the Funding & Accounting Basis £000	Net Expenditure in the CIES £000
49,798	8,419	58,217	Children & Young People	49,853	16,385	66,238
42,752	1,288	44,040	Social Care & Health	43,862	4,046	47,908
5,376	807	6,183	Enterprise	10,150	4,372	14,522
21,328	5,349	26,677	Chief Executives Unit	15,462	5,726	21,188
5,268	6,732	12,000	Resources	7,188	9,423	16,610
19,537	(17,220)	2,317	Corporate	19,717	(17,507)	2,211
144,059	5,375	149,434	Cost of Services	146,232	22,445	168,677
(144,059)	(2,951)	(147,010)	Other Income & Expenditure	(146,232)	1,652	(144,581)
0	2,424	2,424	Surplus or Deficit	(0)	24,096	24,096
(7,111)			Opening General Fund Balance	(7,111)		
0			Surplus or Deficit on General Fund	(0)		
(7,111)			Closing General Fund Balance	(7,111)		

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

2016/17 (Restated)					2017/18			
Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000		Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000
6,938	(83)	1,564	8,419	Children & Young People	14,193	1,776	416	16,385
641	482	165	1,288	Social Care & Health	1,298	2,816	(68)	4,046
320	221	266	807	Enterprise	2,626	1,804	(58)	4,372
4,720	436	193	5,349	Chief Executives Unit	3,806	1,764	156	5,726
311	109	6,312	6,732	Resources	1,975	828	6,620	9,423
0	(733)	(16,488)	(17,220)	Corporate	0	(105)	(17,401)	(17,507)
12,931	432	(7,988)	5,375	Cost of Services	23,898	8,883	(10,335)	22,445
(3,148)	0	16,470	13,322	Other operating expenditure	581	0	17,349	17,930
(3,483)	6,591	(97)	3,011	Financing and investment income and expenditure	(4,082)	5,759	1,287	2,964

(13,431)	0	(5,852)	(19,283)	Taxation and non-specific grant income and expenditure	(13,318)	0	(5,924)	(19,242)
(20,062)	6,591	10,521	(2,951)	Other Income & Expenditure	(16,819)	5,759	12,712	1,652
(7,131)	7,023	2,533	2,424	Adjustments between the Funding & Accounting Basis	7,079	14,642	2,377	24,096

11.2 Expenditure & Income analysed by nature

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

2016/17 £000 (Restated)		2017/18 £000
111,102	Employee benefits expenses	119,533
115,979	Other services expenses	117,894
14,170	Depreciation, amortisation and impairment	30,121
16,488	Precepts & levies	17,401
2,932	Interest payments	2,968
17,199	Gain/loss on disposal of non-current assets	936
277,870	Total Expenditure	288,853
(48,506)	Fees, charges & other service income	(58,489)
(111)	Interest and investment income	(179)
(91,884)	Income from council tax & NNDR	(97,401)
(114,434)	External grants and contributions	(107,965)
(20,510)	Gain/loss on disposal of non-current assets	(722)
(275,445)	Total Income	(264,757)
2,424	Surplus or Deficit on the Provision of Services	24,096

11.3 Financing and Investment Income and Expenditure

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

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

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

11.4 Significant Trading Operations

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

Grounds Maintenance

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

2016/17				2017/18		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
(2,480)	(1,225)	(3,705)	Turnover	(1,820)	(1,186)	(3,006)
2,481	1,167	3,648	Expenditure	1,822	1,155	2,977
1	(58)	(57)	(Surplus)/Deficit	2	(31)	(29)

Building Control

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

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

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

Retail Markets

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

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

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

Industrial Units

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

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

Trade Refuse

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

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

Summary

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

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

11.5 Council Tax

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

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

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

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	1.0	11/9	13/9	15/9	18/9	21/9

Chargeable Dwellings	516	3293	6901	8650	7086	7444	5249	1744	672
Valuation (£000)	up to 44	44-65	65-91	91-123	123-162	162-223	223-324	324-424	424+

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

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

11.6 National Non-Domestic Rates (NNDR)

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

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

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

11.7 General Government Grants

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

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

11.8 Grant Income

Capital Grants and Contributions

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

2016/17 £000		2017/18 £000
1,461	WAG General Capital Grant	1,462
713	Section 106 Developer Contributions	723
11,869	WAG Grants	12,913
8	Other Contributions	0
14,051	Total	15,099

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

Capital Grants and Contributions Received in Advance

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

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

Revenue Grants and Contributions

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

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

12 NON-CURRENT ASSET & CAPITAL FINANCING NOTES

12.1 In-Year Movements in Property, Plant and Equipment

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

Movements in 2017/18:	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
Cost or Valuation:								
At 1st April 2017	180,177	14,028	85,891	4,021	360	40,724	325,201	1,310
Additions	14,690	1,685	5,004	58	-	22,326	43,763	-
Revaluation movements taken to RRA	7,698	(0)	-	(8)	(372)	-	7,318	101
Revaluation movements taken to SDPS	(9,443)	-	-	-	(277)	0	(9,721)	-
Impairment movements taken to SDPS	(546)	-	(2,230)	-	0	-	(2,776)	-
Reclassified (to)/from Held for Sale	18	(1,107)	-	0	1,200	-	112	-
Other reclassifications	24,694	-	35	164	0	(29,937)	(5,045)	-
At 31st March 2018	217,287	14,606	88,700	4,235	911	33,113	358,852	1,411
Accumulated Depreciation:								
At 1st April 2017	(6,629)	(9,242)	(24,474)	-	-	-	(40,345)	(139)
Depreciation charge	(8,164)	(1,188)	(1,564)	-	-	-	(10,915)	(54)
Depreciation written out on revaluation to RRA	446	-	-	8	0	-	455	157
Depreciation written out on revaluation to SDPS	1,650	-	-	-	0	-	1,650	-
Depreciation written out on impairment to SDPS	0	-	-	-	-	-	0	-
Reclassified to/(from) Held for Sale	-	1,068	-	-	-	-	1,068	-
Other reclassifications	8	-	-	(8)	0	-	0	-
At 31st March 2018	(12,689)	(9,361)	(26,037)	0	0	0	(48,087)	(36)
Net Book Value:								
At 31st March 2018	204,599	5,245	62,662	4,235	910	33,113	310,765	1,375
At 1st April 2017	173,548	4,786	61,417	4,021	360	40,724	284,855	1,171

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

Revaluation movements taken to RRA	84	43	-	(8)	385	-	505	-
Revaluation movements taken to SDPS	(3,341)	-	-	-	78	(0)	(3,263)	-
Impairment movements taken to SDPS	(4,282)	-	(2,181)	-	56	-	(6,406)	-
Reclassified (to)/from Held for Sale	1,173	(96)	-	(1)	(750)	-	325	-
Other reclassifications	(831)	-	-	-	590	123	(118)	-
At 31st March 2017	180,177	14,028	85,891	4,021	360	40,724	325,200	1,310
Accumulated Depreciation:								
At 1st April 2016	(13,500)	(8,356)	(22,969)	-	-	-	(44,824)	(94)
Depreciation charge	(9,409)	(949)	(1,505)	-	-	-	(11,863)	(45)
Depreciation written out on revaluation to RRA	6,590	-	-	-	105	-	6,695	-
Depreciation written out on revaluation to SDPS	3,229	-	-	-	7	-	3,235	-
Depreciation written out on impairment to SDPS	6,329	-	-	-	-	-	6,329	-
Reclassified to/(from) Held for Sale	-	63	-	-	-	-	63	-
Other reclassifications	131	-	-	-	(111)	-	20	-
At 31st March 2017	(6,629)	(9,242)	(24,474)	-	-	-	(40,345)	(139)
Net Book Value:								
At 31st March 2017	173,548	4,786	61,417	4,021	360	40,724	284,855	1,171
At 1st April 2016	171,547	3,608	60,649	3,944	0	10,079	249,827	1,216

12.2 Revaluations of Property, Plant & Equipment

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

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

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

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

31st March 2017	84,523	-	-	-	-	-	84,523
31st March 2016	48,460	-	-	-	-	-	48,460
31st March 2015	14,690	-	-	-	-	-	14,690
31st March 2014	0	-	-	-	-	-	0
Total Cost or Valuation	204,598	5,245	62,662	4,234	910	33,113	310,765

12.3 Schools Non-Current Assets

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

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

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

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

12.4 Private Finance Initiatives

Monmouth Health & Social Care Facility (Monnow Vale)

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

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

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

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

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

12.5 Investment Properties

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

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

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

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

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

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

Fair Value Hierarchy

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

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

There have been no transfers between levels during the year.

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

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

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

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

Level 3 Investment Properties

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

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

Fair Value Measurement

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

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

12.6 Assets Held for Sale

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

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

12.7 Heritage Assets

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

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

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

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

Property Heritage Assets

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

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

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

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

Museum Exhibits

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

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

Civic Regalia, Artwork & Collections

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

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

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

12.8 Capital Expenditure and Capital Financing

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

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

12.9 Summary of Capital Expenditure treatment

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

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

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

12.10 Capital Commitments

At 31st March 2018, the Authority has entered into major contracts (i.e. those individually above £200,000) for the construction of Property, Plant and Equipment in 2018/19 and later years budgeted to cost £21,372,000 (£14,168,000 at 31st March 2017).

12.11 Financing Capital Expenditure

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

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

12.12 Minimum Revenue Provision

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

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

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

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

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

12.13 Leases - Authority as Lessor

Operating Leases

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

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

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

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

Finance Leases

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

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

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

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

12.14 Leases - Authority as Lessee

Operating Leases

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

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

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

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

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

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

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

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

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

Long-Term 31st March 2017 £000	Short-Term 31st March 2017 £000		Note	Long-Term 31st March 2018 £000	Short-Term 31st March 2018 £000
		Investments			
0	0	Loans & receivables	13.4	0	10,038
40	0	Unquoted equity investments	13.4	40	0
0	6,498	Cash & cash equivalents	15.3	0	7,354
40	6,498	Total Investments		40	17,391
		Debtors			
4,240	24,177	Receivables	13.5	4,240	24,998
4,240	24,177	Total Debtors		4,240	24,998
		Borrowings			
(69,682)	(20,267)	Financial liabilities at amortised cost	13.4	(75,911)	(53,960)
0	(30)	Cash & cash equivalents	15.3	0	(774)
(69,682)	(20,297)	Total Borrowings		(75,911)	(54,733)
		Other Long Term Liabilities			
(803)	0	PFI and finance lease liabilities		(771)	0
(952)	0	Other Long Term Liabilities		(974)	0
(1,755)	0	Total Other Long Term Liabilities		(1,744)	0
		Creditors			
0	(28,437)	Payables	13.6	0	(31,980)
0	(28,437)	Total Creditors		0	(31,980)

13.2 Income, Expense, Gains and Losses

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

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

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

13.3 Fair Values of Financial Instruments

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

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

The fair values calculated are as follows:

Borrowings

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

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

Loans and Receivables

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

13.4 Nature and Extent of Risks arising from Financial Instruments

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

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

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

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

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

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

a) Credit Risk

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

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

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

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

b) Liquidity Risk

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

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

31st March 2017 £000		31st March 2018 £000
52,223	Public Works Loan Board	52,415
13,818	Market Loans & Bank loans	14,816
4,973	Welsh Government	5,210
18,935	Local Government bodies	47,891
0	Special Purpose Vehicle	4,538
0	Universities	5,000
89,949	Total	129,870
	The Loans Mature as follows:-	
20,267	Less than one year	53,960
1,537	Between one and two years	8,270
24,027	Between two and five years	24,563
9,860	Between five and ten years	10,273
34,257	More than ten years	32,805
89,949	Total	129,870

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

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

c) Market Risk

i) Interest rate risk

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

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

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

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

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

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

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

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

ii) Price risk

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

iii) Foreign exchange risk

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

13.5 Debtors

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

31st March 2017					31st March 2018			
Long Term £000	Short Term £000	Impairment £000	Net £000		Long Term £000	Short Term £000	Impairment £000	Net £000
				Central Government Bodies:				
0	4,958	0	4,958	Welsh Government	0	5,835	0	5,835
0	2,376	0	2,376	HM Customs & Excise	0	2,013	0	2,013
0	1,265	0	1,265	NNDR Debtor	0	934	0	934

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0	0	0	0	Council Tax and Housing Benefit Subsidy	0	56	0	56
0	8	0	8	Other	0	54	0	54
Other entities and individuals:								
0	4,128	46	4,174	Other Local Authorities	0	4,746	(115)	4,631
4,000	0	0	4,000	Deferred Capital receipts	2,928	0	0	2,928
0	2,500	(62)	2,438	Revenue debtors	0	2,461	(59)	2,402
0	2,481	(1,798)	683	Council tax arrears	0	2,434	(1,729)	705
0	1,464	(260)	1,204	Corporate sundry debtors	0	1,394	(205)	1,189
0	1,333	(582)	751	Housing benefit overpayments	0	1,394	(566)	828
0	1,313	(13)	1,300	NHS Bodies	0	998	(12)	986
0	626	(110)	517	Social Services debtors	0	647	(120)	527
0	215	(168)	47	Rent arrears	0	222	(197)	25
0	216	0	216	Capital debtors	0	1,669	0	1,669
214	0	0	214	Housing Advances	211	0	0	211
26	0	0	26	Other	5	0	0	5
4,240	22,883	(2,946)	24,177	Total Debtors	3,144	24,857	(3,003)	24,998

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

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

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

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
Other Local Authorities	0	(1)	(97)	(17)	0	(115)
NHS Bodies	0	(11)	0	(1)	0	(12)

Revenue debtors	0	0	(23)	(14)	(22)	(59)
Council Tax Arrears	0	0	0	(837)	(892)	(1,729)
Social Services sundry debtors	(3)	(7)	(24)	(35)	(51)	(120)
Corporate sundry debtors	0	(6)	(51)	(33)	(115)	(205)
Rent arrears	0	(2)	(9)	(31)	(155)	(197)
Housing benefit overpayments	0	0	(96)	(56)	(414)	(566)
Total	(3)	(27)	(300)	(1,024)	(1,649)	(3,003)

13.6 Creditors

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

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

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

13.7 Provisions and Contingent Liabilities

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

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

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

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

a) Insurance Claims

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

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

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

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

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

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

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

b) Municipal Mutual Insurance (MMI)

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

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

c) Accumulating Compensated Absences

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

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

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

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

d) Asbestos Indemnity

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

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

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

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

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

13.8 Agency Transactions

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

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

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

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

Loans are interest free

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

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

The maximum loan amount per applicant is £150,000

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

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

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

14 POST-EMPLOYMENT BENEFIT NOTES

14.1 Participation in Pension Schemes

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

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

Teachers

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

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

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

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

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

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

Greater Gwent Pension Fund

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

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

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

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

14.2 Pension Fund Stakeholders

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

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

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

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

14.3 Entries in the comprehensive income and expenditure statement

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

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

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

14.4 Expected future pension contributions

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

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

14.5 Actuarial Assumptions

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

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

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

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

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

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

14.6 Sensitivity Analysis

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

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

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

14.7 Investments held by the pension fund

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

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

14.8 The movement in the authority's share of the assets and liabilities within the fund				
The Movement in Fund Assets				
Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits		Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits
2016/17 £000	2016/17 £000		2017/18 £000	2017/18 £000
254,271	0	As at 1st April	319,333	0
0	0	Settlement costs	0	0
8,894	0	Interest on plan assets	8,306	0
10,270	481	Employers contributions	10,465	463
2,836	0	Contributions by scheme participants	2,937	0
56,125	0	Gains / (losses) on remeasurement of assets	3,536	0
0	0	Administration expenses of plan assets	0	0
(13,063)	(481)	Benefits paid	(12,667)	(463)
319,333	0	As at 31st March	331,910	0
The Movement in Fund Liability				
(436,585)	(5,911)	As at 1st April	(531,153)	(5,417)
(11,106)	0	Current service cost	(19,610)	0
(77)	0	Past service (cost) / gain (including curtailments)	(199)	0
0	0	Settlement gains	0	0
0	0	Curtailment costs	0	0
(15,286)	(199)	Interest on pension liabilities	(13,930)	(135)
(2,836)	0	Contributions by scheme participants	(2,937)	0
(78,326)	212	Gains / (losses) on remeasurement of liabs	10,676	19
13,063	481	Benefits paid	12,667	463
0	-	Effect of business combinations & disposals	0	-
(531,153)	(5,417)	As at 31st March	(544,486)	(5,070)

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

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

14.9 Summary of the movement in assets and liabilities					
Over the five years ending the 31 March 2017, the fund's actuaries have estimated that the Authority had the following assets and liabilities:					
	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Local Government Pension Scheme					
Present value of scheme liabilities	(349,554)	(422,166)	(436,585)	(531,153)	(544,485)
Fair value of scheme assets	232,758	259,755	254,271	319,333	331,910
Surplus / (deficit) in the scheme	(116,796)	(162,411)	(182,314)	(211,820)	(212,575)
Teachers Unfunded Discretionary Benefits					
Present value of scheme liabilities	(5,082)	(5,003)	(5,911)	(5,417)	(5,070)
Fair value of scheme assets	0	0	0	0	0
Surplus / (deficit) in the scheme	(5,082)	(5,003)	(5,911)	(5,417)	(5,070)
Total					
Present value of scheme liabilities	(354,636)	(427,169)	(442,496)	(536,569)	(549,555)
Fair value of scheme assets	232,758	259,755	254,271	319,333	331,910
Surplus / (deficit) in the scheme	(121,878)	(167,414)	(188,225)	(217,236)	(217,645)
Year on year increase in net liability (or deficit)					(409)

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

15 NOTES TO THE CASH FLOW STATEMENT

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

2016/17 (Restated) £000		2017/18 £000
2,424	Net (surplus) or deficit on the provision of services	24,096
	Non-cash transactions:	
(11,864)	Depreciation of non-current assets	(10,915)
(141)	Impairment and downward valuations	(11,173)
(153)	Amortisation of intangible non-current assets	(160)
234	Increase/decrease in impairment for provision for bad debts	(67)
(64)	Increase/(decrease) in inventories	(108)
9,629	Increase/(decrease) in debtors	797
(1,255)	(Increase)/decrease in creditors	361
(1,695)	(Increase)/decrease in provisions	(420)
(7,023)	Pension liability	(14,640)
(17,367)	Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised	(941)
133	Movement in the value of investment properties	(1,982)
	Items classified in another classification in the cash flow statement	
(781)	Other payments for investing activities	(2,854)
13,431	Other receipts from investing activities	6,352
0	Other payments for financing activities	(31)
16,677	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,784
2,186	Net cash flows from Operating Activities	(8,902)

15.2 Returns on Investments and Servicing of Finance

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

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

15.3 (Increase)/decrease in Cash and Cash Equivalents

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

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

16 OTHER NOTES TO THE ACCOUNTS

16.1 Members Allowances

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

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

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

16.2 Audit Costs

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

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

16.3 S31 and S33 Pooled Budget Arrangements

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

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

a) Mardy Park Rehabilitation Scheme

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

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

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

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

2016/17 £000		2017/18 £000
-----------------	--	-----------------

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

b) Gwent Integrated Community Equipment Store (GWICES)

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

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

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

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

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

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

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

d) Gwent Frailty Programme

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

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

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

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

16.4 Related Party Transactions

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

Central & Welsh Government

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

Members

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

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

Companies and Joint Ventures

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

Senior Officers

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

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

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

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

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

- Chair of the Innovation Advisory Council for Wales

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

- Independent Member of Aneurin Bevan Unitary Health Board

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

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

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

2016/17 Debtors	2016/17 Creditors		2017/18 Debtors	2017/18 Creditors

£000	£000		£000	£000
0	194	Dragon Waste Limited	0	128

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

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

16.5 Trust Funds

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

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

16.6 Related Businesses and Operations

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

Dragon Waste Limited

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

31st March 2016		31st March 2017
£000 Final		£000 Draft
(1,483)	Net Assets/(Liabilities)	(1,203)
(146)	Profit/(Loss) before Taxation	(87)
(121)	Profit/(Loss) after Taxation	(87)
0	Dividends	0

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

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

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

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

SRS Public

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

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

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

SRS Business Solutions Limited

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

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

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

31st March 2017		31st March 2018
£000 (Restated)		£000 Draft
104	Net Assets/(Liabilities)	206
20	Profit/(Loss) before Taxation	20
16	Profit/(Loss) after Taxation	16
0	Dividends	0

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

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

Y Prentis

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

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

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

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

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

Education Achievement Service (EAS)

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

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

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

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

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

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

Gwent Archives

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

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

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

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

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

Gwent Crematorium

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

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

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

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

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

Project Gwyrdd

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

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

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

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

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

City Deal

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

The CCRD Investment Fund comprises two distinct elements:-

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

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

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

16.7 Interests in Joint Operations

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

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

16.8 Senior Officer Remuneration

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

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

Year ended 31st March 2017						
Post Holder	Salary including fees and allowances	Compensation for loss of employment	Expense Allowances	Total Remuneration excluding Pension contributions	Pension Contributions (Based on Common Rate from Actuary)	Total Remuneration including Pension contributions
Chief Executive Officer	111,100	0	0	111,100	23,442	134,542
Chief Officer - Children and Young People (Apr-Jan)	66,819	35,000	0	101,819	14,265	116,084
Interim Chief Officer - Children and Young People (Feb-March), also Head of Strategic Partnerships	72,989	0	0	72,989	15,401	88,390
Chief Officer - Enterprise	85,369	0	0	85,369	18,013	103,382

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Chief Officer - Social Care and Health	81,592	0	0	81,592	17,216	98,808
Chief Officer - Resources (June-March), also Head of Commercial and People Development (Apr-May)	76,399	0	0	76,399	15,154	91,553
Head of Operations	61,745	0	0	61,745	13,028	74,774
Head of Finance and Section 151 Officer	71,393	0	0	71,393	15,064	86,457
Head of Democracy and Regulatory Services (Apr-May), becoming Head of People	67,521	0	0	67,521	14,247	81,768
Monitoring Officer, also Head of Legal Services	70,359	0	0	70,359	14,846	85,205
Total	765,287	35,000	0	800,287	160,676	960,963

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

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

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

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

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

16.9 Officers' Emoluments

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

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

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

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

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

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

16.10 Termination Benefits

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

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

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

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

16.11 Events after the Balance Sheet date

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

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

17 STATEMENT OF ACCOUNTING POLICIES

17.1 General Principles

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

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

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

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

17.2 Accounting Standards issued not yet adopted

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

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

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

17.3 Accruals of Income and Expenditure

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

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

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

17.4 Cash and Cash Equivalents

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

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

17.5 Charges to Revenue for Non-Current Assets

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

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

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

17.6 Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government and the impact of the decision for Britain to leave the European Union remains unclear. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired.
- The Council is deemed to control the services provided under its PFI arrangements and also to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.
- A provision is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is calculated by taking a sample of non-school employee records and extrapolating the data over the total non-school employee base. The sample return for 2017/18 was 24% (16% for 2016/17).

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

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

The items in the Authority's Balance Sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Revaluation of Property, plant & equipment	Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset.	If the actual results differ from the assumptions the value of PPE will be over or understated. This would be adjusted when the assets were next revalued.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. Further information is provided in note 14 concerning the risks and sensitivity of changes in the pension assets and liabilities.

Provisions	The Council has included provisions for known insurance claims as at 31st March 2018. The value of these claims is based on information provided by our Insurance brokers on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. However the outcome of these cases is still uncertain as outstanding legal cases and negotiations remain on going.	The Authority maintains the insurance and risk management reserve to assist in the control of the Authority's insurance risks. The provisions in place and the balance on the insurance and risk management reserve at 31st March 2018 are deemed to provide sufficient cover for the Authority's claims exposure. Notes 13.7(a) & 13.7(b) provide further information on the types of claims the Authority is exposed to.
Arrears	At 31st March 2018, the Authority had a balance of £7.03m (£7.38m as at 31st March 2017) of debtors relating to council tax arrears, business rate arrears, rent arrears, corporate sundry debtors, social services sundry debtors and housing benefit overpayments. A review of these balances suggested that an impairment of doubtful debts of £2.82m (£2.92m as at 31st March 2017) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, there would be a consequential increase in the impairment of doubtful debts.

17.8 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Torfaen County Borough Council

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees when they worked for the Authority and related to final salary and length of service.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

All other staff, subject to certain qualifying criteria, are entitled to become members of the Local Government Pension Scheme which is administered by Torfaen County Borough Council. The pension costs charged to the Authority's accounts in respect of this group of employees is determined by the fund administrators and represents a fixed proportion of employees' contributions to this funded pension scheme.

The Local Government Scheme is accounted for as a defined benefit scheme:

- The Liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates, employee turnover rates, etc., and projections of earning for current employees.
- Liabilities are discounted to their value at current prices, using a single discount rate which is derived from the spot rates on a selection of AA rated corporate bonds of various durations which match the liabilities within the Authority's pension fund. This is known as the yield curve approach.
- The assets of the Greater Gwent (Torfaen) Pension Fund attributable to the Authority are included in the balance sheet at their fair value as determined by the Fund's actuary.
- The change in the net pensions liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Interest on plan assets – this is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.

- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Gains or losses on remeasurement – changes in the net pensions liability (Liabilities less assets) that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

17.9 Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

17.10 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority’s financial performance.

17.11 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

However, one stepped loan held by the Authority is carried at a higher amortised cost than the outstanding principal, and interest is charged at a marginally lower effective rate of interest than the interest payable under the terms of the loan contract.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund Balance to be spread over future years. The Authority has a policy of spreading any loss over the term that was remaining on the loan against which the premium was payable and any gain over lesser of the term remaining on the loan against which the discount was receivable or 10 years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets – Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Authority has made one loan at less than market rates (soft loans) for policy reasons. Due to the immaterial nature of the loan, it is recorded in the balance sheet at the value of the principal outstanding.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Where the impact is deemed to be material, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

17.12 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

17.13 Heritage Assets

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

Heritage assets were previously shown in community assets but are now recorded in a separate category on the balance sheet as a non-current asset class. The Authority does not classify any operational assets as heritage assets.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets and as a result the Authority has chosen not to value heritage assets if the cost is deemed to be excessive.

A further condition for expenditure to be capitalised is that it exceeds the relevant de minimus limit in place. A de-minimus limit has been put in place of £10,000 for heritage assets.

The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value, hence the Authority does not consider it appropriate to charge depreciation for the assets.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. The trustees of the Authority's Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

17.14 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority for more than one financial year.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

17.15 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the latest price paid, with an allowance made for obsolescent and slow moving items. This is a departure from the requirements of the Code which require inventories to be shown at the lower of actual cost and net realisable value. However, the amounts concerned are not considered material.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

17.16 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

17.17 Fair value measurement

The Council measures its assets held for sale, surplus assets, investment properties and available-for-sale financial instrument at fair value at each reporting date. Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement will be at highest and best use from the perspective of a market participant. The fair value of an investment property held under a lease is the lease interest.

It is assumed that any fair value measurement of an asset or liability uses the same assumptions that market participants acting in their economic best interest would use and that the transaction takes place in the principal market or failing that in the most advantageous market for the asset or liability.

Appropriate valuation techniques are used for which sufficient data is available. Inputs to the techniques are categorised within the fair value hierarchy that consists of three levels as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are accessible by the Council at the measurement date
- Level 2 inputs are quoted prices other than quoted prices within Level 1 that are observable either directly or indirectly
- Level 3 inputs are unobservable inputs for an asset or liability.

The use of relevant observable inputs is maximised and the use of unobservable inputs is minimised.

Any transfers between valuation levels will take place at the valuation date at the end of the reporting period.

17.18 Joint Operations

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

17.19 Leases

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

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

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

The Authority as Lessee - Finance Leases

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

Lease payments are apportioned between:

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

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

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

The Authority as Lessee - Operating Leases

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

The Authority as Lessor - Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

The Authority as Lessor - Operating Leases

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

17.20 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2017/18 (SeRCOP).

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

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

17.21 Property, Plant and Equipment

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Components

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

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

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

Disposals and Non-current Assets Held for Sale

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

Assets held for Sale Assets are assets where the:

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

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

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

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

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

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

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

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

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

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

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

17.23 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

17.24 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

17.25 Reserves

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

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

17.26 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

17.27 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

**The Monmouthshire County Council
Welsh Church Act Fund**

**Annual Report and Financial Statements for the
year ended the 31 March 2018**

Registered Charity Number: 507094

**The Monmouthshire County Council Welsh Church Act Fund
Annual Report for year ended 31 March 2018**

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**The Monmouthshire County Council Welsh Church Act Fund
Annual Report for year ended 31 March 2018**

Trustee, Officers and Advisors

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Monmouthshire County Council

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Robert Tranter

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Mrs Joy Robson

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The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2018

Report of the Trustee for the year ended 31 March 2018

The Trustee presents its annual report and the audited financial statements for the year ended 31 March 2018 of The Monmouthshire County Council Welsh Church Act Fund ('the Charity').

The information with respect to the Trustee, officers and advisors set out on page 1 forms part of this report.

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on the 16th July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and the UK Generally Accepted Practice as it applies from the 1st January 2015.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

Structure, Governance and Management

The Charity is governed by the Welsh Church Act 1914 and the Welsh Church Act (Designation and Specification) Order 1996 and is registered with the Charity Commissioners under charity number 507094. A model scheme for the administration of the fund has been prepared and has been submitted to the Welsh Government for approval.

The Trust covers the Council administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and the City of Newport, with Monmouthshire County Council being designated as the host Authority. The Monmouthshire Welsh Church Act Fund was established on 1 April 1996, from the former Gwent Welsh Church Act Fund and part of the former Mid Glamorgan Welsh Church Act Fund.

Monmouthshire County Council as the Corporate Body is the Trustee for the Welsh Church Fund and therefore there are no policies and procedures adopted for the induction and training of trustees. The trustees also have regard to the Charity Commission's guidance on public benefit.

The management of the Fund is undertaken by officers of the Council and a calculated proportion of their time is charged to the Fund.

Objectives

The primary object of the Charity for each year, as stated in its governing document, is to assist public groups and individuals for educational, social, recreational and other charitable benefit purposes. Grants are available from the Fund for capital or revenue purposes. Capital grants may be awarded to assist organisations in the furnishing and upkeep of buildings. Revenue grants are designed to further the aims of societies and to assist individuals in their various pursuits.

Grants allocation policy

An annual budget set by the Trustee for grant payments is split between the administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and Newport on a population basis.

A Committee set up by the Trustee approves grant applications on a basis in line with full Council meetings or as deemed required by the participating authorities. Grants are made in pursuance of the Charity's objectives.

The grant allocation of each financial year is considered in line with the long term financial viability of the trust and to maintain the ability to generate funds in future years for distribution by maintaining sufficient capital assets.

The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2018

Review of activities and future developments

The statement of financial activities for the year is set out on page 7 of the financial statements. A summary of the financial results and the work of the Charity are set out below.

The Fund has increased in value by £16,293 (£254,089 increase in 2016/17); this slight increase in value is due to a balancing of Investment income and distributed charitable grant payments.

Income is principally comprised of investment income of £207,685 (£205,979 in 2016/17), The Trust has utilised the Trustee's own investment managers to manage the fund, thus, controlling management fees and therefore maximising returns whilst at the same time maintaining a balanced capital risk strategy.

Charitable resources expended during the year amounted to £165,399 (£174,127 in 2016/17) and principally comprised grant payments of £159,481 (£169,742 in 2016/17). This decrease in expenditure was primarily due to delays in Caerphilly Borough Council modifying their grant allocation policy to support a greater diversity of applicants and the conditions that are required for grant disbursement.

Net losses on investments held amounted to £21,068 (£232,417 net gain in 2016/17). These non-realised investment losses have been as a result of the Trusts' current investment strategy, diversifying the portfolio across several investment categories in the last couple of financial years and current volatility in the financial markets. The long term projections on these charity based investments as indicated by the Trustees' Treasury consultants continue to outperform the trust's old pooled investment strategy as reflected by the continuing increased investment returns received during the financial year.

Income generation

The Charity's income was £207,685, compared to £208,821 in 2016/17. The diverse market investment strategy that mainly replaced the pooled investment strategy with Monmouthshire County Council has continued to produce consistent returns in the financial markets due to investment in more specific charitable investment funds. This income generation forms the main basis of the following years grant allocations to ensure continuity and non-degradation of the funds capital assets and to perpetuate the charity as a 'going concern'.

Bad debt provision

There are no bad debts arising in the year of account.

Investment powers, policy and performance

Under the terms of the Trust Deed, the Trustee has general powers of investment, subject to the provisions of the Trustee Act 2000. The investment policy of the Trust is to maximise the rate of investment return, whilst employing a risk strategy that minimises any potential reduction in the capital value of the Fund.

The Trustee has reviewed its investment strategy and produced an investment and fund strategy for 2017/18, which was approved by Monmouthshire County Council in its capacity as sole and corporate trustee, on March 1st 2017.

Changes in fixed assets

The fixed asset investments were re-valued in the 2017-18 financial year in line with the Investment Asset policy of revaluation every year.

Reserves

The Trustee's policy is to maintain the level of investments at a level that provides sufficient annual income to fund the Charity's charitable expenditure. The level of funds held at 31st March 2018 is £5,486,971 (5,470,678 in 2016/17). The Trustee has reviewed its Fund strategy and produced an investment and fund strategy for 2017/18 which states that the purpose of reserves is to maintain investments such that they realise sufficient income to provide grants to organisations at a consistent level. Whilst, the strategy is to ensure that there is no long-term detrimental effect on overall reserve balances, recommendations made by the Charity Commission has resulted in grants allocations being made in line with investment returns.

Governance of the Charity

The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2018

Three representative councillors from each of the five administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and Newport are appointed by their respective councils annually to form a committee to oversee fund management. Members are appointed to the committee for the term of the Council.

Risk management

The Trustee has undertaken a review of the major risks to which the Charity is exposed and its risk management and internal control procedures should be updated to ensure that systems are in place to mitigate the risks identified. The risk assessment was considered by Monmouthshire County Council on 1st March 2017 and no risks were identified.

Auditors

The Wales Audit Office was appointed as auditors to the Welsh Church Act Fund in 2007/08.

Statement of Trustee's responsibilities

The Trustee is responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity and its financial activities for that period.

In preparing those financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operational existence.

The Trustee confirms that it has complied with the above requirements in preparing the financial statements.

The Trustee is responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable it to ensure that the financial statements comply with the Charities Act 1993 It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee certifies that:

- as far as it is aware, there is no relevant information of which the Charity's auditors are unaware; and
- as Trustee of the Charity, it has taken all the steps that it ought to have taken in order to make itself aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

By order of the Trustee

Mr Mark Howcroft

Assistant Head of Finance (Deputy S151 Officer). Monmouthshire County Council

Date:

**The Monmouthshire County Council Welsh Church Act Fund
Annual Report for year ended 31 March 2018**

**Report of the Auditor General for Wales to the Trustee of the
Monmouthshire County Council Welsh Church Act Fund**

I have audited the financial statements of Monmouthshire County Council Welsh Church Act Fund for the year ended 31 March 2018, which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustee and independent auditor

As explained more fully in the Trustee Responsibilities Statement set out on page 2, the trustee is responsible for the preparation of financial statements which give a true and fair view.

I have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2018 and of its incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Charities Act 2011.

Opinion on other matters

In my opinion the information in the Trustee Annual Report is consistent with the financial statements.

Matters on which I am required to report by exception

I have nothing to report in respect of the following matters where the Charities Act 2011 requires me to report to you if, in my opinion:

- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

**The Monmouthshire County Council Welsh Church Act Fund
Annual Report for year ended 31 March 2018**

Emphasis of Matter

Your attention is drawn to the fact that the Charity has prepared its financial statements in accordance with the Charities SORP 2015 in preference to the Charities SORP 2005 which is referred to in the extant regulations but has been withdrawn. We understand this has been done in order for the accounts to provide a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.

Ann-Marie Harkin
On behalf of the Auditor General for Wales
Date:

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

**The Monmouthshire County Council Welsh Church Act Fund
Annual Report for year ended 31 March 2018**

**Statement of financial activities (Sofa) for the year ended 31
March 2018**

	Notes	2018 Unrestricted Funds £	2018 Total Unrestricted Funds £	2017 Total Unrestricted Funds £
Income & Endowments from:				
Investment income	2	207,685	207,685	205,979
Other incoming resources		0	0	2,842
Total income & Endowments		207,685	207,685	208,821
Resources Expended				
Raising funds:				
Investment Property Professional fees		(749)	(749)	(1,247)
Management and administration		(3,000)	(3,000)	(2,500)
		(3,749)	(3,749)	(3,747)
Charitable expenditure				
Costs of activities in furtherance of the Charity's objects				
Grants payable	3,4	(159,481)	(159,481)	(169,842)
Management and administration		(5,918)	(5,918)	(4,285)
Other				
Governance Costs	5	(1,176)	(1,176)	(9,275)
Total Resources Expended		(170,324)	(170,324)	(187,149)
Gains/(losses) on investment assets	10	(21,068)	(21,068)	232,417
Net Income / Expenditure		16,293	16,293	254,089
Transfers between funds	13	0	0	0
Net movement in funds		16,293	16,293	254,089
Fund balances brought forward April 2017		5,470,678	5,470,678	5,216,589
Fund balances carried forward 31 March 2018	13	5,486,971	5,486,971	5,470,678

All incoming resources and resources expended are derived from continuing activities. There are no recognised gains or losses other than those disclosed above.

**The Monmouthshire County Council Welsh Church Act Fund
Annual Report for year ended 31 March 2018**

Balance Sheet as at 31 March 2018

	Notes	2018 Unrestricted Funds £	2017 Unrestricted Funds £
Fixed assets			
Investment Land	9	418,000	400,501
Investments	10	4,806,332	4,844,898
		5,224,332	5,245,399
Current assets			
Debtors: amounts falling due within one year	11	44,875	180,021
Cash at bank and in hand		368,539	212,271
		413,414	392,292
Current Liabilities			
Creditors: amounts falling due within one year	12	(150,775)	(167,013)
Net current assets or liabilities		262,639	225,279
Net assets or liabilities		5,486,971	5,470,678
The Funds of the Charity:			
Unrestricted Funds	13	5,486,971	5,470,678
Total Charity funds		5,486,971	5,470,678

The accounts on pages 7 to 16 were approved by the Trustee on xx November 2018, and signed on their behalf by:

By order of the Trustee

Mr Mark Howcroft
Assistant Head of Finance (Deputy S151 Officer) – Monmouthshire County Council

Date:

**The Monmouthshire County Council Welsh Church Act Fund
Annual Report for year ended 31 March 2018**

Statement of Cash flows as at 31 March 2018

	note	Total Funds £	Prior Year Funds £
Cash flows from operating activities			
<i>Net cash provided by operating activities</i>	7	(51,416)	(161,900)
<hr/>			
Cashflow from investing activities			
Dividends and rents from investments		207,685	205,979
<hr/>			
<i>Change in cash and cash equivalents in the reporting period</i>		156,268	44,079
Cash and cash equivalents at the beginning of the reporting period		212,271	168,191
<hr/>			
<i>Cash and cash equivalents at the end of the reporting period</i>		368,539	212,271
<hr/>			

**The Monmouthshire County Council Welsh Church Act Fund
Annual Report for year ended 31 March 2018**

**Notes to the financial statements for the year ended 31 March
2018**

1 Principal accounting policies

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

The trust constitutes a public benefit entity as defined by FRS 102.

The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern..

A summary of the principal accounting policies, which have been applied consistently, are set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, as modified by the inclusion of investments and tangible fixed assets at market value. During the year the Charity reviewed its accounting policies in accordance with FRS 102 'Accounting Policies'. No accounting policies have been changed as a result.

Incoming Resources

All income is accounted for on an accruals basis.

Resources expended

All expenditure is accounted for on an accruals basis. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

Grants payable

Grants payable are accounted for in full as liabilities of the Charity when approved by the Trustee and accepted by the beneficiaries.

Management and administration

Management and administration costs include expenditure on administration of the Charity and, an appropriate apportionment of overheads based upon a time allocation.

Governance Costs

Governance costs comprise costs involving the compliance with constitutional and statutory requirements. These costs relate to audit fees payable to the appointed external auditor.

Irrecoverable VAT

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

Recognition of liabilities

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

Debtors/ Creditors

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2018

Fund accounting

Funds are unrestricted funds which are available for use at the discretion of the Trustee in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Investment Land and Property

Capitalisation, Replacement and Valuation

The Trust's policy is to revalue its Investment land on an annual basis in line with the Charities SORP. Valuations will also be undertaken where it is identified that there have been material movements between formal valuations, this has been changed from a five year valuation cycle due to the Land assets being deemed to be Investment Land not tangible fixed assets.

An Independent Valuer of Williams Associates, a qualified Land Valuers and Chartered Surveyors, re-valued all Investment Land as at 1st November 2017 and all assets held at year-end are included in the accounts at valuation. Vacant properties are valued at open market value.

Depreciation

Land is not depreciated. The Fund currently has no buildings on the fixed asset register.

Investments

Any realised and unrealised gains and losses on revaluation or disposals of investments are included in the statement of financial activities. The Authority is authorised to invest any surplus income or dispose of any investments when it deems appropriate. Investments are strategically placed in investment funds specifically designed for charitable organisations. Investment performance is reviewed periodically in light of prevailing economic changes.

Fees and similar income

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided.

Cash flow statement

The Charity has produced a cash flow statement under Financial Reporting Standard 102 under section 7 on the basis that it meets the relevant conditions and size criteria specified in the Companies Act.1985.

2 Investment income

	2018	2017
	£	£
Investments with Monmouthshire County Council	1,351	1,672
Investment Property Rental Income	2,060	3,060
External Investments	204,274	201,247
	207,685	205,979

3 Grants Payable

**The Monmouthshire County Council Welsh Church Act Fund
Annual Report for year ended 31 March 2018**

	2018	2017
	£	£
Grants have been paid to the following administering Local Authorities for them to make to groups and individuals on behalf of the Fund:		
Monmouthshire County Council	35,054	22,858
Torfaen County Borough Council	30,106	48,858
Newport City Council	49,694	56,180
Blaenau Gwent County Borough Council	27,697	24,396
Caerphilly County Borough Council	16,929	17,550
	159,480	169,842

The management and administration cost of the fund and grants distributed were £5,918 during the year.

4 Analysis of Grants

	Grants to Organisations	Grants to Individuals
	£	£
The Advancement of Education	4,883	1,250
The Advancement of Religion	76,519	0
The Relief of Poverty	3,250	30,600
Other Purposes Beneficial to the Community	42,978	0
Total	127,630	31,850

Caerphilly Borough Council, Torfaen County Borough Council, Monmouthshire County Council and Newport City Council have under spent their allocations for 2017/18 by £263,240, £20,597, £11,397 and £845 respectively which will be carried forward for distribution in 2018/19. Grants to Churches and other Religious establishments totaled £76,519 and Community Organisations £42,978 respectively during the financial year. Grants of essential equipment and furnishings to the value of £30,600 were made to individuals for the relief of families in deemed to be in poverty. No organization or Individual applied for more than 1 award during the 2017/18 financial year.

5 Governance Costs

	2018	2017
	£	£
Auditor's remuneration	1,176	9,275
	1,176	9,275

Governance costs are now reflective of Wales Audit Office now charging market rates and the balance contained within 2017-18 reflects a re-profiling adjustment in regards to the payment schedule enacted in 2016-17. The forecast chargeable rate for 2018-19 governance costs will be c£5,000.

No indemnity insurance for Trustee's liability has been purchased by the Charity. Though no specific indemnity insurance has been purchased by the Charity, the Fund is covered by Monmouthshire County Councils' fidelity

**The Monmouthshire County Council Welsh Church Act Fund
Annual Report for year ended 31 March 2018**

guarantee insurance. Insurance covers financial losses incurred as a result of fraudulent acts conducted by Authority employees but does not cover the Trustee for any wrong decisions that may have been made. Governance costs have increased during the year as a result of the Public Audit Wales Act and in particular the duty placed on the Wales Audit Office to ensure full cost recovery in its audit fees.

6 Taxation

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Charity is not separately registered for VAT because it falls within the Local Authority's VAT Registration as Corporate trustee and accordingly, all their expenditure is recorded exclusive of any VAT incurred.

**7 Reconciliation of net income/ (expenditure) to net cash flow
from operating activities as at 31 March 2018**

	Current Year £	Prior Year £
<i>Net income/(expenditure) for the reporting period (as per the statement of financial activities)</i>	16,293	254,089
Adjustments for non-cash transactions		
(Gains) /losses on investments	21,068	(232,417)
Dividends, Interest & Rents from investments	(207,685)	(205,979)
Increase/(decrease) in Provisions	0	0
(Increase)/ decrease in debtors / bad debts	135,146	(32,285)
Increase/(decrease) in creditors	(16,238)	54,692
Net cash provided and (used in) operating activities	(51,416)	(161,890)

**The Monmouthshire County Council Welsh Church Act Fund
Annual Report for year ended 31 March 2018**

8 Analysis of cash and cash equivalents as at 31 March 2018

	Current Year	In Year Movement	Prior Year
	£	£	£
Cash in hand	368,539	156,268	212,271
Overdraft facility repayable on demand	0	0	0
Total cash and cash equivalents	368,539	156,268	212,271

**The Monmouthshire County Council Welsh Church Act Fund
Annual Report for year ended 31 March 2018**

9 Investment Land and Property

	Total
	£
Valuation	
At 1 April 2017	400,501
Disposals	0
Revaluation	17,499
At 31 March 2018	418,000
Depreciation	
At 1 April 2017	0
Charge in year	0
Disposals	0
At 31 March 2018	0
Net book Value	
At 1 April 2017	400,501
At 31 March 2018	418,000

Tangible Investment Assets solely consist of freehold land. All land held by the Fund had been revalued as at 1st November 2017. Valuations were carried out in accordance with the valuation policy. A further valuation will be carried out within 2018/19 financial year and on thereafter on an annual rolling basis.

10 Investments

	2018	2017
	£	£
CCLA - COIF Property Fund	1,038,108	1,006,356
UBS Multi Asset Income Fund	694,458	712,332
M&G Charibond Fund	689,617	724,274
Schroders Income Maximiser	436,285	453,662
M&G Charifund	531,403	542,527
CCLA - COIF Investment Fund	957,143	943,368
Treasury Stock 2024 2.5%	109,318	112,379
Invested with Monmouthshire County Council	350,000	350,000
	4,806,332	4,844,898

The Trust has investments held with UBS, M&G, Schroeder's, CCLA, HM Treasury and Monmouthshire County Council which are generally managed by the trusts treasury management advisors. Returns from Monmouthshire County Council are generated on a "pooled" basis. The average rate of interest generated on the pooled funds from Monmouthshire was 0.2449% for 2017/18 (0.3338% for 2016/17). The basis of valuation on the market based investments held with CCLA, M&G, UBS and Schroder's, is the

The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2018

open market value of the unit holdings on the 31st March 2018 multiplied by the units held. There were no additions or disposals of investments during the financial year. The Treasury Stock 2024 valuation is based upon the market value of the Treasury Gilt at the 31st March 2018 as listed on the dmo.gov website. The value of the 'pooled' investment with Monmouthshire County Council is the cash value as at the 31st March 2018. None of the Investments are held outside of the territorial limits of the United Kingdom and the cost of the revaluations is contained within the charity management fee charged annually from Monmouthshire County Council.

11 Debtors

	2018 £	2017 £
Amounts falling due within one year		
<i>Prepayment & accrued income</i>		
Investment Income	42,675	178,430
Other Debtors		
MCC Bank Transfer	0	0
<i>Trade debtors</i>		
Rental income	0	0
Bad debt provision for loss of rental income	0	0
<i>Other Debtors</i>		
HM Revenue and Customs	200	1,591
Other Debtors	2,000	0
	44,875	180,021

All investment interest due from the trustee was paid in year in 2017-18.

12 Creditors

	2018 £	2017 £
Amounts falling due within one year		
Grant creditors	138,820	151,384
Other creditors	11,955	15,629
	150,775	167,013

Grant creditors are recognised on the amounts awarded by the five constituent authorities of the Welsh Church Fund unpaid at the financial year-end. Other creditors are fees reimbursable for professional services utilised during the financial year by the Charity.

13 Funds

	Balance 1 April 2017 £	Incoming resources £	Resources Expended £	Other Recognised Gain / (Loss) £	Balance 31 March 2018 £
Unrestricted funds	5,470,678	207,685	(170,324)	(21,068)	5,486,971

There were no transfers between funds during the 2017-18 financial year.

**The Monmouthshire County Council Welsh Church Act Fund
Annual Report for year ended 31 March 2018**

14 Related party transactions

During the year transactions with related parties arose as follows:

	2018		2017	
	Receipts	Payments	Receipts	Payments
	£	£	£	£
Monmouthshire County Council	1,352	6,293	4,513	4,537

Members of the Authority have direct control over the Welsh Church Fund's financial and operating policies. Where work or services have been commissioned, or where grants were made during the financial year in which members had an interest, members have a duty to declare such an interest. The Welsh Church Fund must ensure that grants allocated were in full compliance with the Authority's standing orders and that grants were made with proper consideration of declarations of such interests.

During the financial year, members who declared an interest did not take part in any discussion or decision relating to grants made or works or services commissioned. Details of all interests declared are recorded in minutes or relevant meetings and recorded in the Register of Members' Interest, open to public inspection at County Hall, Usk.

13 Trustee's Expenses, Remuneration and Benefits

No Expenses, Remuneration or Benefits were incurred during the year of account

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**Monmouthshire Farm School Endowment
Trust Fund**

**Annual report
for the year ended 31 March 2018**

-Registered Charity Number: 525649

**Monmouthshire Farm School Endowment Trust Fund
Annual report for year ended 31st March 2018**

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Monmouthshire Farm School Endowment Trust Fund
Annual report for year ended 31st March 2018

Trustees, officers and advisors

Trustees

D L Edwards
Monmouthshire County Council

D Yeowell
Torfaen County Borough Council

R Edwards
Monmouthshire County Council

Professor J D Hayes
University College Wales Aberystwth

R J W Greenland
Monmouthshire County Council

K Backhouse
Director Usk Campus – Coleg Gwent

S B Jones
Monmouthshire County Council

D Havard
Caerphilly County Borough Council

A Easson
Monmouthshire County Council

D.W.H Jones
Monmouthshire County Council

R Pagett
Blaenau Gwent County Borough Council

Dr W O C Symondson
University of Wales College Cardiff

Secretary

R. Tranter – Monitoring Officer, Monmouthshire County Council

Registered Office

County Hall, The Rhadyr, Usk, NP15 1GA

Auditors

Wales Audit Office, 24 Cathedral Road, Cardiff, CF11 9LJ

Solicitors

R Tranter, Head of Legal Services, Monmouthshire County Council

Investment custodian

Monmouthshire County Council

Bankers

Barclays Bank, Leicester, Leicestershire LE87 2BB

Monmouthshire Farm School Endowment Trust Fund Annual report for year ended 31st March 2018

Report of the Trustee for the year ended 31st March 2018

The Trustee presents its annual report and the audited financial statements for the year ended 31 March 2018 of The Monmouthshire Farm School Endowment Trust Fund. The information with respect to the Trustee, officers and advisors set out on page 1 forms part of this report. The accounts (financial statements) have been prepared in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic (FRS 102) and Charity Act 2011. The financial statements comply with the Charity's trust deed.

Status and administration

The Charity is governed by the 1959 Principal Scheme as amended by the Altering Scheme of 1971, although the governing body may rightly claim a history stretching back to 1894. The Fund is registered with the Charity Commission under charity number 525649.

Objects

The primary object of the Charity, as stated in its governing document, is to make awards to students in need of assistance to attend Usk Agricultural College, or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects. The governing body can use its discretion to apply any unawarded income to provide funding towards the cost of their facilities or amenities at Usk College which would benefit these students. The grant awarded have allowed the beneficiaries to pursue land based courses to enhance career opportunities. The area of benefit is clearly defined, household income is a consideration when making the award. Grants were awarded to 12 people and the total awards were £27,514.

Review of activities and future developments

The statement of financial activities for the year is set out on page 5 of the financial statements. A summary of the financial results and the work of the Charity are set out below.

The Fund has decrease in value by £2,846 (£20,372 increase in 2016/17) over the financial year as a result of outgoing resources being outweighed by incoming resources.

Income is comprised of interest on investment stock and cash held of £28,072 (£24,816 in 2016/17), and £14,903 (£19,701 in 2016/17) in respect of the annual payment from the Roger Edwards Educational Trust Fund. Expenditure of £29,595 (£29,989 in 2016/17) primarily comprised of grants payable of £27,514 (£26,209 in 2016/17) in line with the Charity's objects. Unrealised investment loss of £16,226 (£5,844 gain in 2016/17) were made in relation to investments held.

The current strategy is to ensure that there are sufficient funds to meet the needs of beneficiaries.

Investment powers, policy and performance

Under the terms of the Trust Deed, the Trustee have general powers of investment, subject to the provisions of the Trustee Act 2000. The Trustee has reviewed its investment strategy and produced an investment and fund strategy for 2017/18 which was approved by Monmouthshire County Council in its capacity as Trust administrator on 1st March 17. Investments are strategically placed in low-risk investments. Investment performance is reviewed periodically in light of prevailing economic changes.

Grant making policy

Grants are made in pursuance of the Charity's objectives in assisting students in need to attend Usk Agricultural College, or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects.

Changes in fixed assets

The movements in fixed asset investments during the year are set out in note 7 to the financial statements.

Monmouthshire Farm School Endowment Trust Fund Annual report for year ended 31st March 2018

Reserves

The Fund consists primarily of the sale proceeds of the Former Monmouthshire Farm School by the governing body of the school to Monmouthshire County Council. The fund receives an annual payment from The Roger Edwards Educational Trust (Charity Number 525638) equivalent to two thirds of the annual investment and rental income accrued to the Foundation.

The Trust has reviewed its fund strategy and produced an investment and fund strategy for 2017-18 which states that it is the Trust's policy to maintain funds at approximately the current level and utilise the annual income received to fund its charitable expenditure. This was approved by Cabinet on the 1st March 2017.

Governance of the Charity

Representative Trustees appointed by Monmouthshire County Council have a term of office equivalent to the term of a County Council (four years); the other representative Trustees have a term of office of three years and the co-operative Trustees have a term of office of five years. The Trustees are listed on page 1.

Risk management

Monmouthshire County Council as appointed administrator of the Trust Fund periodically review the major risks to which the Charity is exposed as part of the Authority's overall risk management and financial control processes. The Roger Edwards Educational Trust provide significant income to this trust and forms the majority of income that can be used for grants. This income is received after the audited accounts have been agreed and therefore this is usually late in the financial year. A risk assessment policy was approved by Cabinet on 1st March 2017.

Auditors

The Wales Audit Office are the appointed auditors to the Charity.

Trustees responsibilities

The Trustees are required by charity law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Charity and of the net incoming/outgoing resources of the Charity as at the end of the financial year.

The Trustee confirms that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st March 2018. The Trustee also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Trustee are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Trustee

Trustee:

Date:

**Monmouthshire Farm School Endowment Trust Fund
Annual report for year ended 31st March 2018**

**Report of the independent examiner to the trustee of
Monmouthshire Farm Endowment Trust Fund**

I report on the accounts of Monmouthshire Farm School Endowment Trust Fund for the year ended 31st March 2018, which are set out on pages 5 to 10.

Responsibilities and basis of report

As the charity's trustees, you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 (the Act). You are satisfied that the accounts are not required to be audited by charity law and have chosen instead to have an independent examination.

I report in respect of my examination of your charity's accounts as carried out under section 145 of the Act; In carrying out my examination I have followed the Directions given by the Charity Commission under section 145(5) (b) of the Act.

An independent examination does not involve gathering all the evidence that would be required in an audit and consequently does not cover all the matters that an auditor considers in giving their opinion on the accounts. The planning and conduct of an audit goes beyond the limited assurance that an independent examination can provide. Consequently I express no opinion as to whether the accounts present a 'true and fair' view and my report is limited to those specific matters set out in the independent examiner's statement.

Independent examiner's statement

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe:

- accounting records were not kept as required by section 130 of the Act; or
- the accounts do not accord with those records; or
- the accounts do not comply with the applicable requirements concerning the form and content set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view which is not a matter considered as part of an independent examination; or
- the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

Ann-Marie Harkin
On behalf of the Auditor General for Wales
Date:

24 Cathedral Road
Cardiff CF11 9LJ

Monmouthshire Farm School Endowment Trust Fund
Annual report for year ended 31st March 2018

Statement of financial activities (Sofa) for the year ended 31st March 2018

	Notes	2018 Unrestricted Funds £	2017 Unrestricted Funds £
Income & Endowments from:			
Investment income	2	28,072	24,816
Other incoming resources (REET)		14,903	19,701
Total income & Endowments		42,975	44,517
Resources Expended			
Charitable expenditure			
Costs of activities in furtherance of the Charity's objects			
Expenditure on charitable activities	3	27,514	26,209
Other expenditure	3 & 4	2,081	3,780
Total Resources expended		29,595	29,989
Gains/(losses) on investment assets	5	(16,226)	5,844
Net Income / (Expenditure)		(2,846)	20,372
Net movement in funds			
Fund balances brought forward 1 April 2017		725,304	704,932
Fund balances carried forward 31 March 2018		722,458	725,304

All incoming resources and resources expended are derived from continuing activities. There are no recognised gains or losses other than those disclosed above.

Monmouthshire Farm School Endowment Trust Fund
Annual report for year ended 31st March 2018

Balance Sheet as at 31 March 2018

	Notes	2018 Unrestricted Funds £	2017 Unrestricted Funds £
Fixed assets			
Investments	7	641,570	617,796
		641,570	617,796
Current assets			
Debtors: amounts falling due within one year	8	21,331	25,305
Cash at bank and in hand		61,825	87,969
		83,156	113,274
Current Liabilities			
Creditors: amounts falling due within one year	9	2,270	5,766
Net current assets		80,888	107,508
Net assets		722,458	725,304
The Funds of the Charity:			
Unrestricted Funds	10	722,458	725,304
Total Charity funds		722,458	725,304

The accounts were approved by the Trustee on 9th July 2018 and signed on their behalf by:

Trustee:

Date:

**Monmouthshire Farm School Endowment Trust Fund
Annual report for year ended 31st March 2018**

**Notes to the financial statements for the year ended 31st March
2018**

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic (FRS 102) and Charity Act 2011.

The trust constitutes a public benefit entity as defined by FRS 102. The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Incoming Resources

All income received is accounted for on a receivable basis and has been classified under the appropriate categories. The income received from the Roger Edwards Educational Trust is an estimation of income based on historical data, the actual income relating to 2017-18 has not been received at the time of this report, and therefore any adjustment will be made in the accounts for 2018-19.

During the year, the Roger Edwards Education Trust requested a review of the income distribution. The outcome of this request is still being negotiated.

Grants payable

Grants payable are accounted for in full as liabilities of the Charity when approved by the Trustee and accepted by the beneficiaries.

Management and administration

Monmouthshire County Council administer the Trust Fund on behalf of the Trustee. Management and administration costs include expenditure on administration of the Charity and compliance with constitutional and statutory requirements, and an appropriate apportionment of support service recharges and overhead apportionments. The basis of the apportionment is a fixed fee agreed with the trustees of £200 per year.

Debtors/ Creditors

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Irrecoverable VAT

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

Recognition of liabilities

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

Monmouthshire Farm School Endowment Trust Fund

Annual report for year ended 31st March 2018

Fund accounting

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity. Investment income and gains are allocated to the appropriate fund.

Investments

Investments are included at market value at the balance sheet date. Any realised and unrealised gains and losses on revaluation or disposals are combined in the statement of financial activities.

Transition to FRS 102

The opening fund position at the date of transition have not been restated and no subsequent restatement of items has been required in making the transition to FRS 102. The transition date was 1 April 2016.

Cash flow statement

The charity has taken exemption from preparing a cash flow under Charities SORP FRS 102 Update Bulletin 1.

2 Investment income

	2018	2017
	£	£
Interest on cash balances	449	0
Interest on Investments	27,623	24,816
	28,072	24,816

3 Expenditure on Charitable Activities

	2018	2017
	£	£
Grants payable	27,514	26,209
Management & administration	2,081	3,780
	29,595	29,989

Grants payable comprise numerous payments to individual students in respect of part-time courses attended. It is not possible to provide further details due to restrictions of confidentiality.

4 Governance Costs

	2018	2017
	£	£
Net incoming resources is stated after charging:		
Auditor's remuneration	2,270	2,560
	2,270	2,560

No indemnity insurance for Trustee's liability has been purchased by the Charity. Though no specific indemnity insurance has been purchased by the Charity, the Fund is covered by Monmouthshire County

Monmouthshire Farm School Endowment Trust Fund
Annual report for year ended 31st March 2018

Councils' fidelity guarantee insurance. Insurance covers financial losses incurred as a result of fraudulent acts conducted by Authority employees but does not cover the Trustee for any wrong decisions that may have been made. Governance costs have increased during the year as a result of the Public Audit Wales Act and in particular the duty placed on the Wales Audit Office to ensure full cost recovery in its audit fees. The audit fee is included in the management and administration spend as per note 3.

5 Gains and losses on revaluation and disposal of investment assets

	Market Value ditions		Market Value	Gain/(Loss)
	2017	(Disposals)	2018	
	£	£	£	£
Charibond	205,761	40,000	234,983	(10,777)
OEIC	192,858	0	184,735	(8,123)
COIF	219,177	0	221,852	2,674
Total	617,796	0	641,570	(16,226)

6 Taxation

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Charity falls with Monmouthshire County Council regulations for VAT, and therefore any liability is accounted for within Monmouthshire County Council.

7 Fixed asset investments

	Total
	£
Valuation at 1 April 2017	617,796
Net revaluation (loss) / gain	23,774
Valuation at 31 March 2018	641,570

Fixed asset investments solely consist of the quoted investments. All investments are stated at their market value at 31st March 2018. The historical cost of the investments at 31st March 2018 was £679,000. All of the Charity's investments are quoted in the UK. The details of these are disclosed in the table below, being Charibond, COIF and OEIC Fund.

Investments with a market value greater than 5% of the total portfolio market value at 31st March 2017 are as follows:

	£	%
COIF	221,852	34.5%
Charibond	234,983	36.6%
OEIC Fund	184,735	28.9%

The percentage shown above is the percentage of the total portfolio market value as at 31st March 2018.

Monmouthshire Farm School Endowment Trust Fund
Annual report for year ended 31st March 2018

8 Debtors

	2018	2017
	£	£
Amounts falling due within one year		
Receivable from The Roger Edwards Educational Trust Fund	20,000	25,000
HM Revenue and Customs	1,331	305
	<u>21,331</u>	<u>25,305</u>

The majority of the debt relates to the payment from the Roger Edwards Educational Trust. This is an estimate of the income based on historical payments.

9 Creditors

	2018	2017
	£	£
Amounts falling due within one year		
Accruals and deferred income	<u>2,270</u>	5,766
	<u>2,270</u>	<u>5,766</u>

The amounts owed relate to audit fees and payments to Monmouthshire County Council to administer the trust.

10 Unrestricted Funds

	Balance 1 April 2017	Incoming resources	Resources Expended	Investment Gain/(Loss)	Balance 31 March 2018
	£	£	£	£	£
Permanent endowed funds	725,304	42,975	29,595	(16,226)	<u>722,458</u>

11 Related party transactions

No remuneration directly or indirectly out of the funds of the Charity was paid or payable for the year to any trustee. Payments have been made to Monmouthshire County Council respect of management and administration expenses.

SUBJECT:	Llanelly Hill Social Welfare Centre Accounts 2017-18
MEETING:	Audit Committee
DATE:	
DIVISION/WARDS AFFECTED:	All

1. PURPOSE:

- 1.1 To consider the Statement of Accounts for the Llanelly Hill Social Welfare Centre Trust Fund 2017-18 for adoption and to make appropriate recommendations.

2. RECOMMENDATIONS:

It is recommended that:

- 2.1 The Statement of Account for the Llanelly Hill Social Welfare Centre Trust Fund 2017-18 is reviewed.

3. KEY ISSUES:

- 3.1 Monmouthshire County Council is the sole and corporate trustee for the above trust and the day to day management of the trust is through the Children and Young People Directorate.
- 3.2 Annual returns are made to the Charity Commission, although the trust falls below the threshold for detailed returns to be made.
- 3.3 The trust incurred expenditure of £2,711 for 2017-18 and had assets building and adjoining land) valued at £65,000 as at 31st March 2018.
- 3.4 Currently the trust is a loss making trust and as a result a contribution is passed from Monmouthshire County Council to support the expenditure. Whilst the expenditure for 2017-18 comprised day-to-day running costs, expenditure in the past has been more significant where essential repairs and maintenance have been required to maintain the building as an operational asset.
- 3.5 The authority is currently in discussion with the trustees regarding the costs that we currently fund. It is anticipated that the trust will be responsible for more of the day to day running costs.
- 3.6 A draft agreement in principle has been drawn up, which enables a constituted group to run the activities in the centre, and to generate income through funding raising activities and lettings in order to meet the running costs.

- 3.7 Advice received confirms that the scheme allows the Authority to delegate its powers and duties as Trustee to a Management Committee or a Community Association if the approval of the Secretary of State is obtained. The scheme envisages that after expenses, net income be applied by the Council for the maintenance and upkeep and insurance of the Trust property rather than be kept by any other body.
- 3.8 It is the intention of the Trust, as sole and corporate trustee, to progress with the delegation powers and duties as outlined above by the end of the financial year.

4. BACKGROUND PAPERS:

Appendix 1 – Llanelly Hill Social Welfare Centre Trust Fund Statement of Account 2017-18

5. AUTHORS:

Nikki Wellington, Finance Manager
01633 644549
nicolawellington@monmouthshire.gov.uk

Charity Registration No: 523661

Llanelly Hill Social Welfare Centre Trust Fund
Statement of financial activities for the year ended 31st March
2018

	2018	2017
	£	£
<i>Incoming resources</i>		
Income Generated By Management Committee	4,245	6,705
Contribution from Monmouthshire County Council	0	1,792
Total incoming resources	4,245	8,497
Charitable expenditure:		
Costs of activities in furtherance of the Charity's objects		
Management and administration	2,711	8,497
Total resources expended	2,711	8,497
Net Gain / (Loss) before transfers	1,534	0
Net incoming resources before fixed asset revaluations	0	0
Gains/(losses) on the revaluation of fixed assets	0	0
Net movement in funds	0	0
Fund balances brought forward 1 April	66,516	66,516
Fund balances carried forward 31 March	68,050	66,516

Charity Registration No: 523661

Llanelly Hill Social Welfare Centre Trust Fund

Balance Sheet at 31st March 2018

	2018	2017
	£	£
Fixed assets		
Building and Land	65,000	65,000
	65,000	65,000
Current assets		
Debtors: amounts falling due within one year	28,415	27,709
Creditors: amounts falling due within one year	25,365	26,193
Net current Liabilities	3,050	1,516
Total assets less current liabilities	0	0
Net assets	68,050	66,516
Reserves:		
Endowment capital	68,050	66,516
Total funds	68,050	66,516



SUMMARY OF ACCOUNTS 2017/18

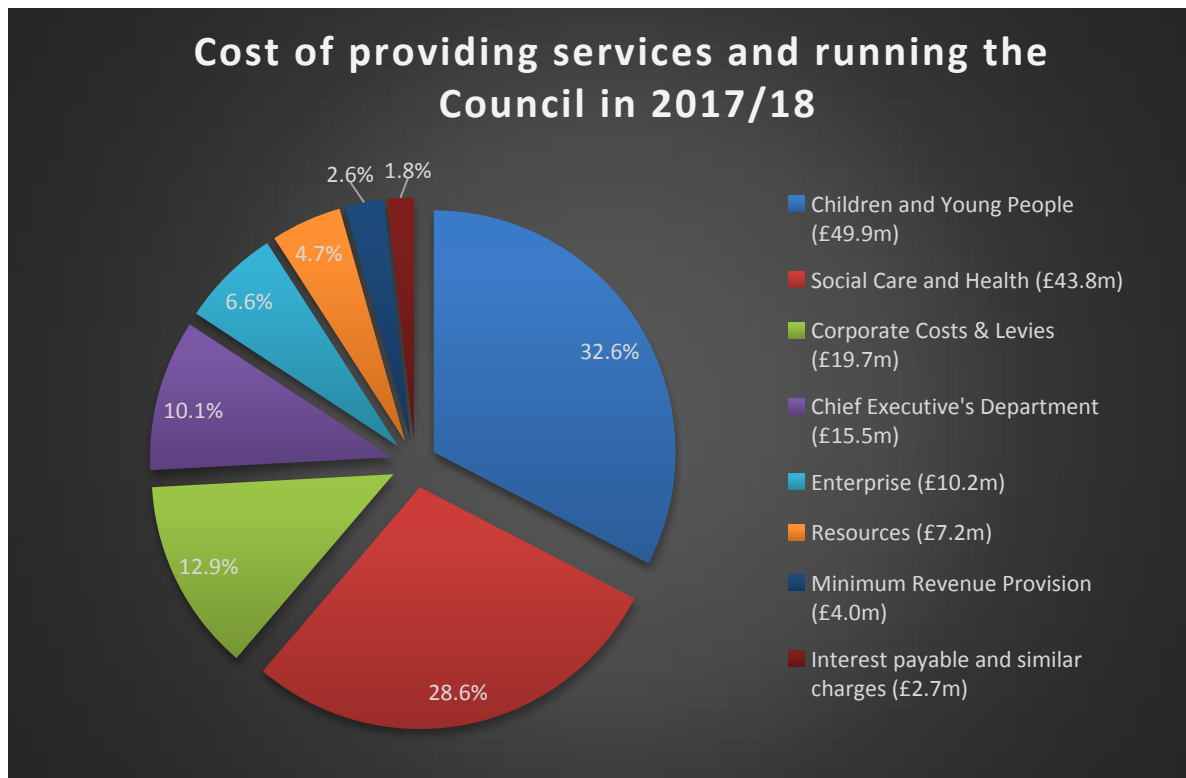


Introduction

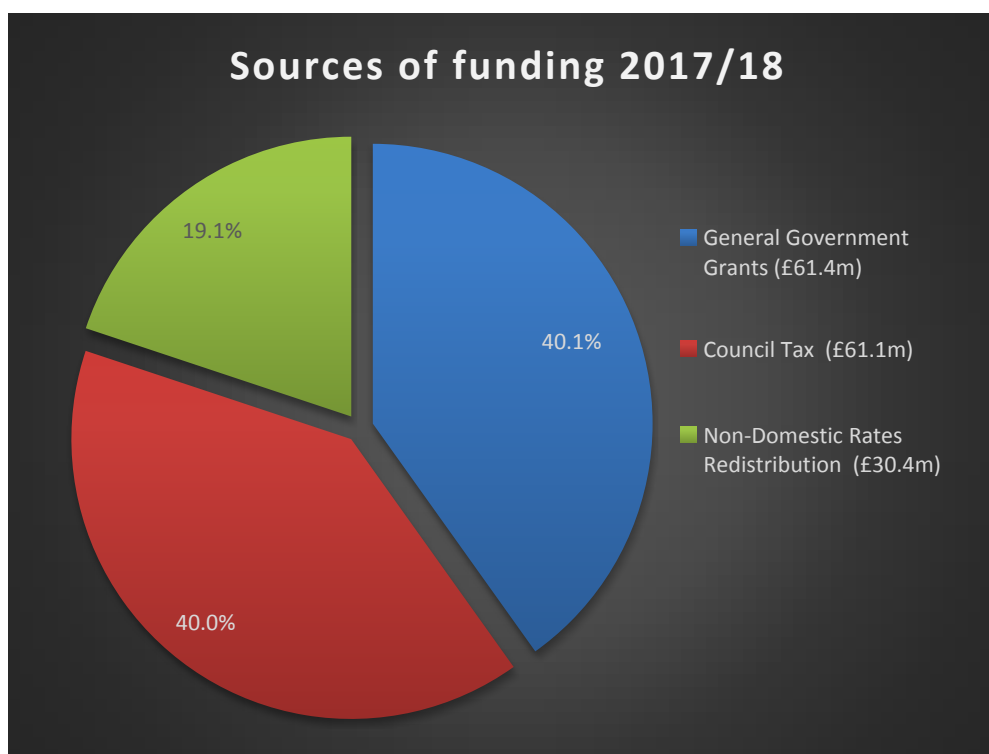
This document provides an overview of the Council's income and expenditure for the financial year 2017/18 and its financial position as at 31 March 2018. The full audited statement of accounts, once published, can be viewed on line at <http://www.monmouthshire.gov.uk/annual-accounts>

The Cost of Running Services

In 2017/18 the Council spent £152.9m (£137.7m in 2016/17) providing services for Monmouthshire residents. The chart below gives a breakdown of service costs:



These services were paid for by a combination of general government grants, council tax and business rates. Total core funding in 2017/18 was £152.9m (£137.7m in 2016/17), as illustrated below:

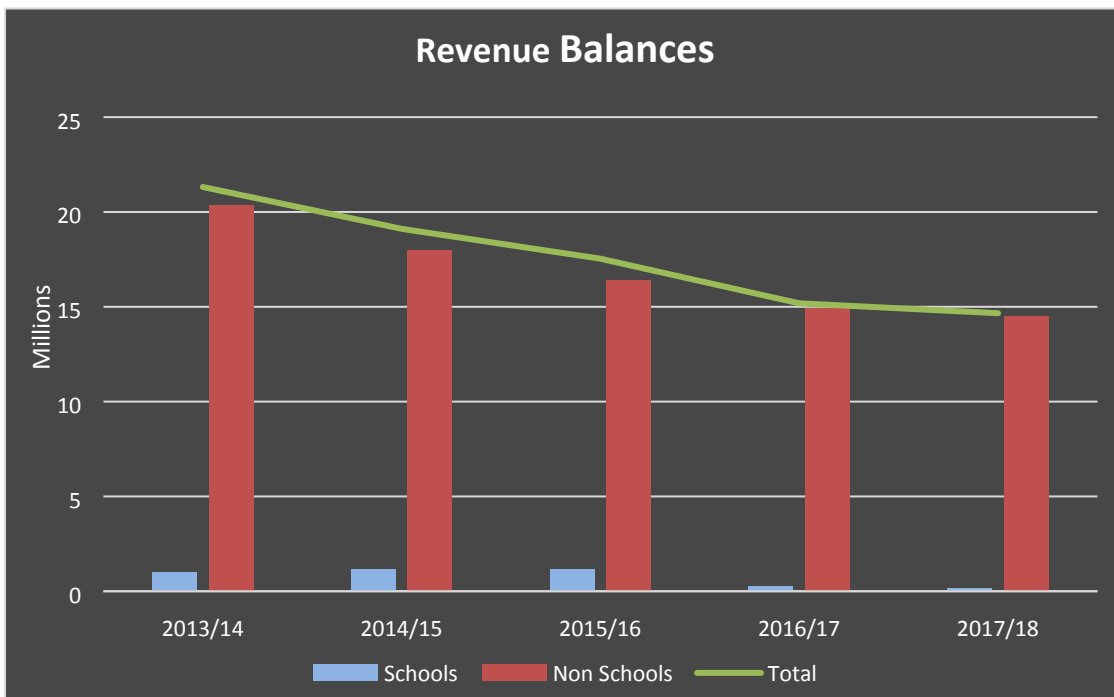


Revenue

Revenue balances represent the difference between core funding and cumulative net expenditure receivable to, or payable from the Council Fund. It is like a 'current account' that exists to provide for

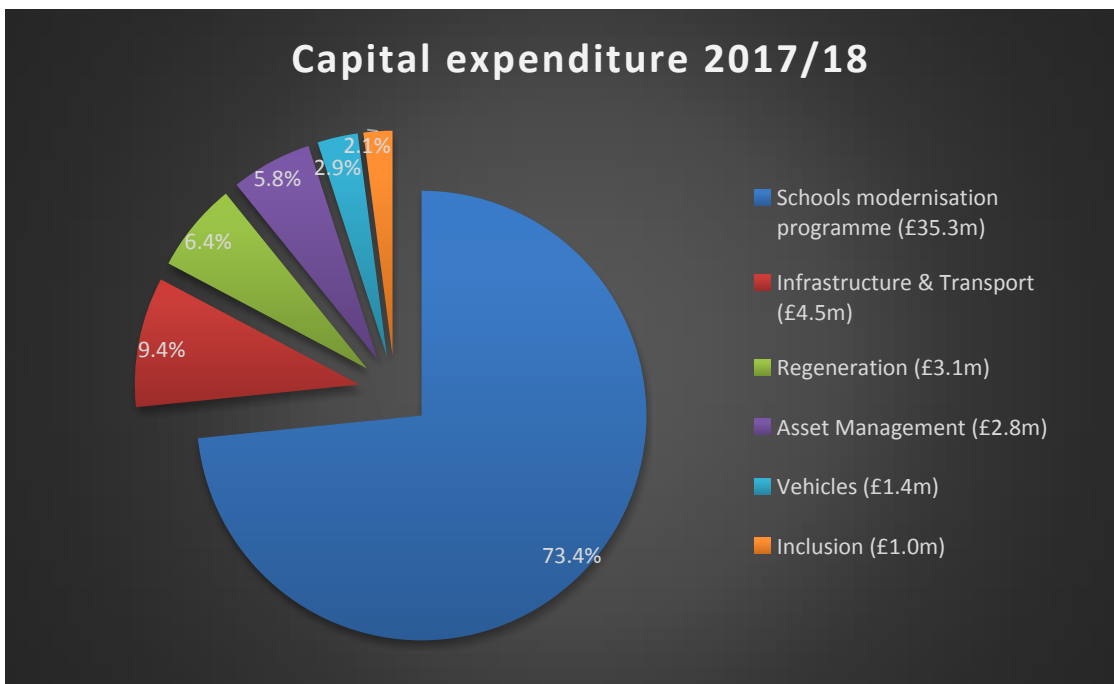
Balances

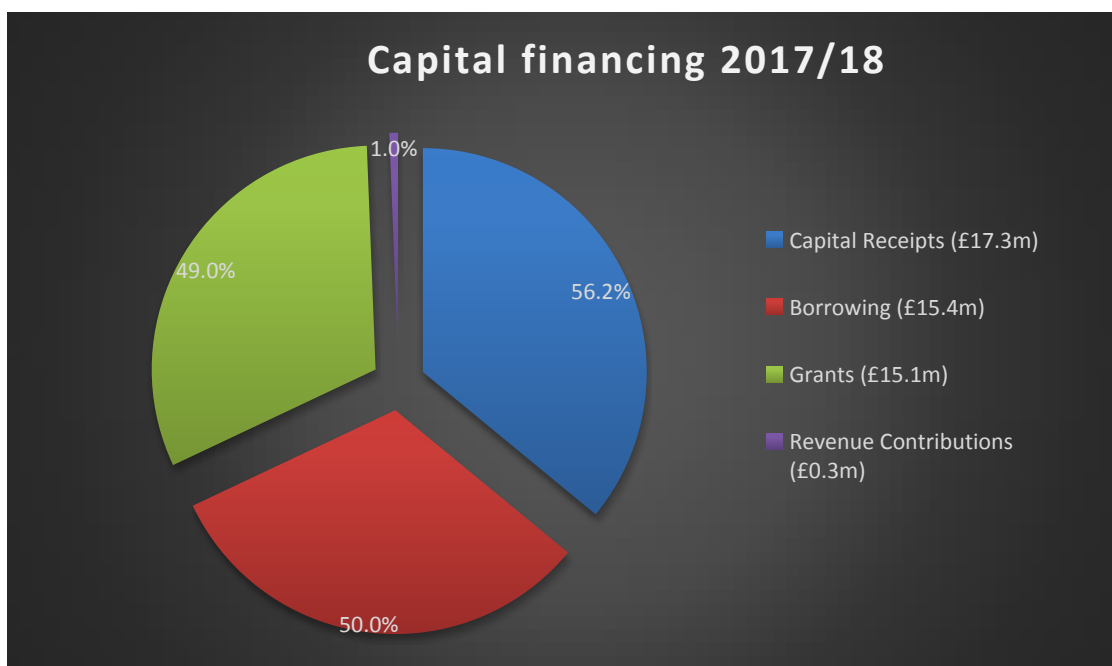
the Council's day to day activities. As at 31 March 2018 our Council Fund and Revenue balances stood at £14.7 million (£15.2m at 31 March 2017). This represents the excess of cumulative revenue income over cumulative revenue expenditure. Of these balances £175,000 relates to delegated school balances (£269,000 at 31 March 2017). Balances are held as a buffer to meet unforeseen / unplanned costs which would otherwise have to be met from reductions in service expenditure.



Capital spending

Capital expenditure is where money is spent on acquiring new assets or enhancing existing assets, such as roads and buildings, which provide benefit to the Council beyond the immediate financial year. In 2017/18 capital expenditure totalled £48.1m (£41.7 million in 2016/17). The charts below show where this was spent and how it was financed (paid for).





Financial Position as at 31 March 2018

There is a difference of £15.6 million (£17.7 million as at 31 March 2017) between the Council's assets (things we own e.g. property, investments, stocks and debtors) and its liabilities (what we owe to others). This difference represents a surplus of assets over liabilities and is a measure of *Total Worth* – i.e. what the council would be worth if bought / acquired by someone else.

A summary of the Council's Assets and Liabilities as at 31 March 2018 is shown below:

31st March 2017		31st March 2018
£m		£m
	<i>What we own and are owed (Assets):</i>	
336.6	Long term assets	364.2
0.0	Investments	10.0
6.5	Cash & Cash equivalents	7.4
20.0	Debtors	21.9
2.9	Assets held for sale	1.5
0.3	Inventories & other assets	0.2
366.3	Total Assets	405.2
	<i>What we owe (Liabilities):</i>	

89.9	Borrowing – to finance capital expenditure	81.9
0.0	Short term borrowing – to support day to day cash flow	48.0
32.3	Creditors & provisions	36.4
217.2	Liability for meeting future pension costs	217.6
9.1	Other liabilities	5.7
348.5	Total Liabilities	389.6
17.7	Total Worth (Assets less Liabilities)	15.6

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**SUBJECT: MONMOUTHSHIRE CC
ANNUAL GOVERNANCE STATEMENT, 2017/18**

**DIRECTORATE: Resources
MEETING: Audit Committee
DATE: 5th July 2018
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To receive a **draft** version of the Council's Annual Governance Statement (AGS) prior to inclusion into the Statement of Accounts 2017/18.

2. RECOMMENDATION(S)

That the Audit Committee contribute to the appropriateness and content of the draft AGS and subsequently endorse it.

3. KEY ISSUES

- 3.1 Corporate Governance is about doing the right thing at the right time for the right people in an open and transparent way. The AGS sets out how Monmouthshire demonstrates it has appropriate governance arrangements in place and how they are continually reviewed to strengthen them moving forward.
- 3.2 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) and the Society of Local Authority Chief Executives and Senior Managers (S.O.L.A.C.E.), the 'Delivering Good Governance in Local Government Framework 2016' and Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.
- 3.3 Monmouthshire County Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and to 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.
- 3.4 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- 3.5 The Code of Corporate Governance, which is consistent with the principles of the C.I.P.F.A./S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government', was approved by Council in July 2011; the Code was revised and updated in May 2014. A copy

of the Code is available from the Chief Internal Auditor. This annual governance statement explains how the Council has complied with the code, the update 2016 guidance and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

4 The Purpose of the Governance Framework

- 4.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 4.2 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, aims 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.
- 4.3 The governance framework has been in place at the Council for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.
- 4.4 The Statement itself [Appendix 1] 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.

5 The Governance Framework

- 5.1 The Council's AGS has been developed in line with the following principles:

Overarching requirements for acting in the public interest:

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

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

- Defining outcomes in terms of sustainable economic, social, environmental and cultural benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management

- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

6 REASONS

- 6.1 In accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 an annual governance statement must be prepared and included within the Council's year end financial statements.

7 RESOURCE IMPLICATIONS

None.

8 CONSULTEES

Chief Officer Resources

9 BACKGROUND PAPERS

MCC Code of Corporate Governance
CIPFA Delivering Good Governance

10 AUTHOR AND CONTACT DETAILS

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

Monmouthshire CC

Annual Governance Statement 2017/18

Draft 01

Monmouthshire CC

Annual Governance Statement 2017-18 - DRAFT

May 2018

Executive Summary

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

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

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

- continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;
- Improve the clarity of reports that members receive to ensure they have access to appropriate and timely information
- Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources.

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

- 1 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) and the Society of Local Authority Chief Executives and Senior Managers (S.O.L.A.C.E.), the 'Delivering Good Governance in Local Government Framework 2016' and Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.
- 2 The Statement itself demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving, but also recognise that there is further work to do. Progress against the 2016/17 action plan is shown at Appendix 1. The main areas for improvement in 2017/18 identified by the Council are shown at paragraph 81 and an action plan to address known gaps is shown at Appendix 2.

Scope of Responsibility

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

The Purpose of the Governance Framework

- 6 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its population outcomes, priorities and objectives and to consider whether those objectives have met the outcomes and led to the delivery of appropriate, cost effective services.
- 7 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, outcomes and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 8 The governance framework has been in place at the Council for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

The Governance Framework

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

Overarching requirements for acting in the public interest:

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

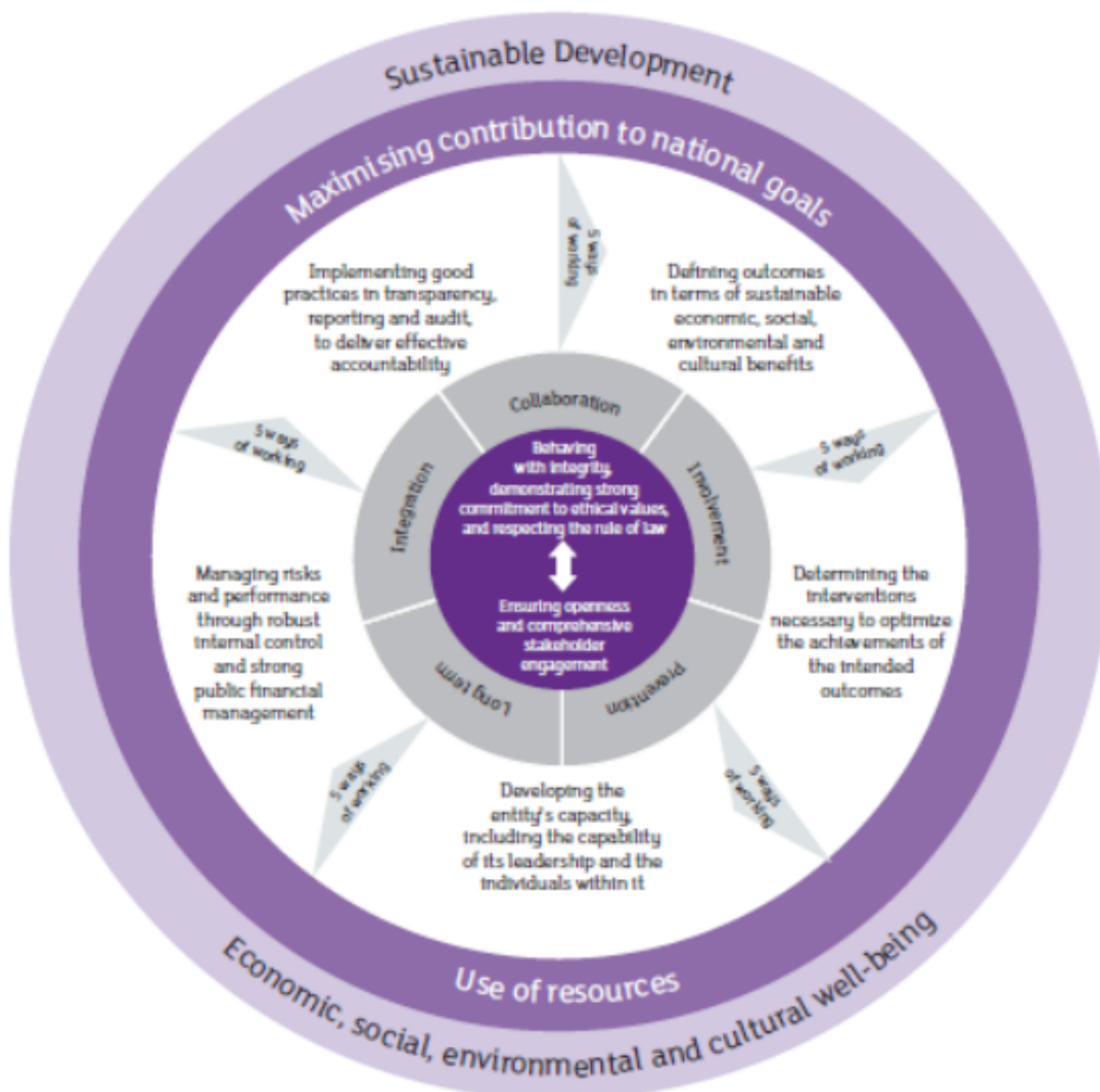
In addition achieving good governance in the Council requires effective arrangements for:

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

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

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

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



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

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

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

Nobody is Left Behind**People are Confident, Capable and Involved****Our County Thrives.**

- 14 The Corporate Business Plan “22 for 22” approved by Council in January 2018 set out the Council’s new priorities to 2022, aligned with the well-being objectives of the PSB:

Best possible start in life**Thriving and connected communities****Natural and built environments****Lifelong wellbeing****Future focused council**

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

Review of Effectiveness

- 16 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team within the Authority which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor’s annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 17 The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 18 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:
- i) The Monitoring Officer has reviewed the Council’s Constitution and ethical governance arrangements during the year. The constitution was revised and approved by Council in December 2017;
 - ii) periodic reviews of the financial controls including the financial procedure rules by the Chief Finance Officer (Head of Finance); financial procedure rules were approved by Council in September 2014;
 - iii) Revisions and updates to strengthen the strategic risk Management Policy were approved by Cabinet in March 2018;
 - iv) Formal risk management and regular ongoing review of the processes involved;
 - v) Scrutiny Service Plan 2016-2017; Scrutiny has conducted a Self-evaluation and Peer Review with several other councils during Spring 2017 as part of our ongoing commitment to continuous improvement;
 - vi) Scrutiny reports its annual appraisal and Scrutiny Service Plan to Audit Committee to satisfy them that the Council’s arrangements are working effectively;
 - vii) the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems, establishments and major projects in accordance with the annual internal audit plan, and which includes ‘follow-up’ work to ensure that agreed recommendations are implemented;
 - viii) the work of the Council’s Select and other Committees, including its Audit and Standards committees;
 - ix) the opinions and recommendations of the Council’s external auditors, following both financial audit work and per the Local Government Measure in regard to matters,

- including governance issues, which are considered for action and implementation and reported to Council, Cabinet and Audit Committee, as appropriate;
- x) The opinions and recommendations of other inspection, regulation and review agencies which are reported to Council, Cabinet and Audit Committee as appropriate. Audit Committee receives a regular report on the progress made with recommendations and proposals issued by Wales Audit Office
 - xi) regular monitoring of performance against the Improvement Plan and service plans and of key targets, and reporting of this to senior management and members;
 - xii) Audit Committee annual report;
 - xiii) Evaluating the effectiveness of Safeguarding in Monmouthshire was taken through Cabinet;
 - xiv) Annual appraisal of the effectiveness of the authority's performance management arrangements reported annually to Audit Committee.

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

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

- 20** The code of conduct for members and a protocol on member / officer relations are set out in the constitution. A new version of the code of conduct for members was adopted by Council in May 2016. The council also has a local protocol for the self-regulation of member conduct.
- 21** The Standards Committee, which includes a majority of independent representatives, advises on and monitors the Members' Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members.
- 22** Agreed arrangements enable the Council to comply with statutory requirements in respect of child protection and the protection of vulnerable adults. Recruitment procedures help ensure that Council employees and Members working with children or vulnerable adults are checked for their suitability to do so.
- 23** In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.
- 24** There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.
- 25** Policy and decision-making is facilitated through (i) the Cabinet, the meetings of which are open to the public and live streamed on YouTube except where exempt or confidential matters are being discussed, and (ii) a scheme of delegation to committees and officers as set out in the Constitution: Five select committees (including the statutory PSB Select Committee) and a separate audit committee review, scrutinise and hold to account the performance of the Cabinet, decision-making committees and officers. A Scrutiny "Call-In" process for decisions which have been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness.
- 26** A Scrutiny and Executive Protocol is in place which is aligned to the updated constitution of September 2014 and provides parameters for effective executive and scrutiny relationships.
- 27** The Constitution is updated periodically by the Monitoring Officer; it was reviewed and updated during 2017/18, and approved by Council in December 2017; it continues to be reviewed. It can be found on the Council's website and sets out:

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how the Council operates and makes decisions,

- the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders,
- the key roles of all members and chief officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated chief officers,
- a scheme of delegated powers for decision-taking
- responsibilities for reviewing and agreeing the Council’s corporate governance arrangements,
- arrangements for ensuring it is regularly reviewed and updated
- its related codes and protocols.

28 To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; to ensure sound financial management is a key factor in decisions, the Head of Finance attends Cabinet and Council meetings.

29 The ethical governance framework includes:

- codes of conduct for officers and members
- a protocol governing Member/Officer relations,
- a whistle-blowing policy widely communicated within the Council and which is regularly reviewed [reviewed and approved by Cabinet June 2017]
- registers of personal and business interests for Members
- an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied.
- equalities awareness training

30 In accordance with the Local Government and Housing Act, 1989, the Monitoring Officer ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman Investigation resulting in a finding of maladministration

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

32 The Audit Committee called in several senior managers during the year and challenged them on why a procurement process went outside the Council’s normal tendering processes.

33 37 Internal Audit opinions were issued in 2017/18; 8 audit jobs resulted in **Limited** assurance.

34 The overall opinion on the adequacy of the internal control environment for 2017/18 was **REASONABLE**. Management agreed to implement the recommendations made in audit reports in order to address the weaknesses identified. The Internal Audit opinions issued in 2017/18 were revised during 2016/17 to reflect the level of assurance gained from the audit review and were as follows; more detail can be found in the Annual Internal Outturn Report for 2017/18, as reported to Audit Committee:

	2015-16	2016-17	2017-18
Substantial Assurance (Very Good)	0	3	2
Considerable Assurance (Good)	9	10	11
Reasonable Assurance	14	7	16

Limited Assurance (Unsatisfactory)	3	7	8
Total	26	27	37

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

Principle B: Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

days		[Target of 90%]	

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

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

- 55 The Council's Well being Objectives and Statement was approved by Council. This plan outlines the council's responsibility to publish its Improvement Objectives in line with the plans for the year ahead as outlined in section 15(7) of the Local Government (Wales) Measure 2009 and shows how the Council is delivering the 7 aspects of improvement.
- 56 The Single Integrated Plan sets out the vision of the Public Service Board – a partnership of the key public service providers in Monmouthshire which includes the Council – it has three key themes; nobody is left behind, people are confident, capable and involved; and our County thrives. It is developed by and agreed by all our partner organisations who are members of the Board. The PSB is using the evidence in the well-being assessment to develop its well-being plan by March 2018. This plan will replace the Single Integrated Plan. Currently the partnerships are more focussed on emerging issues and key issues identified in the approved Well being Plan and responding to them collectively as a partnership, as well as fulfilling statutory duties.
- 57 The Council's strategic partners and wider stakeholders were fully engaged in the development of the Single Integrated Plan 2013-17 (SIP) incorporating key themes and outcomes to realise the shared

vision. The organisation's Stage 1 Improvement Plan underpins the Council's contribution to the SIP by setting Annual Improvement Objectives for 2016/17. The Stage 2 Improvement Plan was presented to Council in September 2017 which reviewed Council performance in the previous financial (2016/17) and included an evaluation of how well it delivered against the objectives set by Council.

58 Under the Well-being of Future Generations (Wales) Act 2015 The Council has a responsibility to:

- Set and publish well-being objectives
- Take all reasonable steps to meet those objectives
- Publish a statement about well-being objectives
- Detail arrangements to publish an annual report of progress

59 In March 2018 Council approved the PSB's Well-being Plan and endorsed the Area plan.. The well-being objectives set bring together the latest evidence from the well-being assessment, policy and legislation and show how the council will strive to deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs. The Council is also required under the Local Government (Wales) Measure 2009 to set annual Improvement Objectives and produce an Improvement Plan, the wellbeing objectives meet this duty. The Council's well-being objectives, as agreed in March 2017, are:

- Provide children and young people with the best possible start in life to help them achieve better outcomes
- Maximise the potential in our communities to improve well-being for people throughout their life course
- Maximise the benefits of the natural and built environment for the well-being of current and future generations
- Develop opportunities for communities and businesses to ensure a well-connected and thriving county

60 The Well being objectives and Statement 2017/18 is supported by service plans to operationally deliver these objectives. Planned improvements and targets are aligned to the Annual Improvement Objectives. Service plans were developed in 2017/18 covering all service areas and were updated quarterly and made available on the Council's Hub. These were quality assessed as part of the service planning process.

61 In July 2017 Wales Audit Office provided an update to Audit Committee on its Proposals for Improvement. The proposals came out of previous reports and were categorised across governance, performance management, HR, Finance and partnership / collaboration working. There were 18 open proposals and 6 closed proposals; the Council is working through the open proposals. Updates were reported in February 2018.

62 Reports were taken through the Scrutiny process during the year which linked service plans to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents available through the Council's website.

63 In 2015/16 the Council was an early adopter of the Wellbeing of Future Generations Act which came into effect in April 2016.

64 The Council is embracing the benefits of digital communications including social media use. It is also developing additional digital channels by introducing a Customer Services app, *My Monmouthshire app*, enabling people to interact and transact with the Council using mobile devices. We are also further developing the Council's website making it easier to navigate and including more transactional functions. Social media continues to thrive during 2017/18 through Twitter, Facebook and You Tube to raise awareness of forthcoming events, to provide live streaming of Cabinet, Council and other political meetings, to promote the activities and services provided and to show support and encouragement for community groups.

65 Enhancing the digital services with economic (effective and efficient processes aiding business interaction), environmental (less travel and print consumables) and social (digital customer centric services). Measured via the Digital Programme Office Service plan and performance planning process.

- 66 To ensure the best use is made of resources and that taxpayers and service users receive excellent value for money, there are a number of mechanisms within the Council to support this. The option appraisals for the 21st Century Schools considered cost and quality to determine the best outcome for the service and budget mandates were in place to monitor and capture the savings assessments.

- 67 Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year, and the budget management actions of Cabinet and senior officers are scrutinized by 4 of the Select committees quarterly. The budget monitoring reporting cycle periodically contains some output measures and unit cost data, so that economic comparison of costs with other Councils can be made. Previously the Council has compared very favourably to others. The updated MTFP was reviewed and approved by Cabinet over the course of the budget setting period (Sept 2016 to Jan 2017) in response to feedback from engagement and scrutiny sessions and the budget was set in January 2018 by Council for 2018/19. Ongoing scrutiny of the Council's budget position in line with the MTFP has provided members with a greater understanding of the budget setting process and the pressures within individual directorates.

- 68 An authority-wide performance measurement system for the Council, the "data hub", hosted on the Council's intranet site continues to be used and further developed. This is available within 3 clicks of the homepage that opens up on all laptops and enables members and officers to track and monitor key data at any point in time from key strategic plans to directorate level "dashboards". This also allows performance to be compared against other council areas, where applicable. A Cabinet level dashboard contains a number of key performance measures and is discussed quarterly by SLT and Cabinet.

- 69 Based on 2016/17 National Performance indicator data the council has seen service performance improve, or remain at the maximum level, in 45% of comparable indicators. When comparing against other local authorities Monmouthshire was ranked in the top or upper middle quartiles for 60% of its targets. Comparable National Performance indicator data for 2017/18 will be available in September 2018.

- 70 The Council utilises 'Buy For Wales' contracts to ensure value for money is obtained in procuring the many goods and services required to run the Council. A nationwide analysis found that MCC had the highest proportion of spend with SMEs of any local authority in the UK (Source:<http://www.spendsmall.org/>)

- 71 The Equality Impact Assessment and Sustainable Development checklist have been revised and combined to align with the Future Generations Act. The "Future Generations Evaluation " ensures the decisions the Council makes are carefully considered to take equality and sustainable development into account, this includes legislation that Monmouthshire County Council is subject to the Equality Act 2010, Wellbeing of Future Generations Act and Welsh Language (Wales) Measure 2011. A range of these were undertaken during 2016/17 which have been published on the website accompanying decision making reports.

- 72 The Wales Audit Office (WAO) presented its Annual Improvement Plan 2016/17 to Audit Committee in September 2017; the overall conclusion was that the Council is likely to meet its statutory requirements in relation to continuous improvement providing it responds constructively and in a timely way to WAO's statutory recommendations.

- 73 The WAO reported on their follow on review from the Governance Corporate Assessment made in 2015, through Audit Committee in July 2017. They concluded that the Council has a clear strategic approach for significant changes, although, better information would help Members when deciding the future shape of the Council.

- 74** The Local Authority is a partner in the South East Wales Consortium Schools Causing Concern protocol. This Policy forms a part of, and is aligned with, the National Model for School Improvement in relation to the informal support and challenge provided by the Local Authority (LA) to a school prior to any issuing of a warning notice or invocation of formal powers of intervention based on the six grounds for intervention. It also aligns with the Welsh Government (WG) Guidance on Schools Causing Concern (March 2016).
- 75** Contract Procedure Rules exemptions are reported to the Audit Committee 6 monthly; managers have been challenged in year to justify their procurement outside the Council agreed procedures. Several managers were called in to Audit Committee to give an account of why accepted procedures were not followed.
- 76** Regular reporting into Cabinet, Scrutiny and Audit Committee enables the achievement of the Council's objectives to be challenged and appropriate action plans put in place to address any identified issues so that the intended outcomes can be achieved.
- 77** Dealing with customer complaints helps Monmouthshire to identify and deal with failures in service delivery. The Council's complaint / compliment procedure is available on the web site. Out of 87 complaints received in 2017/18, 74 were resolved informally although 1 complaint was referred to the Ombudsman, who decided not to investigate. 13 formal complaints were received, 2 of which were escalated. 123 comments were received along with 189 compliments.
- 78** Complaints to the Public Sector Ombudsman Wales alleging breaches of the code of conduct against MCC members are reported annually by the Ombudsman. None of the cases noted below were referred to the Standards Committee. The vast majority of the cases were not investigated any further after the initial consideration by the PSOW. One of the cases from 17/18 will be going to the Adjudication Panel for Wales in July.

Complaints to the Public Sector Ombudsman Wales alleging breaches of the code of conduct against MCC members	
2014/15	3
2015/16	6
2016/17	8
2017/18	4

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

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

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

- 82** 31 Members have received training on the Members' Code of Conduct through the Members induction programme since May 2017.
- 83** There is also ongoing training and development which meets the needs of officers and members through the corporate programme. Coaching and leadership skills training will be rolled out to all managers in due course. Check in, Check Out provides a value-based performance assessment approach between staff and line managers and aims to ensure employees have clear and effective understanding of their contribution to the objectives of their teams and subsequently the Council.
- 84** Scrutiny Member Development programme is in place which provides ongoing specific skills based training for Members and includes scrutiny induction.
- 85** Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance.

Partnerships/collaboration working

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

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

- 91** There are robust arrangements for effective financial control through the Council's accounting procedures and financial regulations. These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets. The Chief Finance Officer is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Procedures for tendering and contract letting are included in the Contract Procedure Rules and Financial Regulations. The Council's Treasury Management arrangements follow professional practice, are subject to regular review and are contained in the Treasury Management Strategy approved by Council each year.
- 92** In May 2016 Wales Audit Office published its review of the Council's progress to improve its governance arrangements by seeking to answer the following question: 'Is the Council effectively addressing issues raised in the 2015 Corporate Assessment and its own Scrutiny Action Plan to improve governance?' The report concluded that the Council has made progress in improving its governance arrangements although more work is needed to strengthen the transparency of decision making and recording. In July 2017 Wales Audit Office reported to Audit Committee that the "Council has a clear strategic approach for significant service changes, although better information would help Members when deciding the future shape of the Council".
- 93** The most recent update on the action the Council is taking in response to the proposal was reported to Audit Committee in July 2017; further updates were reported in February 2018. This identified progress made which the 'Modern Gov' system has been implemented and improved the documentation of minutes, agendas and reports for meetings on the Council's website, with further implementation of the system planned. Work is ongoing training report writers to implement improvements and senior officer accountability. A decision-log of Cabinet meetings is published on the website following each Cabinet meeting detailing the decisions that have been which include any amendments made to the proposed decision. Not publishing minutes for Cabinet has been a longstanding practice of the Council which has raised no issues of transparency and openness in the decision making process and the Council does not have any plans to change this process for recording decisions at Cabinet.
- 94** The anti-fraud, bribery and corruption strategy was revised and updated during 2017/18. It was approved by Cabinet July 2017 and provides a deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention. The Council's Council Tax Reduction Anti-Fraud Policy was approved by Cabinet in June 2015.
- 95** The Audit Committee considers the effectiveness of the Council's arrangements for securing continuous improvement including risk management arrangements. The Audit Committee also considers corporate governance, monitors the work of auditors and inspectors, and monitors the relationships between auditors and staff and the responses to audit and inspection recommendations. It also has responsibility for reviewing the Annual Statement of Accounts and its associated reports (which include this statement) before approval by Council. The Audit Committee has an independent, non-political, Chairman who prepares an annual report of the work of the Audit Committee.
- 96** Internal Audit operate to the standards set out in the 'Public Sector Internal Auditing Standards' which have been developed from the Institute of Internal Auditors (IIA) International Internal Auditing Standards which came into effect in April 2013. The team's role and status is set out in the Council's Internal Audit Charter. The Chief Internal Auditor reports to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's control environment.
- 97** The Chief Internal Auditor will ensure Internal Audit complies with the Public Sector Internal Audit Standards. A self assessment was undertaken during 2017/18 to assess compliance with the Standards which was validated in March 2018 by an external assessor, the Chief Internal Auditor of Neath Port Talbot Council. The outcome of which was that the Internal Audit team is generally complaint, the highest level of compliance.

98 The Council has an objective and professional relationship with its external auditors and statutory inspectors.

99 Managing our information resource through strategies and policies to enable effective decision making which is managed via the draft information strategy and action plan.

Risk management

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

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

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

The strategic risk assessment ensures that:

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

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

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

Ref	Risk	Year	Risk Level (Pre – mitigation)	Risk Level (Post – mitigation)
1	The authority does not remain relevant and viable for future generations due to not having a sustainable delivery model.	2017/18	Medium	Low
		2018/19	Medium	Low
		2019/20	Medium	Low
2	Without appropriate and effective governance infrastructure the Council may not deliver its objectives.	2017/18	Medium	Medium
		2018/19	Medium	Low
		2019/20	Medium	Low
3	The Council and partners do not make sufficient progress to improve well-being through regeneration and partnership working.	2017/18	Medium	Medium
		2018/19	Medium	Medium

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

15	Political, legislative and financial uncertainty for council services and local businesses as a result of Britain leaving the European Union.	2017/18	High	High
		2018/19	High	High
		2019/20	High	High
16	The authority cannot deliver its services due to potential internal/external factors – resulting in service disruption due to lack of Business Continuity planning.	2017/18	Medium	Medium
		2018/19	Medium	Medium
		2019/20	Medium	Medium

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

- 103** The South East Wales Education Achievement Service (EAS) Business Plan 2018-2020 was presented to Cabinet in March 2018. The plan sets out the priorities, programmes and outcomes to be achieved by the EAS on behalf of the South East Wales Consortium.
- 104** An update of progress for 2015/16 and the plan for 2016-17 for the People and Organisational Development Strategy 2014-17 was presented to Cabinet in April 2016. This was approved by Council in April 2015 and remains true to its core purpose in meeting the rapidly changing demands placed on its workforce. The comprehensive progress report summarised the outcomes achieved in 2015/16 as well as the next steps in delivering a coherent and cohesive People Services offer to the organisation.
- 105** The iCounty Strategy Business Plan for 2016/19, along with a report on MCC’s Digital and Technology service and how it aligns with MCC’s iCounty, People and Place strategies was also presented to Cabinet in April 2016. The plan supports the 3 pillars of iCounty:
- a) Improving internal services, data delivery and infrastructure
 - b) Digitally enabled, inclusive and connected communities
 - c) Creating products and commercial assets
- 106** The Business Plan also aligns with the People, Asset Management, MTFP and SRS strategies as well as linking in with MCC’s Business and Service Improvement Plans.
- 107** Cabinet were presented with an overview of the performance of the whole authority safeguarding 2015/16 in July 2016 along with the proposed changes to the whole authority safeguarding approach.
- 108** The Audit Committee continues to support the Internal Audit team and endorses its annual report and plan. The plan details the work and service areas the team will cover based on a risk assessment in order to provide assurance on the adequacy of the internal controls, governance arrangements and risk management process.
- 109** The Whole Authority Report complaints, comments and compliments 2016/17 was presented to Audit Committee in January 2018 which identified the number and types of feedback received and dealt with from 1 April 2016 until 31 March 2017. The report also provided a summary of the number of Freedom of Information Act (FOI) requests received and dealt with by the Council during this period.

Information Governance

- 110** Monmouthshire County Council (MCC) has been working through a “Dripping tap campaign” to raise awareness of and comply with the General Data Protection Regulation 25th May 2018- specifically following the “12 Steps to Compliance” as recommended by the Information Commissioner’s Office (ICO). SLT has been kept abreast with updates on behalf of the Information Governance Group chaired by Senior Information Risk Officer (SIRO) who meet regularly to ensure that MCC is on track. GDPR Operational Leads have been established, along with Digital Champions linking in with

teams, individuals and volunteers to ensure compliance and messages are communicated. Elected Members are data controllers in their own right and must register with the ICO.

- 111** Activity undertaken to date includes: workshops, conference, focus groups, drop-in sessions including legal and procurement advice, HUB articles, online Quiz (186+ participated) all staff emails and face to face training (450+staff to date). MCC has also produced a short video introducing the key principles of GDPR A-F (200+ views), signposting where to find further information about compliance, all staff are to watch before 25th May 2018. GDPR is now introduced at Corporate and local inductions, to become embedded as a culture.
- 112** To provide tools to do the job, MCC have a dedicated GDPR website (over 2k visits to date) with templates (e.g. for privacy notices), charts (e.g. for establishing individual rights) and general advice/updates on the regulation. There are 24 open and transparent service plans published internally on specific work stream actions being undertaken in following the brackets: Data collection and use, retention and disposal, systems and technology, security, governance, training/ awareness and staff data.
- 113** To keep the public informed, MCC looks to launch its online privacy notice library, which will host a comprehensive list of privacy notices that sit across the directorates/ teams. Services will also where appropriate pro-actively promote notices by way of email, newsletter, app notification, letter, printed display or web link. Privacy notices are to be reviewed by Services on a regular basis for accuracy along with other GDPR related documents (Such as Information Audit- "Systems List" and Data Protection Impact Assessments).
- 114** The Corporate GDPR Policy will be included on the public website for clarity. Related policies will be updated accordingly by relevant lead officers, so that they satisfy GDPR requirement. Links are in place to work with the South East Wales Information Forum (SWIF) on a regular basis to share best practice. Good housekeeping is encouraged as is continuous improvement to mitigating against the risk of harm to individuals, although it is recognised further work is required to back date data cleansing tasks which require considerable capacity.

Main areas for Improvement

- 115** The Council will continue to monitor and review its governance arrangements and identify any gaps. These will be addressed during the year to further strengthen governance in Monmouthshire County Council:
- improve performance management arrangements and improve strategic planning;
 - continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;
 - Improve oversight and ongoing implementation of the staff appraisal process 'Check In Check Out'
 - Improve the clarity of reports that members receive to ensure they have access to appropriate and timely information
 - Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources.

Action Plan 2016/17

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

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

Signed:**2018**
Leader

Signed:**2018**
Chief Executive

Main areas of improvement for 2016/17 addressed

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

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

<p>leadership and the individuals within it</p>		<p>Partnership Teams have subsequently been merged into a single Partnership and Community Development Team in order to better align strategic intent and focus on building sustainable and resilient communities.</p>

Action Plan 2017/18

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

Governance Principle	Area for Improvement	Progress

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SUBJECT	RESERVE USAGE OUTTURN 2017/18 AND 2018-19 FORECAST
DIRECTORATE	Chief Executive's Unit
MEETING	Audit Committee
DATE	5th July 2018
DIVISIONS/WARD AFFECTED	All Authority

1 PURPOSE

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

2 REVISED RESERVES PROTOCOL

- 2.1 The detailed report received by Cabinet July 15 was prompted by;
- Faster than expected use of earmarked reserves over the last 4 year period
 - Limited opportunities to replenish reserves from in year underspends as budgets get tighter
 - Limited opportunities to redistribute reserves as various reserves are used up
 - Risks around the on-going austerity measures, the projected gap in the MTFP and the lack of clarity on the Authority's future business model or longer term financial plan to respond to this, notwithstanding the work recently commenced around 'Future Monmouthshire'.
 - Huge commitment of capital resources to Future Schools
 - The need for reserves to work harder
 - The need to consider some issues as requiring base budgets rather than continued funding from reserves e.g. redundancy costs are unfortunately going to be an ongoing feature of expense for the Authority every year.

3 RESERVE ACTIVITY

GENERAL RESERVES

- 3.1 The Council has unallocated reserves in the form of Council fund balance and school reserves. At the end of 2017-18 the unallocated reserve amounted to,

	2016/17 b/fwd	2017/18 outturn
	£'000	£'000
Council Fund	(7,111)	(7,111)
School reserves	(269)	(175)
Total	(7,380)	(7,286)

At the end of the financial year, a revenue surplus of £653k resulted. Rather than this being added to General Reserves, Cabinet agreed a recommendation of acting sc151 officer to replenish earmarked reserves as follows.

Priority Investment Fund	£155k
Capital Receipts Generation Reserve	£50k
Balance Invest to Redesign Reserve	£448k
Total	£653k

EARMARKED RESERVES

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

Project	Reserve Source	Reserve funding utilised in 2017-18	Reserve funding deferred to 2018-19
		£'000	£'000
Document Management System	IT transformation	0	54
Digital Programme and Capital IT Costs	IT transformation	6	100
Accounts Payable System	IT transformation	42	5
Cash Receipting System	IT transformation	0	67
Handsets (Connected worker)	Invest to Redesign	20	29
Innovation and marketing assistance	Invest to Redesign	127	36
Inspire to Work	Invest to Redesign	17	0
Vehicle leasing	Invest to Redesign	61	0
Local Development Plan	Priority Investment	0	375
Community Infrastructure Levy Development	Priority Investment	0	30

SCH Leadership Review	Priority Investment	160	39
Future Monmouthshire	Priority Investment	130	0
Children's Service Temporary staff	Priority Investment	86	0
Legal Costs for Revocation	Priority Investment	92	88
Leisure Trust, extra Council costs	Priority Investment	0	155
Schools sickness and maternity compensation scheme	CYP sickness and maternity reserve	93	0
Rural Development Plan	Rural Development Plan Reserve	0	63
Elections Account	Election Reserve	100	0
Museums Acquisitions	Museums Acquisition Fund	1	0
Grass Routes Acquisitions	Trading Account	38	0
Youth Offending Team Partnership	Trading Account	25	0
Building Control	Trading Account	4	0
Outdoor Education Partnership	Trading Account	61	0
Redundancy Strain Costs	Redundancy & pension	298	0
Insurance Provisions and MMI costs	Insurance Reserve	37	0
Fixed asset disposal	Capital receipts generation reserve	70	72
Capital Programme costs	Capital Investment Fund	127	0
TOTAL		1,595	1,113

3.3 The reserve balances table below reflects the capital and revenue financing movements during 2017-18 and provide a prediction of 2018-19 year end level based on existing member approval levels and slippage levels above.

Account	2016/17 C/F	2017/18			2018/19		
		Net Draw on Reserve	Replenishment of Reserve	C/F	Net Draw on Reserve	Replenish ment of Reserve	C/F
Sub Total Council Fund	-7,379,864	93,561	0	-7,286,303	0	0	-7,286,303
<i>Earmarked Reserves:</i>				0			
Sub-Total Invest to Redesign	-960,943	225,488	-586,888	-1,322,343	399,183	-170,681	-1,093,841
Sub-Total IT Transformation	-727,784	47,903	-55,000	-734,881	225,913	0	-508,969
Sub-Total Insurance and Risk Management	-1,083,295	36,879	0	-1,046,416	0	0	-1,046,416
Sub-Total Capital Receipt Generation	-347,511	70,372	-50,000	-327,139	153,415	0	-173,724
Sub Total Treasury Equalisation	-990,024	0	0	-990,024	0	0	-990,024
Sub-Total Redundancy and Pensions	-795,297	298,484	0	-496,813	163,978	0	-332,835
Sub-Total Capital Investment	-775,522	127,186	0	-648,336	17,999	0	-630,337
Sub-Total Priority Investment	-1,000,171	468,420	-155,000	-686,751	686,751	0	-0
Sub-Total Other Earmarked Reserves	-1,123,847	321,721	-319,111	-1,121,237	86,471	-53,000	-1,087,766
Total Earmarked Reserves	-7,804,395	1,596,452	-1,165,999	-7,373,942	1,733,710	-223,681	-5,863,913
	-15,184,260	1,690,013	-1,165,999	-14,660,245	1,733,710	-223,681	-13,150,216

4 REASONS

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

5 RESOURCE IMPLICATIONS

- 5.1 As a financial planning assumption, the Council has agreed that general reserves levels to provide prudent provision for extraordinary and emergency events should be between 4% - 6% of net expenditure. Based on a budgeted net expenditure of £135.5million (discounting precepts collected on others behalf and before financing of Council activities), the anticipated outturn general reserve level of £7.3million equates to 5.3% ratio, which is mid-way within the financial planning envelope, such that the general reserve level remains stable against a declining level of net expenditure annually.
- 5.2 However there is an immaterial level of earmarked reserve replenishment built into the annual budget, and traditionally a net usage results annually. By necessity Head of Finance considers the replenishment of specific reserves where yearend surpluses allow. As indicated in para 3.1 above, 3 reserves were the focus of replenishment this year; capital receipts generation to accommodate likely balance of costs of Valuation section in facilitating receipts generation, a contribution to Priority Investment Reserve to afford the previously approved costs associated with the outsourcing of leisure and cultural services, with the balance being applied to Invest to redesign, placing a heavier emphasis on reserve usage requests being used to facilitate service re-engineering and redesign.
- 5.3 In conclusion though, earmarked reserves still remain at limited levels unlikely to provide any material capacity/headroom to meet unanticipated volatility or significantly facilitate future service re-engineering and design consequential with setting an annual budget that involves generating circa £5million savings annually.

6 EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS

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

7 CONSULTEES

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

8 BACKGROUND PAPERS

None

9 AUTHOR

Mark Howcroft – Assistant Head of Finance

10 CONTACT DETAILS

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**SUBJECT: INTERNAL AUDIT SECTION
Outturn Report 2017/18**

**DIRECTORATE: Chief Executive
MEETING: Audit Committee
DATE: 5 July 2018**

DIVISION/WARDS AFFECTED: All

1. PURPOSE

To receive and consider the Annual Audit Outturn Report for 2017/18.

2. RECOMMENDATION(S)

That the Audit Committee endorse the Outturn Report.

3. KEY ISSUES

3.1 The Chief Internal Auditor has to give an overall opinion on the adequacy of the internal control environment operated within the systems and establishments of Monmouthshire County Council.

3.2 The audit opinions were revised at the beginning of 2016/17 to reflect a better understanding of the level of assurance obtained; these are shown at Appendix A. 40 audit opinions were issued during 2017/18 ranging from Substantial to Limited (the opinion categorisation changed in 2016/17 to provide a more meaningful level of assurance). The overall opinion was **Reasonable**, which indicates *the systems were adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.*

3.3 8 reviews were given **Limited** assurance.

3.4 The Internal Audit team achieved 82% of the agreed 2017/18 audit plan against a target of 80%.

4. REASONS

4.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and

therefore has a duty to make provision for internal audit in accordance with the Local Government Act.

- 4.2 Internal Audit is an independent function established by the management of Monmouthshire County Council to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 4.3 In line with the Public Sector Internal Auditing Standards, the Chief Internal Auditor should present a formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment. During 2017/18 the Internal Audit team were independently assessed against these standards and were found to be compliant.
- 4.4 This is the Internal Audit Annual Report.

5. RESOURCE IMPLICATIONS

None.

6. CONSULTEES

Chief Officer Resources

7. BACKGROUND PAPERS

Annual Outturn Report 2017/18 - attached
Operational Audit Plan 2017/18
Strategic Audit Plan
Public Sector Internal Auditing Standards

8. AUTHOR AND CONTACT DETAILS

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**INTERNAL AUDIT SECTION
ANNUAL OUTTURN REPORT
2017/18**

YEAR ENDED 31st MARCH 2018

Date: June 2018

1. Introduction

- 1.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for internal audit in accordance with the Local Government Act.
- 1.2 The Regulations state that the Responsible Finance Officer (S.151) of the organisation shall maintain an adequate and effective internal audit of the accounts of that organisation and its systems of internal control. Internal Audit undertakes this role on behalf of the S.151 Officer. Internal Audit is seen as an independent function established by the management of Monmouthshire County Council for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources.
- 1.3 In line with the Public Sector Internal Auditing Standards, the Chief Internal Auditor should present a formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment. The annual report should also:
- a. disclose any qualifications to that opinion, together with reasons for the qualification;
 - b. present a summary of the audit work undertaken to formulate the opinion;
 - c. draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the annual governance statement (to be reported separately);
 - d. compare the work actually undertaken with that planned and summarise the performance of the internal audit function against its performance measures and criteria; and
 - e. comment on compliance with these standards and communicate the results of the internal quality assurance programme.
- 1.4 This report is the Annual Internal Audit Report which meets the requirements of the Standards. It provides the overall audit opinion for Members on the internal controls operating within the County Council and provides a summary of the work completed during the year, identifying key findings and outcomes from the work undertaken. It also outlines the performance of the Internal Audit team during the year against agreed pre-set targets.

- 1.5 The internal controls operating within the Council are of a complex nature, reflecting the organisational arrangements. Internal Audit plans its work to address the major risks that the Authority faces. That work is not designed to check the work of others but to comment on the controls in place to protect the Council from loss of assets or inefficient operations, whatever the cause.
- 1.6 The objectives of the Section for the year were: -
- (a) To deliver an internal audit service in accordance with the Public Sector Internal Auditing Standards and meeting statutory requirements;
 - (b) To undertake risk-based assessments of the Authority's internal control environment and hence contribute to the Annual Governance Statement;
 - (c) To maintain and enhance the audit involvement in all areas as an aid to good financial stewardship;
 - (d) To assist external audit in forming their audit opinion as part of the Managed Audit arrangements;
 - (e) To assist the Senior Leadership Team in the improvement process and to review the Performance Indicators contained in Monmouthshire County Council's Improvement Plan.

2. Audit Opinion

- 2.1 In 2017/18, based on the planned work undertaken during the year, overall, the systems and procedures in place were adequately controlled, although risks were identified which could compromise the overall control environment; improvements are required. The opinion definitions are noted at Appendix A. These were updated in 2016/17 to better reflect the level of assurance gained from undertaking the audit work.
- 2.2 The overall audit opinion for the internal controls operating within the Council in 2017/18 was **Reasonable**:

The Internal Audit team has completed its internal audit work for the year based upon the Operational Audit Plan approved by the Audit Committee in March 2017. The Plan was designed to ensure adequate coverage over the Council's accounting and operational systems using a risk based assessment methodology.

The audit work included reviews, on a sample basis, of each of these systems/establishments sufficient to discharge the Authority's responsibilities for Internal Audit under section 151 of the Local Government Act 1972 and The Accounts and Audit (Wales) Regulations 2014. The opinion is based upon the work undertaken. Work was planned in order to provide sufficient evidence to give me reasonable assurance of the internal control environments tested.

Based on the planned work undertaken during the year, in my view the internal controls in operation are **Reasonable; Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.**

The opinion expressed relates only to the systems and areas reviewed during the year.

Andrew Wathan
Chief Internal Auditor
June 2018

- 2.3 On undertaking audit reviews in accordance with the Annual Audit Plan, an opinion is given on how well the internal controls of the system or establishment are operating. Internal audit reports provide a balanced view of the controls in place. The opinion is determined by the number of strengths and weaknesses identified during the course of the review and the risk rating and priority given to each. Each audit review undergoes a comprehensive review process by the Audit Manager and occasionally the Chief Internal Auditor before the draft report is sent out to management. The controls are generally measured against a predetermined matrix of expected internal controls for each system; for fundamental systems these are usually derived from CIPFA.
- 2.4 The overall opinion has been compiled from individual audit reviews undertaken during the year [Appendix B].

Audit Opinion	2014/15	%	2015/16	%
Very Good	1	4	0	0
Good	9	32	9	35
Reasonable	12	43	14	54
Unsatisfactory	6	21	3	11
Unsound	0	0	0	
	28	100	26	100
Overall Opinion	Reasonable		Reasonable	

Audit Opinion	2016/17	%	2017/18	%
Substantial	3	11	2	5
Considerable	10	36	13	32
Reasonable	7	25	17	43
Limited	8	28	8	20
	28	100	40	100
Overall Opinion	Reasonable		Reasonable	

- 2.5 Managers within directorates need to ensure that robust internal controls are in place and adhered to in order to ensure that the systems in operation run efficiently and effectively and the scope for misappropriation, theft or error is minimised. Heads of Service have a responsibility to ensure that the Council's Financial Procedure Rules and Contract Procedure Rules are complied with at an operational level. Staff should be made aware of these and the requirements therein and the consequences of non-compliance.

3. Extent of Coverage

- 3.1 It is considered that adequate audit coverage was provided to all service areas.

- 3.2 Overall, whilst not all planned audits were carried out, the actual number achieved is considered acceptable in view of the relative risk and priorities of other audit needs.

4. Audit Coverage

- 4.1 The full list of audit reviews completed by the Section during the year is shown in the attached Appendix B, together with the relevant internal control opinion awarded recorded for each audit.

- 4.2 Control opinions range from Substantial to Limited in accordance with the definitions shown in Appendix A.

- 4.3 Audit reviews concluding with a control opinion of limited assurance are routinely reported (in summary form) to the Audit Committee. For 2017/18 there were 8 **Limited** opinions.

- i. Borough Theatre Trust
- ii. Youth Service
- iii. Events Follow-Up
- iv. Raglan Primary School
- v. Fuel Cards
- vi. Procurement
- vii. Health & Safety
- viii. Compliance with Bribery Act Follow-Up

- 4.4 Details of why these audit reviews resulted in limited assurance being given will be presented to Audit Committee separately.

- 4.5 The report format simplifies the outcome of the audit process and gives operational managers a clear indication of the audit opinion following the audit review. The audit opinions provide a level of assurance and are colour coded in line with the traffic light system (Appendix A).

5. Non-Audit Duties

- 5.1 The team now has a minimal involvement with controlled stationery, although still administers the imprest account process.

6. Fraud, Irregularity and Special Work/Investigations

- 6.1 During the year the Section undertook unplanned or special work, including the investigation of suspected fraud, irregularities and non-compliance:

IR35
Bank Transfer Payments
Data Subject Access Request in connection with Kerbcraft Service
Imprest Review
T- Primary School
Investigation of anonymous allegation
Kerbcraft Investigation
Investigation - declaration of interest
M- Primary School
P - Conflict of interest

7. Training

- 7.1 During the year a number of staff attended external courses / seminars on a variety of topics to ensure continued professional development. Currently 2 of the team are being supported through their professional Internal Audit qualifications.
- 7.2 The Section also participates in a number of local audit groups including the Welsh Chief Auditors' Group, the South Wales Chief Auditors' Group and respective sub groups.
- 7.3 Management fully support the development and training of the audit staff and will continue to send staff to appropriate seminars/courses etc., to maintain an awareness of technical and legislative developments and to support user groups within the area in order to provide a more effective service. This will be beneficial on a personal and professional level.

8. Audit Team Performance

- 8.1 To ensure a quality Internal Audit service is provided, the Section uses a range of performance indicators which it compares with other Welsh authorities via the Welsh Chief Auditors' Group.

- 8.2 As shown at Appendix C, the performance of the audit team during 2017/18 was good in that the team achieved 82% of the agreed plan.
- 8.3 82% of the agreed audit plan was achieved against a target of 80%. This was despite being involved with a number of special investigations.
- 8.4 Excluding finalisation work from 2016/17, 95 audit jobs were planned for 2017/18; 78 jobs were completed to at least draft report stage, hence 82% of the plan was achieved. [Not all jobs in the plan would warrant an audit opinion eg financial advice, Annual Governance Statement, NFI, external work, grant claims]. Productive audit days planned for the year amounted to 982; actual days charged were 980.
- 8.5 The team's performance of completion of work within planned time showed the team completed 43% of jobs within planned time compared to 55% in the previous year. This is something audit management will continue to look to improve in the current year.
- 8.6 As a measure of the quality of the work produced, the Section was able to report that 96% of its recommendations were accepted by the relevant client managers, which was slightly lower than the previous year's figure of 98%. [This does not take into account reports that were in draft at year end]. 75% of previously agreed recommendations had been implemented or partially implemented.
- 8.7 Getting audit reports out to clients in a timely manner is a key aspect of maintaining relationships and ensuring control weakness are addressed at an early stage. As a result of management involvement with significant special investigations and unplanned work throughout the year, the team did not do as well as expected in getting reports out to operational managers, although this was a significant improvement on the previous year.
- a. Final reports were sent out 19 days following receipt of management comments, against a target of 5 days.
 - b. Draft reports were sent out to clients 52 days after the completion of the audit work against a target of 17 days.
- 8.8 Of the audit evaluation questionnaires which were returned by operational managers, 89% were satisfied with the audit service they had received although it is recognised that timeliness of reporting needs to improve. The feedback received also gave an indication of the added value of undertaking audits across all directorates; examples of which are shown at Appendix D.

9. Conclusions

- 9.1 It is considered that, over the course of the financial year, the objectives of the Section (as stated in paragraph 1.6) have been met.
- 9.2 The reporting procedures for all areas of the Section are now well established. Working practices are updated as a matter of course to underpin the quality of work undertaken. Team meetings are held on a regular basis to ensure all staff are kept aware of new developments.
- 9.3 However, due to the impact of special work, there were certain areas in the Audit Plan that could not be covered in the year. The Section's management maintained a continuous review process throughout the year to ensure that the highest risk areas were targeted and the Section's Operational Plan for 2017/18 was also designed to ensure that any priority areas outstanding would be covered in the next financial year.
- 9.4 The objective of the Internal Audit team is to provide assurance to Management and Members of the adequacy of the internal control environment, governance arrangements and risk management processes within Monmouthshire. Reduced audit staff resources leads to less coverage across the services provided by the Council which limits the assurance that can be given. In addition the team becomes less flexible in its ability to undertake special investigations in response to allegations of fraud, theft or non compliance.
- 9.5 The Chief Internal Auditor will have to monitor the situation closely and use a range of options to ensure appropriate audit coverage is provided. Although demands on the resources are increasing, the Chief Internal Auditor is confident that adequate and appropriate coverage will be provided throughout the Council; prioritisation may be required.
- 9.6 Finally, the support of all audit staff as well as senior management must be acknowledged in helping to continue to provide a comprehensive and valuable service to the Authority.

Definitions of Internal Audit Opinions Used

LEVEL OF ASSURANCE	DESCRIPTION
SUBSTANTIAL	Very well controlled, with numerous strengths identified and any risks being less significant in nature.
CONSIDERABLE	Generally well controlled, although some risks identified which should be addressed.
REASONABLE	Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.
LIMITED	Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.

Audit Opinions

Overall Opinion 2017/18

Reasonable

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Complete when FINALISED	Opinion given
P1718/70	Resources	Finance	NDR Transitional Reliefs	Medium		Substantial
P1718/71	Resources	Finance	Council Tax & NDR Systems	Medium	Finalised	Substantial
P1718/11	Enterprise	Policy and Performance	National Performance Indicators	Medium	Finalised	Considerable
P1718/12	Enterprise	Policy and Performance	Local Performance Indicators	Low	Finalised	Considerable
P1718/15	Enterprise	Planning	S106	High		Considerable
P1718/29	Children & Young People	Schools	Osbaston Primary School	Low	Finalised	Considerable
P1718/30	Children & Young People	Schools	Overmonnow Primary School	Low		Considerable
P1718/31	Children & Young People	Schools	Cross Ash Primary School	Low	Finalised	Considerable
P1718/33	Children & Young People	Schools	Chepstow School	High	Finalised	Considerable
P1718/55	Operations	Traffic Network	Streetworks	Medium		Considerable
P1718/59	Resources	People & Information Governance	Payroll 2016/17	Medium		Considerable
P1718/65	Resources	Finance	Fixed Assets	Medium	Finalised	Considerable
P1718/66	Resources	Finance	Creditors 2016/17	Medium	Finalised	Considerable
P1718/68	Resources	Finance	Cashiers	Medium		Considerable
P1718/83	Social Care & Health	Public Protection	Licensing	Medium	Finalised	Considerable
P1718/05	Enterprise	Tourism, Leisure & Culture	Leisure Centres Payroll Review	Medium		Reasonable
P1718/08	Enterprise	Tourism, Leisure & Culture	Sports Development	Medium	Finalised	Reasonable

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Complete when FINALISED	Opinion given
P1718/24	Children & Young People	Achievement & Extended Services	Special Educational Needs	Medium		Reasonable
P1718/26	Children & Young People	Schools	Mounton House Special School	Medium	Finalised	Reasonable
P1718/27	Children & Young People	Schools	Deri View Primary School	Low		Reasonable
P1718/28	Children & Young People	Schools	Thornwell Primary School	Low		Reasonable
P1718/34	Children & Young People	Schools	Ysgol Y Ffin Primary School Follow-Up	Medium		Reasonable
P1718/35	Children & Young People	Schools	Raglan Primary School Follow-Up	Medium		Reasonable
P1718/39	Children & Young People	CYP Resources	School Private Fund Accounts	Medium		Reasonable
P1718/41	Operations	Passenger Transport Unit	PTU Follow-Up	Medium		Reasonable
P1718/48	Operations	Property Services & Facilities	Procurement Follow-up 2016/17	High	Finalised	Reasonable
P1718/49	Operations	Property Services & Facilities	School Meals System (Parent Pay)	Medium		Reasonable
P1718/54	Operations	Traffic Network	Kerbcraft	Medium	Finalised	Reasonable
P1718/64	Resources	Finance	Procurement Cards follow-up	Medium		Reasonable
P1718/73	Resources	Community-led Delivery	Markets Follow-Up	High		Reasonable
P1718/88	Corporate	Cross Cutting	IT Procurement	Medium		Reasonable
P1718/89	Corporate	Cross Cutting	Risk Management	High	Finalised	Reasonable
P1718/04	Enterprise	Tourism, Leisure & Culture	Borough Theatre Trust	High	Finalised	Limited
P1718/07	Enterprise	Tourism, Leisure & Culture	Youth Service	Medium		Limited
P1718/09	Enterprise	Tourism, Leisure & Culture	Events Follow-Up	High	Finalised	Limited
P1718/32	Children & Young People	Schools	Raglan Primary School	Medium	Finalised	Limited

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Complete when FINALISED	Opinion given
P1718/45	Operations	Transport	Fuel Cards	Medium	Finalised	Limited
P1718/50	Operations	Property Services & Facilities	Procurement	High		Limited
P1718/82	Social Care & Health	Public Protection	Health & Safety	Medium		Limited
P1718/91	Corporate	Cross Cutting	Compliance with Bribery Act Follow-Up	High		Limited
P1718/21	Children & Young People	Achievement & Extended Services	Education Improvement Grant	Medium	Finalised	Qualified
P1718/22	Children & Young People	Achievement & Extended Services	Pupil Deprivation Grant	Low	Finalised	Qualified
P1718/01	Enterprise	Economy and Enterprise	Agri-Urban URBACT Scheme June 2017	Low	Finalised	Unqualified
P1718/23	Children & Young People	Achievement & Extended Services	Outside School Childcare Grant	Low	Finalised	Unqualified
P1718/38	Children & Young People	CYP Resources	School Uniform Grant	Low	Finalised	Unqualified
P1718/77	Social Care & Health	Integrated Services	Supporting People Grant	High	Finalised	Unqualified

Performance of the Internal Audit Section

Performance Indicator	2014/15	2015/16	2016/17	Annual Target	2017/18
Percentage of planned audits completed	65%	74%	75%	80%	82%
Percentage of audits completed within planned time	50%	27%	55%	67%	43%
Average no. of days from audit closing meeting to issue of a draft report	52 days	75 days	22	17 days	52
Average no. of days from receipt of response to draft report to issue of the final report	29 days	22 days	11	5 days	19
Percentage of recommendations made that were accepted by the clients	96%	97%	98%	95%	96%
Percentage of agreed recommendations that were implemented by the clients	N/A	N/A	68%	90%	75%
Percentage of planned audits for which a questionnaire was issued	88%	78%	100%	90%	100%
Percentage of clients at least 'satisfied' by audit process	91%	100%	100%	95%	89%
Percentage of Directly Chargeable Time (actual versus planned)	85%	91%	107%	100%	108%

**Feedback comments from operational managers
(some examples)**

	<p>Preparatory meetings with Audit colleagues were informative, detailed and we felt development was a two way process. Sarah conducted the audit sensitively, professionally and offered suggestions to our colleagues for improvement. Draft report took a fair amount of time to be cleared for release back to us. We received practical recommendations, many of which were realistic. We do however need to balance process and policy with a person centred volunteer management approach.</p>
	<p>While appropriate feedback was provided as part of the audit, a more formal feedback meeting would be helpful to ensure outcomes are fully understood and promptly addressed. While appropriate feedback was provided as part of the audit, the long delay in issuing the draft report can present a risk to ensuring recommendations are implemented in a timely way.</p>
	<p>It was very stretched out – so felt as if we’d moved on by the end – but moved on with benefit of the learning gained from the audit so positive in that sense</p>
	<p>The follow-up was a little slow, but explanation provided</p>
	<p>I welcomed the audit as it looked at things with fresh eyes and will put measure in place. Rachel in particular throughout the audit was approachable and professional.</p>
	<p>Head of Service thought it was the most pragmatic and proportionate audit he has ever been involved in</p>

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**SUBJECT: INTERNAL AUDIT SECTION
OPERATIONAL PLAN, 2018/19
FINAL**

**DIRECTORATE: Resources
MEETING: Audit Committee
DATE: 5th July 2018
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To receive and consider the Internal Audit Operational Audit Plan for 2018/19.

2. RECOMMENDATION(S)

That the Audit Committee approves the 2018/19 Audit Plan.

3. KEY ISSUES

3.1 A comprehensive risk matrix was developed for the 2011/12 planning process which gave an outline programme of work that would enable the Internal Audit Section to cover all material audit risks across all services of the Council. This was used as the basis for future planning.

3.2 Over 300 possible areas to audit across all services provided by Monmouthshire were risk assessed in this way and then sorted in risk order from high, then medium and low. The audit team staff resources would then be allocated to cover the higher ranked risks as a priority. That said, inevitably there will be reviews which the audit team have to undertake annually such as performance indicators, annual governance statement, mandatory grant claim audits and audit advice, which have also been incorporated into the plan, along with follow up reviews, finalisation work and planned work from previous year not undertaken.

3.3 An allocation of time will be included in the plan for special investigations where the team might receive allegations of fraud, theft, non compliance. The plan also needs to be flexible enough to respond to changes to risk profiles and other developments in year; the audit management team will continually monitor this situation.

3.4 For 2018/19, total available operational audit resources amounts to 895 days, which have been allocated across service directorates on a risk basis. This includes 120 days for special investigations and unplanned work. The work will be undertaken by 5.4 FTE audit staff. The available resource is based on all staff being in place for the whole of the year:

Department/Directorate	Days
Children & Young People	165
Enterprise Operations	122
Resources	53
Social Care & Health	234
Corporate/Other	81
TOTAL	120
	775
Special Investigations	120
TOTAL AUDIT OPERATIONAL DAYS	895

- 3.5 Although the time allocated to special investigations is usually a pressure point the 2018/19 allocation of days has been maintained to ensure appropriate coverage is given across service areas.
- 3.6 The first quarter will include finalisation of 2017/18 work which was at draft report stage at year end, work planned for 2017/18 but not completed, corporate performance indicators along with the collation of the Annual Governance Statement.
- 3.7 This plan may change as the year progresses if the risk profile of audit work changes. Any significant change will be brought back to the Audit Committee for approval. The Audit Committee will be kept updated with the progress against the agreed plan via quarterly reports.
- 3.8 The team comprises of one Audit Manager (CPFA) supported by one Principal Auditor (IIA), two Senior Auditors and one Auditor with the Chief Internal Auditor (CPFA) having overall responsibility for the team; he operates on a shared services arrangement with Newport City Council.
- 3.9 To seek to maximise performance against the plan, Audit Management will ensure audit reports are more focused and timely, that staff with the right skill sets are allocated to appropriate work and non-productive time is minimised.

4. REASONS

- 4.1 The 2018/19 Internal Audit Summary Plan is attached at Appendix 1 to this report. The Plan is based on the risk assessment matrix along with cumulative audit knowledge. This will be reviewed on an annual basis in order to determine the appropriateness of the risk assessment each year where audit resources will be deployed to cover the higher risk reviews.
- 4.2 The Operational Plan has been updated to take account of:

- a) The Authority's latest Risk Assessment;

- b) New areas for inclusion in the Plan identified from changes to legislation and the regulatory framework for local government and from ongoing discussions with service managers;
 - c) Areas of slippage from the 2017/18 Operational Plan; and
 - d) The published Regulatory Plan produced by the Wales Audit Office.
- 4.3 Each review has been risk assessed and categorised as High, Medium or Low risk. Within the cycle of audits the team would aim to cover the higher risk areas as a priority but also provide coverage across directorates with lower risk services. All fundamental financial systems may now not be covered on an annual basis, especially if they have been previously determined as well controlled, with no significant changes to the system or to personnel. We will ensure that these are incorporated within the plan every few years to provide ongoing assurance. This new approach and methodology has been discussed and agreed with the external auditor who may place reliance on the work undertaken by Internal Audit.
- 4.4 Where audits planned for 2017/18 were unable to be undertaken during the year due to insufficient resources and the effects of unplanned special work, these audits have been included in the Operational Plan for 2018/19. Similarly, those audits in progress at the year-end will be completed early in the 2018/19 financial year, and an allowance of time will be included within the Plan for these.
- 4.5 Consultation was undertaken, with visits and email correspondence to the various managers and finance representatives of each directorate. The plan has been updated to reflect specific suggestions from various representatives of Chief Officers and Heads of Service.
- 4.6 The Operational Plan will be kept under review through the course of the year to identify any amendments needed to reflect changing priorities and emerging risks. Material changes to the Plan will be reported to the Head of Finance / Chief Officer Resources and the Audit Committee at the earliest opportunity.
- 4.7 An annual Outturn Report will be prepared for the Audit Committee to provide details on the performance of the Section against the Operational Plan. Interim progress reports will also be provided to the Committee three times per year.
- 4.8 With effect from 1st April 2016 the revised Public Sector Internal Audit Standards came into force for all public sector bodies including local government organisations. The Chief Internal Auditor will ensure that the Audit Team undertake their work in accordance with these Standards. An independent assessment of the team undertaking its work in accordance with the Standards concluded that it was generally compliant.

None.

6. CONSULTEES

Chief Officer Resources / SLT / Heads of Service

7. BACKGROUND PAPERS

Strategic Audit Risk Matrix
Public Sector Internal Audit Standards

8. AUTHORS AND CONTACT DETAILS

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DIRECTORATE:

Children & Young People

Service Area	Subject	Type	Risk
21st Century Schools 21st Century Schools	Monitoring Implementation of Audit Recommendations	Follow-up Audit Advice	
Achievement & Extended Services	Education Improvement Grant	Grant Claim Audit	Med
Achievement & Extended Services	Pupil Deprivation Grant	Grant Claim Audit	Low
Achievement & Extended Services	Outside School Childcare Grant	Grant Claim Audit	Low
Achievement & Extended Services	Special Educational Needs	Finalisation of Report	Med
Achievement & Extended Services	Monitoring Implementation of Audit Recommendations	Follow-up	
Achievement & Extended Services		Audit Advice	
Schools	Monmouth Comprehensive School	New Audit	Med
Schools	Shirenewton Primary School	New Audit	Low
Schools	St. Mary's RC Primary School	New Audit	Low
Schools	Kymin View Primary School	New Audit	Low
Schools	Gilwern Primary School	New Audit	Low
Schools	Goytre Fawr Primary School	New Audit	Low
Schools	Usk CiW VC Primary School	New Audit	Low
Schools	Magor Primary School	Follow-up	Med
Schools	Deri View Primary School	Finalisation of Report	Low
Schools	Thornwell Primary School	Finalisation of Report	Low
Schools	Trellech Primary School	Finalisation of Report	Low

Schools DIRECTORATE:	Raglan Primary School follow-up Children & Young People	Finalisation of Report	Med
Service Area	Subject	Type	Risk
Schools	Ysgol Y Ffin Primary School follow-up	Finalisation of Report	Med
Schools	Magor Primary School	Finalisation of Report	Med
Schools	Overmonnow Primary School	Finalisation of Report	Low
Schools	Monitoring Implementation of Audit Recommendations	Follow-up	
Schools		Audit Advice	
CYP Resources	School Private Fund Accounts	Finalisation of Report	Med
CYP Resources	Monitoring Implementation of Audit Recommendations	Follow-up	
CYP Resources		Audit Advice	

DIRECTORATE:	Enterprise		
Service Area	Subject	Type	Risk
Enterprise & Community Delivery	Agri-Urban URBACT Scheme Final Claim Agri-Urban URBACT Scheme Dec 17 Claim	Grant Claim Audit	Low
Enterprise & Community Delivery		Audit Advice	
Tourism, Leisure & Culture	Borough Theatre	New Audit	High
Tourism, Leisure & Culture	Leisure Centres Payroll Review	Finalisation of Report	Med
Tourism, Leisure & Culture	Alternative Delivery Model Implementation	New Audit	High
Tourism, Leisure & Culture	Youth Service	Finalisation of Report	Med
Tourism, Leisure & Culture	Caldicot Castle	New Audit	Med
Tourism, Leisure & Culture	Events	Follow-up	High
Tourism, Leisure & Culture	Monitoring Implementation of Audit Recommendations	Follow-up	
Tourism, Leisure & Culture		Audit Advice	
Policy & Governance	National Performance Indicators	New Audit	Med
Policy & Governance	Local Performance Indicators	New Audit	Low
Policy & Governance	Monitoring Implementation of Audit Recommendations	Follow-up	
Policy & Governance		Audit Advice	
Planning, Housing & Place Shaping	Section 106 Agreements	Finalisation of Report	High
Planning, Housing & Place Shaping	Monitoring Implementation of Audit Recommendations	Follow-up	
Planning, Housing & Place Shaping		Audit Advice	
City Deal		Audit Advice	

DIRECTORATE:	Operations		
Service Area	Subject	Type	Risk
Passenger Transport Unit	Personal Transport Budgets	New Audit	Low
Passenger Transport Unit	PTU Follow-up audit	Finalisation of Report	Med
Passenger Transport Unit		Audit Advice	
SWTRA & Street Lighting	Monitoring Implementation of Audit Recommendations	Follow-up	
SWTRA & Street Lighting		Audit Advice	
Transport	Fuel Cards	Follow-up	Med
Transport	Monitoring Implementation of Audit Recommendations	Follow-up	
Transport		Audit Advice	
Waste & Street Operations	Waste & Recycling	New Audit	High
Waste & Street Operations	Monitoring Implementation of Audit Recommendations	Follow-up	
Waste & Street Operations		Audit Advice	
Highways & Flood Management	Monitoring Implementation of Audit Recommendations	Follow-up	
Highways & Flood Management	Streetworks	Finalisation of Report	Med
Highways & Flood Management		Audit Advice	
County Highways Operations		Audit Advice	

DIRECTORATE:

Resources

Service Area

Subject

Type

Risk

People	Payroll	New Audit	Med
People	Attendance Management	New Audit	Med
People	Payroll 2017/18	Completion of Work in Progress	Med
People	Term Time Working - new contractual arrangements	New Audit	Med
People	HR Policy Review	Follow-up	High
People	Monitoring Implementation of Audit Recommendations	Follow-up	
People		Audit Advice	
Digital & Agile		Audit Advice	
Finance	Creditor Payments System	New Audit	Med
Finance	Creditors 2017/18	Completion of Work in Progress	Med
Finance	Corporate Sundry Debtors	Finalisation of Report	Med
Finance	Cashiers	New Audit	Med
Finance	Treasury Management	New Audit	Med
Finance	Budgetary Control	Completion of Work in Progress	Med
Finance	Procurement Cards Follow up	Finalisation of Report	Med
Finance	NDR Transitional Relief	Finalisation of Report	Med
Finance	Cashiers 2017/18	Finalisation of Report	Med
Finance	IR35	Finalisation of Report	Med
Finance	Direct Bank Payments	Finalisation of Report	Med
Finance	Monitoring Implementation of Audit Recommendations	Follow-up	

DIRECTORATE:

Resources

Service Area

Subject

Type

Risk

Finance

Audit Advice

Commercial & Integrated Landlord Services

Investment Property Acquisitions

New Audit

High

Commercial & Integrated Landlord Services

Health & Safety of Authority's existing buildings

New Audit

Med

Commercial & Integrated Landlord Services

Parent Pay

Finalisation of Report

Med

Commercial & Integrated Landlord Services

Procurement

Finalisation of Report

High

Commercial & Integrated Landlord Services

Markets follow-up

Finalisation of Report

Med

Commercial & Integrated Landlord Services

Monitoring Implementation of Audit Recommendations

Follow-up

Commercial & Integrated Landlord Services

Audit Advice

Business Planning & Redesign

Audit Advice

DIRECTORATE:

Social Care & Health

Service Area

Subject

Type

Risk

Integrated Services

Section 117 Mental Health Act

New Audit

Med

Integrated Services

Former Monmouthshire Enterprise Services follow-up

Finalisation of Report

Med

Integrated Services

Supporting People Grant - Outcomes Data (May)

Grant Claim Audit

High

Integrated Services

Supporting People Grant - Financial Data (Sept)

Grant Claim Audit

Med

Integrated Services

Monitoring Implementation of Audit Recommendations

Follow-up

Integrated Services

Audit Advice

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Children's Services

External Placements follow-up

Finalisation of Report

High

Children's Services

Review of Imprest Account

Completion of Work in Progress

Med

Children's Services

Monitoring Implementation of Audit Recommendations

Follow-up

Children's Services

Audit Advice

Public Protection

Health & Safety

Finalisation of Report

Med

Public Protection

Monitoring Implementation of Audit Recommendations

Follow-up

Public Protection

Audit Advice

Social Services Finance Unit

Audit Advice

DIRECTORATE:

Corporate

Service Area

Subject

Type

Risk

Cross Cutting

National Fraud Initiative

New Audit

High

Cross Cutting

National Fraud Initiative 2017/18

Finalisation of Report

High

Cross Cutting

Annual Governance Statement

New Audit

Cross Cutting

General Data Protection Regulation

New Audit

High

Cross Cutting

Wellbeing of Future Generations Act

New Audit

Med

Cross Cutting

IT Procurement

Finalisation of Report

Med

Cross Cutting

Agency Workers

New Audit

Med

Cross Cutting

Compliance with Bribery Act

Follow-up

High

Cross Cutting

Safeguarding Arrangements

New Audit

High

Cross Cutting

Annual Safeguarding Report to WASG

New Audit

Cross Cutting

Compliance with Bribery Act 2017/18

Finalisation of Report

High

Cross Cutting

Volunteering

Follow-up

Med

Cross Cutting

Mobile Phones

Follow-up

Med

Cross Cutting

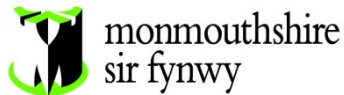
Monitoring Implementation of Audit Recommendations

Follow-up

Cross Cutting

Future Monmouthshire

Audit Advice



SUBJECT:	GOVERNANCE ARRANGEMENTS FOR PROPOSED ALTERNATIVE DELIVERY MODEL FOR TOURISM, CULTURE, LEISURE AND YOUTH
MEETING:	Audit Committee
DATE:	5th July 2018
DIVISION/WARDS AFFECTED:	All

1. PURPOSE:

For Members to receive the draft documentation for the proposed Governance arrangements for the MonLife group companies, that will set out and ultimately inform the Governance Framework – ahead of enactment of the ADM model.

2. RECOMMENDATIONS:

For Members to reassure themselves that the draft Governance arrangements for the ADM are as expected and are satisfied with the process to date. .

3. KEY ISSUES:

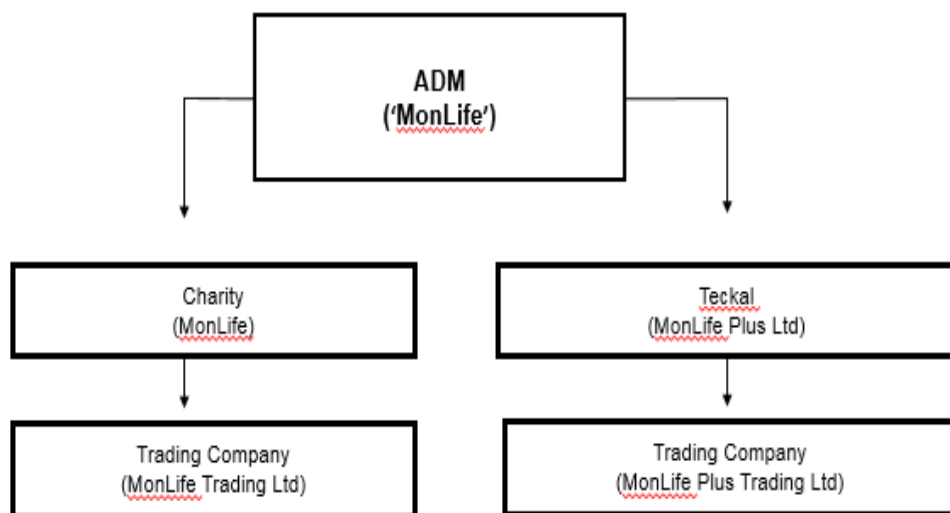
3.1 On 15th February 2018, Council Council agreed that '£155,000 be drawn from the priority investment reserve to fund 'start-up activity for the Alternative Delivery Model' and to 'recognise the need to make provision within the MTFP as part of the budget setting process for the next 5 year period of £388,000, arising from the decision to move Tourism, Leisure, Culture and Youth services into a newly established Alternative Delivery Model'.

3.2 The interim Shadow Board recruitment process has been approved by Cabinet on 6th June 2018 subject to review of, and in line with Audit Committee governance recommendations. Shadow structures to remain internal advisory bodies until such time as the Council approves the decision to enact company operation.

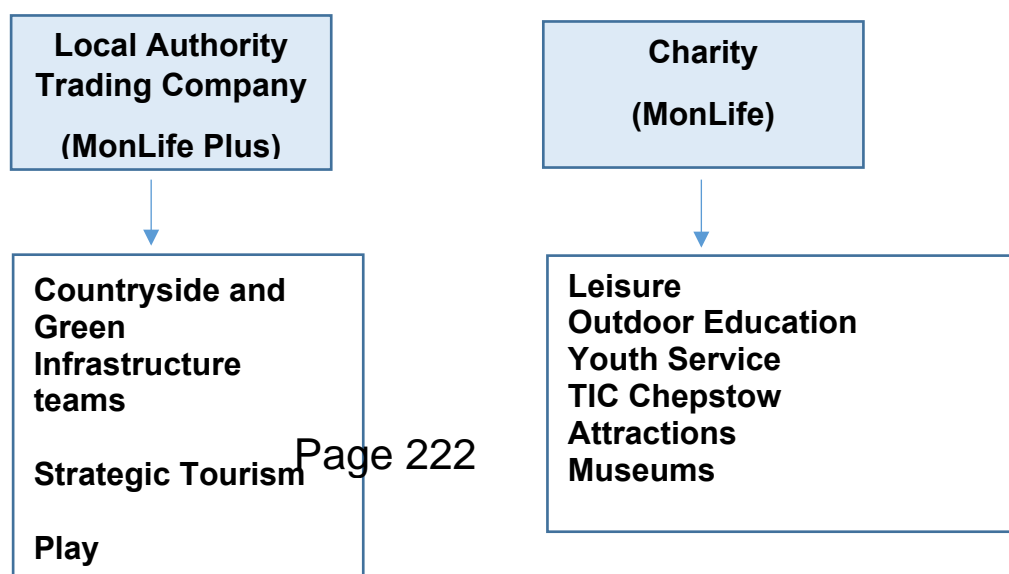
3.3 In preparation for trading, the MonLife group companies comprising the ADM will need to be established in order to protect potential trading names and to avoid delays once final decisions are made. Cabinet have agreed 'to approve the submission of legal incorporation documents in order to secure trading names, website, domains, etc. Companies to be established as shell companies at this stage and will therefore will remain dormant until such time that the Council makes the decision to enact company operation' .

3.4 For the Teckal company, a draft Shareholder Agreement has also been prepared to reflect that it will be wholly owned by the Council. Both the Teckal company and the charitable company will need to be limited companies; the Charity limited by Guarantee and the Teckal company limited by shares.

3.5 The relationship between the Monlife companies are as below:



3.6 The services being delivered within these companies are as below:



Local Authority Trading Company – (MonLife Plus Ltd)

3.7 MonLife Plus Ltd is a separate legal entity. It is wholly owned by the Council, and is set up as a Teckal Vehicle, which means that the Council is able to award contracts directly to it; it is a limited Company which has a Board and a Shareholder Committee.

3.8 Monlife Plus Ltd is owned by the Council, and is funded by public money to deliver services on behalf of the Council. It is important that the Council has sufficient control over its activities to ensure that the Council is able to protect the asset whilst allowing the Teckal to take advantage of its company status in the way it operates.

3.9 Control is exercised through two documents. The first is the Articles of Association (appendix 9), which acts like the Teckal's constitution in that they govern the way in which the Teckal behaves, what it is set up to do etc. The second document is the Shareholder Agreement (appendix 10). This takes priority over the Articles; and sets out the relationship between the Council and the Teckal and the way in which the Council, through the Shareholder Committee, controls the activities of the Teckal.

3.10 There are two sets of appointments to be made. The Teckal needs to have a Board consisting of one Council representative, the CEO and the Finance Director of MonLife, which will be chaired by the Chief Officer for Enterprise. The Shareholder Committee will be administered through Cabinet to avoid any conflict of interest. There needs to be a different membership serving on the Board and on the Shareholder Committee, as there is a clear danger of conflict if this was not the case. Please see appendix 11 for a more detailed description on recruitment to the Local Authority Trading Company.

Charity – (MonLife)

3.11 Monlife is to be a charity. This means that it is outside the Council and is independent from it, existing to fulfil its charitable aims and objectives.

3.12 The charity will be grant funded by the local authority to continue to deliver services on its behalf. The Charity is outside of the local authority control however will be monitored through an agreed performance management framework and provide appropriate reports back to Council.

3.13 It is anticipated in the process of setting up the charity that the Council will retain the right to appoint 2 of the charity Trustees. As this will amount to an appointment to an outside body, it will be the Council who makes these two appointments. It is envisaged that the remaining 7 Trustees including the Chair will be recruited from outside the Council by directors of the Charity.

3.14 The Charity is governed by the Articles of Association and a Grant agreement with the local authority. The charity must abide by charities law which regulate their activities.

Trading subsidiaries

3.15 Both the Teckal and Charity will have Trading subsidiaries. Initially these companies will remain dormant. Both Trading subsidiaries will report to their respective company (Teckal and Charity) and will be governed by the Articles of Association.

Recruitment of Shadow Boards

3.16 To ensure robust, transparent processes for recruitment of the shadow board, it is the intention to place adverts in local papers and promote via our communication channels. All appointments will comply with Nolan's 7 Principles of Public Life (appendix 12), whilst making sure we are attracting the wide range of skills and expertise required to lead the MonLife group companies.

3.17 There will be two boards and one committee formed. One board and a Shareholder Committee for the Teckal Company and a board of Trustees for the Charity. Both Trading companies will be represented by directors/trustees from their respective Teckal and Charity boards.

3.18 The role of the Council as shareholder is an Executive function. This means that the Shareholder Committee will be the Cabinet, which can only have Cabinet members as voting members.

3.19 It is anticipated that the advertising for Shadow Board members for the Charity, will take place mid-July with recruitment and selection being undertaken during August.

3.20 The board members for the Teckal will be appointed by the Chief Officer for Enterprise. The Shareholder Committee will comprise of Cabinet members.

3.21 It is anticipated that the following appointments will be made:

Teckal – Shadow Board of Directors – suggested 3 senior officers appointed by the Chief Office for Enterprise. Chief Officer for Enterprise will be appointed Chair.

Shadow Shareholder Committee – this executive function will be undertaken by Cabinet.

Charity - Shadow Board of Trustees – suggested 9 Trustees of which, one will be appointed as Chair. There will be 2 allocated places for Members.

Trading subsidiaries – Both Boards of the Trading subsidiaries will be selected from a combination of existing directors/trustees from the Teckal and Charity, and new appointments. It is anticipated that there will be 2 board members on each Trading subsidiary.

3.22 The attached draft documentation sets out the Governance arrangements for the MonLife group companies; Draft Articles of Association for Teckal and Charity, Governance framework and Membership of Teckal and Charity Boards; Shadow Boards recruitment process. The Articles of Association and Governance has also been subject to independent professional assurance.

3.23 Initial discussion will need to be considered and agreement made around the financial remuneration for some board members. There will be intention to pay appropriate travelling expenses.

4. OPTIONS APPRAISAL:

4.1 The scale of the future challenge was first recognised in 13/14, when work was commissioned to consider options for future delivery of Cultural Services. Soon after, the scope of this work was widened to include all TLCY services. The whole process has been facilitated by an in-house team following the Welsh

Government's 5 Case Business Model, and informed closely and tested by independent advisors and legal experts. The process has also included full open scrutiny with Members through Seminars, Select committees, Cabinet and Council. In February 2018, Council agreed that '£155,000 be drawn from the priority investment reserve to fund 'start-up activity for the Alternative Delivery Model' and to 'recognise the need to make provision within the MTFP as part of the budget setting process for the next 5 year period of £388,000, arising from the decision to move Tourism, Leisure, Culture and Youth services into a newly established Alternative Delivery Model'.

4.2 The initial and final scrutiny on the draft Governance documentation for the MonLife group company through Audit Select committee will ensure transparent democratic processes has been followed and will assist the future decision on enactment of the ADM, prior to a final decision by full Council currently planned for October 2018.

5. REASONS:

5.1 The draft Governance arrangements and framework requires the Audit Committee to assure themselves that the draft documentation is robust, transparent and meets expectations of the Council.

5.2 Prior to the enactment of the MonLife group companies, the scrutiny process of draft documentation will ensure the MonLife group companies have effective governance in place providing transparency on the way decisions are made and evaluated.

5.3 The recruitment of the Shadow Board members will be critical to the establishment of the Heads of Terms agreements, and provide expert, professional support to the interim project lead and MCC Client Officer to ensure that all companies are ready for enactment in the autumn this year.

6. RESOURCE IMPLICATIONS

6.1 No resource implications to accompany this report.

7. SAFEGUARDING IMPLICATIONS

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

8. BACKGROUND PAPERS

- Appendix 1 Shadow Boards Recruitment process flowchart
- Appendix 2 Draft job description for Shadow Board Director for Teckal
- Appendix 3 Draft job description for Shadow Board Trustees for Charity
- Appendix 4 Draft person specification for Chair of Shadow Board of Trustees for Charity
- Appendix 5 Skills matrix for Shadow Board members
- Appendix 6 Draft Accountability and Governance arrangements for MonLife companies and MCC
- Appendix 7 Draft Articles of Association for MonLife (Charity)
- Appendix 8 Draft Articles of Association of MonLife Trading Ltd
- Appendix 9 Draft Articles of Association of MonLife Plus Ltd
- Appendix 10 Draft Shareholder Agreement
- Appendix 11 Advice re membership of the Board of MonLife Plus Ltd and of the Shareholder Committee relating to MonLife Plus Ltd
- Appendix 12 Nolan's 7 Principles of Public Life

9. FUTURE GENERATIONS IMPLICATIONS

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

10. AUTHORS:

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Tracey Thomas, Interim Governance and Engagement Lead

Cath Fallon, Head of Enterprise and Community Development & MCC ADM Client Officer

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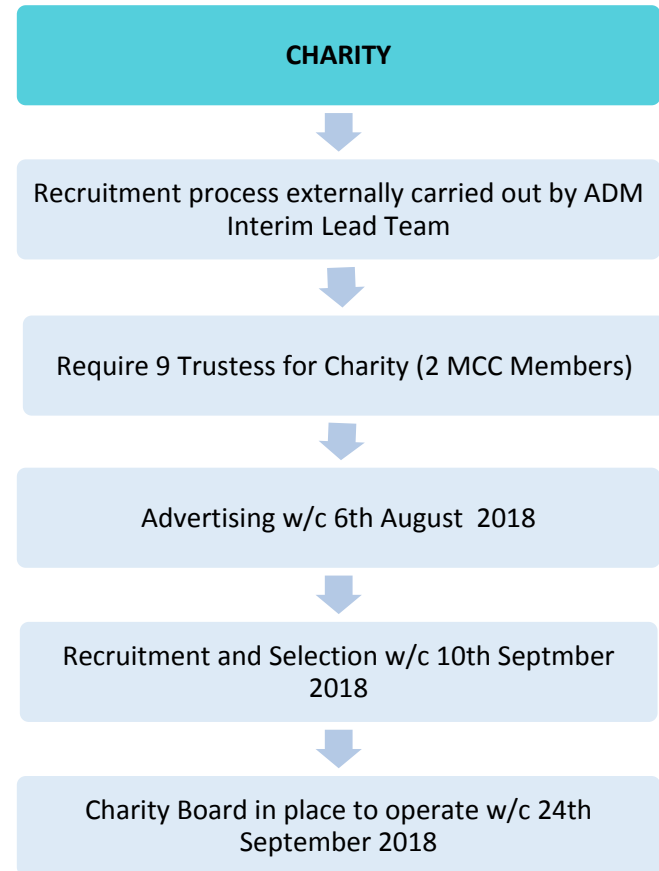
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Appendix 1 Shadow Board Recruitment process flowchart



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Draft Job description for Director of Teckal

1. establish the vision, aims and objectives of MonLife Plus in keeping with its charitable objects;
2. oversee the development of the business planning process to achieve the company's aims and objectives;
3. provide effective governance of the financial management of the company;
4. determine the pace, style and direction of the company's development;
5. establish and promote the messages of MonLife to a wider audience;
6. develop, monitor and revise company policies and ensure their implementation by the company's senior management team;
7. attend meetings and read papers in advance of meetings;
8. ensure that resources are used efficiently and economically;
9. make sure that any premises and equipment are properly looked after;
10. ensure that investments and cash balances are managed properly
11. To review organisational and periodic activity reports.
12. To define and review employment policies and procedures to ensure that the company acts as a responsible employer;
13. To actively seek fundraising and sponsorship opportunities
14. To act as an ambassador for MonLife Plus.

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TRUSTEE: Monlife JOB DESCRIPTION

The role of a trustee is to work with the other trustees to govern the affairs of the Charity. In practice, this means that an individual trustee is to:-

- 1 read and understand the Charity's governing document;
- 2 ensure that the Charity pursues its objects as set out in its governing document;
- 3 understand and be committed to the mission of the Charity and ensure that it pursues its mission;
- 4 act at all times in the interests of the Charity's beneficiaries and not for personal gain;
- 5 attend meetings and read papers in advance of meetings;
- 6 attend sub-committee meetings as appropriate;
- 7 work jointly with the other trustees;
- 8 understand the legal responsibilities of the board of trustees;
- 9 ensure that the board of trustees takes proper professional advice on matters in which it does not have competence;
- 10 read and understand the financial information about the Charity and be satisfied that the finances are sound and properly managed;
- 11 ensure that all money and assets are prudently managed and used in pursuit of the objects of the Charity;
- 12 make sure that money is spent for the purposes for which it was given to the Charity;
- 13 ensure that resources are used efficiently and economically;
- 14 make sure that any premises and equipment are properly looked after;
- 15 ensure that investments and cash balances are managed properly;
- 16 make sure that the Charity acts within the law, for example, as an employer, in respect of equal opportunities, meeting health and safety requirements and so on;
- 17 ensure that the Charity manages its affairs reasonably and properly;
- 18 monitor and evaluate the work of the Charity on a regular basis, including the receipt of reports from staff, staff supervision, receiving feedback from clients, users and consumers and so on;
- 19 keep informed about the activities of the Charity and wider issues which affect its work;
- 20 ensure that the Charity accounts for its activities to its funders, the Charity Commission, its members, the local community and others as required;
- 21 be satisfied that the Charity is properly insured against all reasonable liabilities;

- 22 ensure, as far as possible, that the Charity is a good employer of its paid and voluntary staff;
- 23 where paid staff are employed, to appoint senior employees and usually be involved with the appointment of other staff; and
- 24 supervise and support senior employees and ensure other staff and volunteers are properly supervised.

Anthony Collins Solicitors LLP
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Birmingham
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Person Specification for Chair of Mon Life Charity

KNOWLEDGE, SKILLS AND EXPERIENCE

1. This is a strategic role, so requires a proven track record of providing strategic leadership at a senior level.
2. Highly developed acumen, credibility and practical experience within a commercial or public sector environment.
3. A record of successfully engaging with partners and building instant credibility in the private, public and community sectors. This includes high standards of public accountability.
4. Experience of chairing meetings and managing the demands of different stakeholders.
5. Experience of working and negotiating with local and/or national politicians would be useful..
6. A record of delivery of objectives and targets at a senior level.
7. Experience of responsibility for significant budgets and financial acumen would be useful.
8. Experience of managing and motivating senior people from disparate backgrounds.
9. Demonstrable passion for what Monlife is trying to achieve and a desire to make a difference.
10. Experience of dealing with the media.

PERSONAL QUALITIES

1. A strong communicator, with excellent listening skills and an empathy and sensitivity to people. This person must be

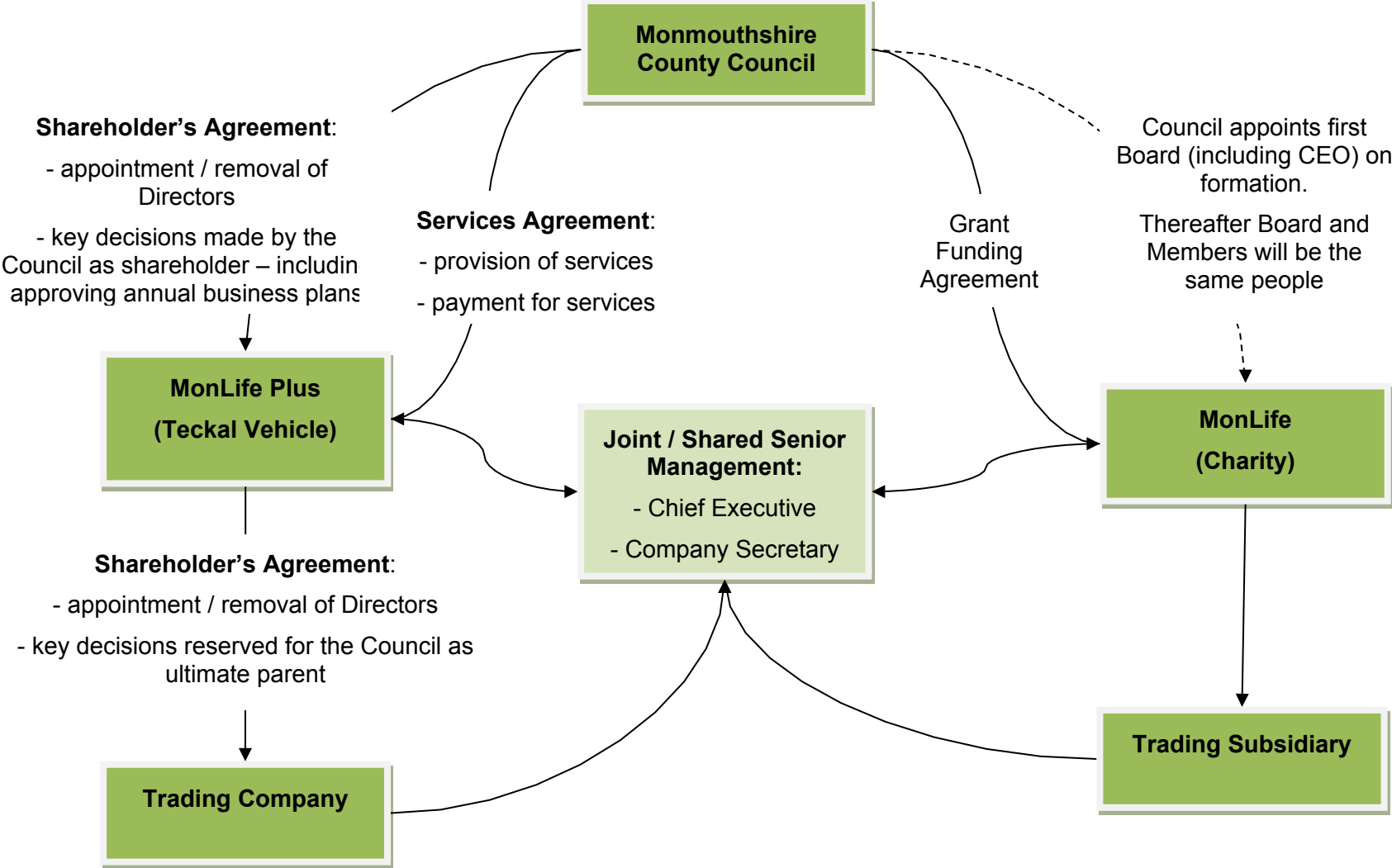
able to deal with complex relationships in an evolving structure.

2. Creative, inspiring, innovative and a natural leader with ambassadorial qualities.
3. Outstanding organisational skills.
4. Ability to gain commitment to a clear vision and the ability to handle competing priorities.
5. Strong commitment to equal opportunities and an understanding of diverse cultures.
6. Energetic, determined, robust and resilient enough to cope with the demands of the role.
7. A persuasive and effective influencer who can foster partnerships, work collaboratively across boundaries and achieve performance and results through others.
8. A creative, strategic and innovative thinker.

Skills Set Matrix for Shadow Board Trustees

Category	A - Essential Criteria	B - Desirable Criteria
Experience	<p>A.1 Good track record in business or community management</p> <p>A.2 Knowledge of the cultural, learning and / or leisure sector in Monmouthshire</p> <p>A.3 Working as part of a Board or Senior Management Team</p>	<p>B.1 Leading a team within a company or community organisation</p> <p>B.2 Fund raising experience</p> <p>B.3 Understanding of corporate governance issues including risk management</p> <p>B.4 Development of strategic policy</p>
Skills	<p>A.4 Relevant skills to contribute to the development of the company; we are particularly looking for skills in finance; legal, personnel, marketing, ICT, property, charity work, and general management</p> <p>A.5 Analytical skills to understand subject matter that may be complex from written and verbal sources</p> <p>A.6 Effective communication skills including the ability to listen to other opinions to form a balanced view and to challenge and debate in a constructive manner.</p> <p>A.7 Ability to contribute effectively to the work of a team or Shadow Board for the benefit of the organisation</p>	
Personal qualities	<p>A.8 Commitment to the success of the charitable objects of the company</p> <p>A.9 Good team player</p> <p>A.10 Able to act effectively as an ambassador for the company</p>	<p>B.5 Commitment to the wellbeing of Monmouthshire</p> <p>B.6 Positive outlook and approach</p>
Other requirements	<p>A.11 Resident in Monmouthshire or connection with the area</p> <p>A.12 Must be prepared to attend evening meetings</p>	<p>B.7 Appreciation of the status and operation of a charitable organisation</p> <p>B.8 Appropriate skills and experience to represent the diverse geographical nature of Monmouthshire</p>
Additional requirements for Board Chair	<p>A.13 Able to act effectively as main ambassador for the company</p> <p>A.14 Able to plan and conduct Shadow Board meetings effectively</p> <p>A.15 Previous Board or similar experience</p>	<p>B.9 Developed leadership skills</p> <p>B.10 Able to maintain an overview of company performance and development and advise accordingly</p> <p>B.11 Good management skills</p>

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THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY GUARANTEE

ARTICLES OF ASSOCIATION

OF

MONLIFE

Company No [NUMBER]

[Registered Charity No [NUMBER]]

THE COMPANIES ACT 2006
PRIVATE COMPANY LIMITED BY GUARANTEE
ARTICLES OF ASSOCIATION
OF
[FULL NAME OF CHARITABLE COMPANY] [LIMITED]
(Adopted by special resolution passed on [DATE])

1. Interpretation

1.1 In these Articles, unless the context otherwise requires:

Act	means the Companies Act 2006;
Articles	means the Charity's articles of association for the time being in force;
Assets	means Caldicot Castle, Shire Hall in Monmouth, Old Station, 4 leisure centres, 3 outdoor education sites, Heritage sites, Countryparks, 3 museum sites and 1 collection in Caldicot, and such other visitor attractions as shall be entrusted to the Charity from time to time;
Business Day	means any day (other than a Saturday, Sunday or public holiday in the United Kingdom) on which clearing banks in the City of London are generally open for business;
Charities Act	means the Charities Act 2011;
Charity	means MONLIFE, which is a charitable company regulated by the Articles;
Charity Commission	means the Charity Commission for England and Wales;
Circulation Date	in relation to a written resolution, has the meaning given to it in the Act;
Clear days	in relation to a period of notice means a period of days not including the day on which notice was given or deemed to be

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given and the day for which it is given or on which it is to take effect;

- Connected Person** means any person falling within one of the following categories:
- (a) any spouse, civil partner, parent, child, brother, sister, grandparent or grandchild of a Director; or
 - (b) the spouse or civil partner of any person in (a); or
 - (c) any person who carries on business in partnership with a Director or with any person in (a) or (b); or
 - (d) an institution which is controlled by either a Director, any person in (a), (b) or (c), or a Director and any person in (a), (b) or (c), taken together;
 - (e) a corporate body in which a Director or any person in (a), (b) or (c) has a substantial interest, or two or more such persons, taken together, have a substantial interest.

Sections 350 to 352 of the Charities Act apply for the purposes of interpreting the terms used in this Article;

Director means a director of the Charity, and the Directors are charity trustees as defined in the Charities Act;

document includes, unless otherwise specified, any document sent or supplied in electronic form;

electronic form and electronic means have the meaning given to such terms in section 1168 of the Act;

Financial Expert means a person who is reasonably believed by the Directors to be qualified to give advice on investments by reason of his ability in and practical experience of financial and other matters relating to investments;

Member means a person who is a subscriber to the Memorandum or who is admitted to membership in accordance with the Articles;

Model Articles means the model articles for private companies limited by guarantee contained in Schedule 2 to the Companies (Model Articles) Regulations 2008 (*SI 2008/3229*);

Objects means the objects of the Charity as stated in article 2;

Special resolution has the meaning given in section 283 of the Act;

United Kingdom means Great Britain and Northern Ireland; and

writing means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

- 1.2 Unless the context otherwise requires, words and expressions which have particular meanings in the Act shall have the same meanings in these Articles.
- 1.3 Headings in these Articles are used for convenience only and shall not affect the construction or interpretation of these Articles.
- 1.4 A reference in these Articles to an **article** is a reference to the relevant article of these Articles unless expressly provided otherwise.
- 1.5 Unless expressly provided otherwise, a reference to a statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time, taking account of:
- 1.5.1 any subordinate legislation from time to time made under it; and
 - 1.5.2 any amendment or re-enactment and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts.
- 1.6 Any phrase introduced by the terms **including, include, in particular** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.
- 1.7 The Model Articles shall not apply to the Charity.

2. Objects

- 2.1 The Charity's objects are restricted specifically, in each case only for the public benefit to:
- 2.1.1 advance education, health, arts, heritage, culture and science through, more particularly, the following objects:
 - (a) provide and maintain museums and/or art galleries for the benefit of the public;
 - 2.1.2
 - (a) advance education by the provision and maintenance of museums and/or art galleries and collections and by providing arts and cultural activities and events, artistic programmes, research projects and educational projects;

- (b) promote for the benefit of visitors to and the residents of Monmouthshire the provision of a public library for recreation and or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said residents and visitors, and the provision of education;
- (c) to promote the conservation of the Assets and their enhancement for the public benefit;
- (d) promote public and community participation in healthy recreation for the benefit of the inhabitants of Monmouthshire and visitors to the area, by the provision of facilities (both indoor and outdoor) for the playing sport and the provision of activities and events to promote wider participation in sport;
- (e) promote for the benefit of the inhabitants of Monmouthshire and visitors to the area the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants;

2.1.3 advance in life and help young people through:

- (a) the provision of recreational and leisure time activities designed to improve their conditions of life;
- (b) providing support and activities through informal education which develop their skills, capacities and capabilities to enable them to participate in society as mature and responsible individuals;

2.1.4 act as a resource for young people living in Monmouthshire by providing advice and assistance to enable them to participate in society as independent, mature and responsible individuals;

2.1.5 advance the education of the inhabitants of Monmouthshire and visitors to the area in particular environmental and outdoor education, including in subjects relating to access to, and the preservation and conservation of, the countryside, and of the health benefits of outdoor recreational pursuits;

2.1.6

2.2 Nothing in these Articles shall authorise an application of the property of the Charity for purposes which are not charitable in accordance with any statutory provision regarding the meaning of the word “charitable” or the words “charitable purposes” in force in any part of the United Kingdom.

3. Powers

- 3.1 In pursuance of the Objects, but not further or otherwise, the Charity has the power to:
- 3.1.1 accept (or disclaim) any gift of money, legacy or other property;
 - 3.1.2 raise funds by way of subscription, donation or otherwise;
 - 3.1.3 trade in the course of carrying out the Objects and carry out any other trade which is not expected to give rise to taxable profits;
 - 3.1.4 establish or purchase companies to carry on any trade;
 - 3.1.5 sell, lease or otherwise dispose of all or any part of the Charity's real or personal property and any and all rights of the Charity, subject to such consents as may be required by law;
 - 3.1.6 borrow or raise money and to give security for money borrowed or grants or other obligations by mortgage, charge, lien or other security on the Charity's property and assets, subject to such consents as may be required by law;
 - 3.1.7 lend and give credit to, take security for such loans or credit and enter into guarantees or give security for the performance of contracts by any person or company;
 - 3.1.8 buy, lease, hire or otherwise acquire and deal with any real or personal property and any rights or privileges of any kind over or in respect of any real or personal property and maintain, alter, improve, manage, develop, construct, repair or equip it for use;
 - 3.1.9 set aside funds for particular purposes or as reserves against future expenditure;
 - 3.1.10 deposit or invest funds with all the powers of a beneficial owner, but to invest only after obtaining advice from a Financial Expert, having regard to the suitability of investments and the need for diversification;
 - 3.1.11 delegate the management of investments to a Financial Expert, but only on terms that:
 - (a) the Charity's investment policy is set down in writing by the Directors for the Financial Expert;
 - (b) all transactions are reported promptly and regularly to the Directors;
 - (c) investment performance is reviewed regularly with the Directors;
 - (d) the delegation arrangement may be cancelled by the Directors at any time;
 - (e) a review of the investment policy and the delegation arrangement shall be carried out at least annually;
 - (f) all payments due to the Financial Expert fall within a scale or a level which is agreed in advance and are notified promptly to the Directors on receipt;

- (g) the Financial Expert must not do anything outside the powers of the Charity;
- 3.1.12 arrange for the investments or other property of the Charity to be held in the name of a nominee (meaning a corporate body registered or having an established place of business in the United Kingdom) which is either under the control of the Directors or of a Financial Expert acting on their instructions, and to pay any reasonable fee required;
- 3.1.13 co-operate with other bodies and to exchange information and advice with them;
- 3.1.14 establish or support or aid in the establishment and support of any organisation formed for objects similar to any or all of the Objects;
- 3.1.15 enter into partnership or other arrangement with any other body with objects similar to any or all of the Objects;
- 3.1.16 acquire, amalgamate or merge with, or undertake all or any of the property, liabilities and engagements of any body with objects similar to any or all of the Objects;
- 3.1.17 enter into contracts to provide services to or on behalf of other bodies;
- 3.1.18 provide or procure the provision of advice;
- 3.1.19 publish and distribute books, pamphlets, reports, leaflets, journals, films, tapes, instructional matter and any other form of information in or on any media;
- 3.1.20 promote, undertake and commission research, surveys, studies or other work and to disseminate the useful results;
- 3.1.21 subject to article 4.2:
 - (a) employ and remunerate any person or persons as necessary for the proper pursuit of the Objects; and
 - (b) make reasonable provision for the payment of pensions for employees and their dependents;
- 3.1.22 take out such insurance policies as are necessary to protect the Charity;
- 3.1.23 provide indemnity insurance for the Directors or any other officer of the Charity in accordance with and subject to the conditions in section 189 of the Charities Act;
- 3.1.24 open and operate bank accounts and other facilities for banking and draw, accept, endorse, issue or execute promissory notes, bills of exchange, cheques and other instruments;
- 3.1.25 organise and assist in the provision of conferences, courses of instruction, exhibitions, lectures and other educational activities;
- 3.1.26 provide and assist in the provision of money, materials or other aid;
- 3.1.27 act as trustee and to undertake and execute charitable trusts;

- 3.1.28 amalgamate or merge with or acquire or undertake all or any of the property, liabilities and engagements of any body having objects similar to the Objects;
- 3.1.29 pay out of the funds of the Charity the costs incurred in connection with the formation and registration of the Charity as a company and as a charity; and
- 3.1.30 do anything lawful which is calculated to further the Objects or is conducive or incidental to doing so.

4. Application of income and property

- 4.1 The income and property of the Charity shall only be applied to promote the Objects.
- 4.2 Except as provided below, no part of the income or property of the Charity may be paid or transferred directly or indirectly by way of dividend, bonus or otherwise by way of profit to any Member of the Charity. This shall not prevent any payment in good faith by the Charity of:
 - 4.2.1 a benefit to any Member in the capacity of a beneficiary of the Charity;
 - 4.2.2 reasonable and proper remuneration to any Member for any goods or services supplied to the Charity, provided that article 5. applies if such a Member is a Director;
 - 4.2.3 interest on money lent by a Member to the Charity at a reasonable and proper rate;
 - 4.2.4 reasonable and proper rent for premises demised or let by a Member to the Charity; and
 - 4.2.5 any payment to a Member who is also a Director which is permitted under article 5.

5. Benefits and payments to Directors and Connected Persons

- 5.1 Subject to the rest of this article 5, a Director:
 - 5.1.1 is entitled to be reimbursed reasonable out-of-pocket expenses properly incurred when acting on behalf of the Charity;
 - 5.1.2 may benefit from trustee indemnity insurance purchased by the Charity in accordance with section 189 of the Charities Act;
 - 5.1.3 may receive payment under an indemnity from the Charity in the circumstances set out in article 37;
 - 5.1.4 may not receive any other benefit or payment from the Charity unless it is authorised by this article 5.
- 5.2 No Director who is also a member of a local authority (and for twelve months after he ceases to be a member of a local authority) shall be entitled to be reimbursed to expenses under article 5.1.

- 5.3 Any Director who is also an employee of a local authority and appointed in connection with such employment may claim expenses in line with their contracts of employment with the local authority.
- 5.4 Unless the benefit or payment is permitted under article 5.5, no Director (including a Member who is also a Director) or Connected Person may:
- 5.4.1 buy any goods or services from the Charity on terms preferential to those applicable to members of the public;
 - 5.4.2 sell goods, services, or any interest in land to the Charity;
 - 5.4.3 be employed by, or receive any remuneration from, the Charity; or
 - 5.4.4 receive any other financial benefit from the Charity.
- 5.5 A Director or a Connected Person may:
- 5.5.1 receive a benefit from the Charity in the capacity of a beneficiary of the Charity provided that a majority of the Directors do not benefit in this way;
 - 5.5.2 enter into a contract for the supply of services, or of goods that are supplied in connection with the provision of services, to the Charity where that is permitted in accordance with, and subject to the conditions in, sections 185 and 186 of the Charities Act;
 - 5.5.3 subject to article 5.6, enter into a contract for the supply of goods to the Charity that are not supplied in connection with services provided to the Charity by the Director or Connected Person;
 - 5.5.4 receive reasonable and proper rent for premises let to the Charity;
 - 5.5.5 receive interest at a reasonable and proper rate on money lent to the Charity;
 - 5.5.6 take part in the normal trading and fundraising activities of the Charity on the same terms as members of the public; and
 - 5.5.7 receive or retain any payment for which prior written authorisation has been obtained from the Commission.
- 5.6 The Charity and its Directors may only rely upon the authority provided by article 5.5.3 if each of the following conditions is satisfied:
- 5.6.1 the amount or maximum amount of the payment for the goods:
 - (a) is set out in an agreement in writing between the Charity and the Director or Connected Person supplying the goods (the “**Supplier**”) under which the Supplier is to supply the goods in question to the Charity;
 - (b) does not exceed what is reasonable in the circumstances for the supply of the goods in question;
 - 5.6.2 the other Directors are satisfied that it is in the best interests of the Charity to contract with the Supplier rather than someone who is not a Director or Connected Person. In reaching that decision, which must be recorded in the

minutes of the meeting, the Directors must balance the advantages of contracting with a Director against the disadvantages of doing so;

5.6.3 the Supplier:

(a) is absent from the part of the meeting at which there is discussion of the proposal to enter into a contract or arrangement with regard to the supply of goods to the Charity by them;

(b) does not vote on any such matter and is not counted when calculating whether a quorum of Directors is present at the meeting; and

5.6.4 a majority of the Directors then in office are not in receipt of remuneration or payments authorised by article 5.

5.7 In article 5.5 and article 5.6, the “Charity” includes any company:

5.7.1 in which the Charity holds more than 50% of the shares; or

5.7.2 in which the Charity controls more than 50% of the voting rights attached to the shares; or

5.7.3 to which the Charity has the right to appoint one or more Directors.

5.8 A Director’s duty under the Act to avoid a conflict of interest with the Charity does not apply to any transaction authorised by this article 5.

6. Winding up

6.1 On the winding up or dissolution of the Charity, after provision has been made for all its debts and liabilities, any assets or property that remain (the “**Charity’s remaining assets**”) shall not be paid or distributed to the Members (except to a Member that is itself a charity and qualifies to benefit under this Article) but shall be applied or transferred:

6.1.1 directly for one or more of the Objects;

6.1.2 to any charity or charities for purposes similar to the Objects; or

6.1.3 to any charity or charities for particular purposes falling within the Objects.

6.2 The decision on who is to benefit from the Charity’s remaining assets, pursuant to article 6.1, may be made by resolution of the Members at or before the time of winding up or dissolution and, subject to any such resolution of the Members, may be made by resolution of the Directors at or before the time of winding up or dissolution.

6.3 In the event that no resolution is passed by the Members or by the Directors in accordance with this Article, the Charity’s remaining assets shall be applied for charitable purposes as directed by the court or the Charity Commission.

7. Liability of members

The liability of each Member is limited to £1, being the amount that each Member undertakes to contribute to the assets of the Charity in the event of its being wound up while they are a Member or within one year after they cease to be a Member, for:

- 7.1.1 payment of the Charity's debts and liabilities contracted before they cease to be a Member;
- 7.1.2 payment of the costs, charges and expenses of the winding up; and
- 7.1.3 adjustment of the rights of the contributories among themselves.

8. Members

- 8.1 The Charity shall admit to membership an individual who or an organisation which:
 - 8.1.1 applies to the Charity using the application process approved by the Directors; and
 - 8.1.2 is approved by the Directors.
- 8.2 The Directors may in their absolute discretion accept or decline to accept any application for membership and need not give reasons for doing so.
- 8.3 The Charity shall maintain a register of Members and any person ceasing to be a Member shall be removed from the register.
- 8.4 Membership is not transferable.
- 8.5 The Directors may establish different classes of membership and set out different rights and obligations for each class, with such rights and obligations recorded in the register of Members, but shall not be obliged to accept any person fulfilling those criteria as a Member.

9. Termination of membership

- 9.1 A Member shall cease to be a Member if:
 - 9.1.1 the Member dies or, if it is an organisation, ceases to exist;
 - 9.1.2 the Member resigns by giving notice to the Charity in writing[, unless the resignation would cause there to be fewer than [three] Members];
 - 9.1.3 any subscription or other sum payable by the Member to the Charity remains unpaid within six months of it falling due and the Charity notifies the Member in writing of the termination of their membership;
 - 9.1.4 the Member is removed from membership by a resolution of the Directors that it is in the best interests of the Charity that the membership is terminated. Such a resolution may not be passed unless:

- (a) the Member has been given at least [14] clear days' notice in writing of the meeting of the Directors at which the resolution will be proposed and the reasons why it will be proposed; and
- (b) the Member or, at the option of the Member, the Member's representative (who need not be a Member of the Charity) has been given a reasonable opportunity to make representations to the meeting either in person or in writing. The Directors must consider any representations made by the Member (or the Member's representative) and inform the Member of their decision following such consideration. [There shall be no right of appeal from a decision of the Directors to terminate the membership of a Member.]

A Member removed from membership by such a resolution shall remain liable to pay to the Charity any subscription or other sum owed by them and shall not be entitled to a refund of any such subscription or other sum paid by them to the Charity.

9.1.5 where the Member is a Director, the Member ceases to be a Director.

10. Annual general meetings

- 10.1 The Charity shall hold its first annual general meeting within 18 months of its incorporation and in each subsequent year, with not more than 15 months elapsing between successive annual general meetings.
- 10.2 Each notice calling an annual general meeting shall specify the meeting as such and each annual general meeting shall take place at such time and place as the Directors shall think fit.
- 10.3 The business at an annual general meeting shall include:
 - 10.3.1 the consideration of the accounts, balance sheets, reports of the Directors and auditors;
 - 10.3.2 the retirement, appointment or re-appointment of Directors in accordance with article 20.1 to article 20.4; and
 - 10.3.3 the appointment of the auditors.

11. Notice of general meetings

- 11.1 General meetings, including the annual general meeting, are called on a minimum of 14 clear days' notice.
- 11.2 A general meeting may be called by shorter notice if it is so agreed by a majority in number of the Members having a right to attend and vote at the meeting, being a majority who together hold not less than 90% of the total voting rights.

11.3 The notice shall specify the date, time and place of the meeting and the general nature of the business to be transacted. It shall also include a statement pursuant to the Act setting out the right of Members to appoint proxies.

11.4 The notice shall be given to:

11.4.1 each Member;

11.4.2 each Director; and

11.4.3 the auditor for the time being of the Charity.

11.5 Proceedings at a general meeting shall not be invalidated because a person entitled to receive notice of the meeting did not receive it because of an accidental omission by the Charity.

12. Proceedings at general meetings

12.1 Every general meeting of the Charity shall have a chair:

12.1.1 The chair of Directors shall chair general meetings of the Charity or, if the chair of Directors is absent, the vice-chair of Directors shall act as chair.

12.1.2 If neither the chair nor the vice-chair of Directors is present within 15 minutes of the time appointed for the meeting, a Director elected by the Directors present shall chair the meeting.

12.1.3 If there is only one Director present and willing to act, that Director shall chair the meeting.

12.1.4 If no Director is present and willing to chair the meeting within 15 minutes of the time appointed for the meeting, the Members present shall choose one of their number to chair the meeting.

12.2 No business shall be transacted at any general meeting unless a quorum is present.

12.3 A quorum is:

12.3.1 [NUMBER] Members who are present in person or by proxy or through their duly authorised representatives and who are entitled to vote on the business to be conducted at the meeting; or

12.3.2 one-tenth of the total membership at the time,

whichever is the greater.

12.4 If within 30 minutes from the time appointed for the meeting a quorum is not present, or if during the meeting a quorum ceases to be present, the meeting shall be adjourned until such other date, time and place as the Directors shall determine. If at the adjourned meeting a quorum is not present within 30 minutes from the time appointed for the meeting, those Members present in person or by proxy and entitled to vote shall be a quorum.

Commented [A2]: This can be any (sensible) number – what is achievable?

- 12.5 The chair of a general meeting may adjourn such a meeting when a quorum is present, if the meeting consents to an adjournment, and shall adjourn such a meeting if directed to do so by the meeting. The chair shall specify either that the meeting:
- 12.5.1 is to be adjourned to a particular date, time and place; or
 - 12.5.2 shall be adjourned to a date, time and place to be appointed by the Directors; and shall have regard to any directions as to date, time and place which have been given by the meeting.
- 12.6 If the meeting is adjourned until more than 14 days after the date on which it was adjourned, the Charity shall give at least seven clear days' notice of it to the same persons to whom notice of the Charity's general meetings is required to be given and containing the same information which such notice is required to contain.
- 12.7 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

13. Voting at general meetings

- 13.1 A vote on a resolution proposed at a meeting shall be decided by a show of hands unless before, or on the declaration of the result of, the show of hands a poll is demanded.
- 13.2 On a show of hands or on a poll, every Member, whether an individual or an organisation, shall have one vote.
- 13.3 Any objection to the qualification of any voter must be raised at the meeting or adjourned meeting at which the vote objected to is tendered and every vote not disallowed at the meeting shall be valid. Any such objection must be referred to the chair of the meeting whose decision is final.
- 13.4 Unless a poll is demanded, the declaration of the chair of the result of the vote and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact and the number or proportion of votes cast in favour or against need not be recorded.
- 13.5 A poll may be demanded by:
- 13.5.1 the chair of the meeting;
 - 13.5.2 the Directors;
 - 13.5.3 two or more persons having the right to vote on the resolution; or
 - 13.5.4 a person or persons representing not less than one tenth of the total voting rights of all the Members having the right to vote on the resolution.
- 13.6 A demand for a poll may be withdrawn if:
- 13.6.1 the poll has not yet been taken, and
 - 13.6.2 the chair of the meeting consents to the withdrawal.

- 13.7 A poll demanded on the election of a person to chair a meeting or on a question of adjournment must be taken immediately.
- 13.8 Otherwise, a poll demanded must be taken either immediately or at such time and place as the chair of the meeting directs, provided that it is taken within 30 days after it was demanded. If not taken immediately, either the time and place at which it is to be taken shall be announced at the meeting at which it was demanded or at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.
- 13.9 The poll shall be conducted in such manner as the chair directs and the chair may fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
- 13.10 If a poll is demanded, this shall not prevent the meeting from continuing to deal with any other business that may be conducted at the meeting.

14. Proxies

- 14.1 A Member is entitled to appoint another person as a proxy to exercise all or any of the Member's rights to attend and to speak and vote at a meeting of the Charity.
- 14.2 Proxies may only be validly appointed by a notice in writing (a "**proxy notice**") which:
- 14.2.1 states the name and address of the Member appointing the proxy;
 - 14.2.2 identifies the person appointed to be that Member's proxy and the general meeting in relation to which that person is appointed;
 - 14.2.3 is signed by or on behalf of the Member appointing the proxy, or is authenticated in such manner as the Directors may determine; and
 - 14.2.4 is delivered to the Charity in accordance with the Articles not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in accordance with any instructions contained in the notice of the general meeting (or any adjourned meeting) to which they relate.
- A proxy notice which is not delivered in such manner shall be invalid unless the Directors, in their discretion, accept the notice at any time before the meeting.
- 14.3 The Charity may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.
- 14.4 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- 14.5 Unless a proxy notice indicates otherwise, it must be treated as:
- 14.5.1 allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting; and
 - 14.5.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates, as well as the meeting itself.

- 14.6 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the Charity by or on behalf of that person.
- 14.7 An appointment under a proxy notice may be revoked by delivering to the Charity a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.
- 14.8 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.
- 14.9 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

15. Members which are organisations

- 15.1 An organisation which is a Member of the Charity may authorise any person to act as its representative at any meeting of the Charity and to exercise, on behalf of the organisation, the rights of the organisation as a member.
- 15.2 The organisation must give written notice of the name of its representative to the Charity and, in the absence of such notice, the Charity shall not be obliged to recognise the entitlement of the organisation's representative to exercise the rights of the organisation at general meetings. Having received such notice, the Charity shall consider that the person named in it as the organisation's representative shall continue to be its representative until written notice to the contrary is received by the Charity.
- 15.3 The Charity shall be entitled to consider that any notice received by it in accordance with article 15.2 is conclusive evidence that the representative is entitled to represent the organisation and that his authority has not been revoked. The Charity shall not be required to consider whether the representative has been properly authorised by the organisation.

16. Written resolutions

- 16.1 Subject to article 16.4, a written resolution of the Members passed in accordance with this article 16. shall have effect as if passed by the Members in a general meeting. A written resolution is passed:
- 16.1.1 as an ordinary resolution if it is passed by a simple majority of the eligible Members; or
- 16.1.2 as a special resolution if it is passed by Members representing not less than 75% of the eligible Members. A written resolution is not a special resolution unless it states that it was proposed as a special resolution.

- 16.2 Where a resolution is proposed as a written resolution of the Charity, the eligible Members are the Members who would have been entitled to vote on the resolution on the Circulation Date of the resolution.
- 16.3 Any resolution of the Members for which the Act does not specify whether it is to be passed as an ordinary resolution or as a special resolution shall be passed as an ordinary resolution.
- 16.4 A Members' resolution under the Act removing a Director or an auditor before the expiration of his term of office may not be passed as a written resolution.
- 16.5 A copy of the written resolution must be sent to every Member together with a statement informing the Member how to signify their agreement to the resolution and the date by which the resolution must be passed if it is not to lapse.
- 16.6 A Member signifies their agreement to a proposed written resolution when the Charity receives from them (or from someone acting on their behalf) an authenticated document identifying the resolution to which it relates and indicating the Member's agreement to the resolution. A Member's agreement to a proposed written resolution, once signified, cannot be revoked. For these purposes:
- 16.6.1 if the document is sent to the Charity in hard copy form, it is authenticated if it bears the signature of the person sending it;
 - 16.6.2 if the document is sent to the Charity in electronic form, it is authenticated if the identity of the sender is confirmed in a manner specified by the Charity or, where no such manner has been specified by the Charity, if it is accompanied by a statement of the identity of the sender and the Charity has no reason to doubt the truth of that statement.
- 16.7 A written resolution is passed when the required majority of eligible Members have signified their agreement to it. In the case of a Member that is an organisation, its authorised representative may signify its agreement.
- 16.8 A proposed written resolution shall lapse if it is not passed within [28] days beginning with the Circulation Date.
- 16.9 Communications in relation to written resolutions shall be sent to the Charity's auditors in accordance with the Act.
- 16.10 The Members may require the Charity to circulate a resolution that may properly be moved and is proposed to be moved as a written resolution in accordance with sections 292 and 293 of the Act.

17. Directors

- 17.1 Unless otherwise determined by ordinary resolution, the number of Directors shall not be subject to any maximum but shall not be less than [three].
- 17.2 The first Directors shall be those persons whose names are notified to Companies House as the first Directors on incorporation.

17.3 A Director may not appoint an alternate director or anyone to act on their behalf at meetings of the Directors.

18. Powers of Directors

18.1 Subject to the provisions of the Act, the Articles and any special resolution, the Directors shall be responsible for the management of the Charity's business and may exercise all the powers of the Charity for that purpose.

18.2 No alteration of the Articles or any special resolution shall invalidate any prior act of the Directors.

18.3 A meeting of the Directors at which a quorum is present may exercise all the powers exercisable by the Directors.

19. Appointment of Directors

19.1 Any person who is willing to act as a Director, and who is permitted by law to do so, may be appointed to be a Director by:

19.1.1 ordinary resolution; or

19.1.2 by resolution of the Directors.

19.2 In any case where, as a result of death, the Charity has no Members and no Directors, the personal representatives of the last Member to have died have the right, by notice in writing, to appoint a person to be a Director.

19.3 For the purposes of Article 19.2, where two or more Members die in circumstances rendering it uncertain who was the last to die, a younger Member is deemed to have survived an older Member.

19.4 Where a maximum number of Directors has been fixed, the appointment of a Director must not cause that number to be exceeded.

20. Retirement of Directors

20.1 At every annual general meeting the following Directors shall retire from office, but may, subject to this article 20., offer themselves for reappointment by the Members:

20.1.1 one-third, or, if their number is not divisible by three, the number nearest to one-third, of the Directors who are to retire by rotation under article 20.2; and

20.1.2 any Director appointed under article 19.1.2 since the previous annual general meeting.

20.2 The Directors to retire by rotation shall be those who have been longest in office since their last appointment or reappointment. As between persons who were appointed or last reappointed on the same day, those to retire shall (unless they agree otherwise among

themselves) be determined by drawing lots. A Director appointed under article 19.1.2 shall not be taken into account in determining the Directors who are to retire by rotation.

20.3 Other than a Director retiring under article 20.1.1, no person may be appointed a Director at any general meeting unless:

20.3.1 that person is recommended by the Directors; or

20.3.2 not less than 14 nor more than 35 clear days before the date of the meeting, the Charity has received a notice, signed by a Member entitled to vote at the meeting, which:

- (a) indicates the Member's intention to propose the appointment of a person as a Director;
- (b) states the details of that person which, if they were appointed, would be required to be recorded in the Charity's register of Directors; and
- (c) is signed by the person to be proposed to show their willingness to be appointed.

20.4 All those who are entitled to receive notice of a general meeting shall, not less than seven nor more than 28 clear days before the date of the meeting, be given notice of any proposal to appoint or reappoint a Director at the meeting, whether on the recommendation of the Directors or because the Charity has received notice, pursuant to article 20.3.2, of a Member's intention to propose an appointment. The requirement to give notice under this article 20.4 shall not apply in the case of a Director who is to retire by rotation and seek reappointment.

20.5 No Director shall serve for more than [nine] consecutive years, unless the Directors consider it would be in the best interests of the Charity for a particular Director to continue to serve beyond that period and that Director is reappointed in accordance with the Articles.

20.6 If a Director is required to retire at an annual general meeting by a provision of the Articles the retirement shall take effect upon the conclusion of the meeting.

21. Disqualification and removal of Directors

A Director shall cease to hold office if they:

21.1.1 are removed by ordinary resolution of the Charity pursuant to the Act;

21.1.2 cease to be a Director by virtue of any provision in the Act or are prohibited by law from being a Director;

21.1.3 are disqualified from acting as a charity trustee by virtue of the Charities Act;

21.1.4 [cease to be a Member of the Charity;]

21.1.5 have a bankruptcy order made against them or a composition is made with their creditors generally in satisfaction of their debts;

- 21.1.6 in the written opinion of a registered medical practitioner who is treating the Director, have become physically or mentally incapable of acting as a director and may remain so for more than three months;
- 21.1.7 resign by written notice to the Charity, provided that at least [three] Directors will remain in office once the resignation takes effect; or
- 21.1.8 are removed from office by a resolution of the Directors that it is in the best interests of the Charity that their office be vacated passed at a meeting at which at least [half] of the Directors are present. Such a resolution must not be passed unless:
 - (a) the Director has been given at least [14] clear days' notice in writing of the meeting of the Directors at which the resolution will be proposed and the reasons why it will be proposed; and
 - (b) the Director has been given a reasonable opportunity to make representations to the meeting either in person or in writing. The other Directors must consider any representations made by the Director (or the Director's representative) and inform the Director of their decision following such consideration. There shall be no right of appeal from a decision of the Directors to terminate the Directorship of a Director.

22. Proceedings of Directors

- 22.1 Subject to the provisions of the Articles, the Directors may regulate their proceedings as they think fit.
- 22.2 Acts done by a meeting of the Directors or of a committee or by a person acting as a Director shall not be invalidated by the subsequent realisation that:
 - 22.2.1 the appointment of any such Director or person acting as a Director was defective; or
 - 22.2.2 any or all of them were disqualified; or
 - 22.2.3 any or all of them were not entitled to vote on the matter.

23. Calling a Directors' meeting

- 23.1 Any Director may call a meeting of the Directors by giving notice of the meeting to the Directors or by authorising the company secretary (if any) to give such notice.
- 23.2 Notice of a meeting of the Directors must be given to each Director, but need not be in writing. The notice must specify:
 - 23.2.1 the time, date and place of the meeting;
 - 23.2.2 the general particulars of the business to be considered at the meeting; and

- 23.2.3 if it is anticipated that the Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

24. Participation in Directors' meetings

- 24.1 Any Director may participate in a meeting of the Directors in person or by means of video conference, telephone or any suitable electronic means agreed by the Directors and by which all those participating in the meeting are able to communicate with all other participants.
- 24.2 If all the Directors participating in the meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

25. Quorum for Directors' meetings

- 25.1 The quorum for Directors' meetings may be fixed from time to time by a decision of the Directors, provided it shall not be less than [two] and, unless otherwise fixed, it is [two].
- 25.2 At a Directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.
- 25.3 If the total number of Directors for the time being is less than the quorum required for decision-making by the Directors, the Directors shall not take any decision other than a decision to:
- 25.3.1 appoint further Directors; or
 - 25.3.2 call a general meeting so as to enable the members to appoint further Directors.

26. Chairing Directors' meetings

- 26.1 The Directors shall appoint one of their number as chair of Directors and may determine the length of term for which the chair of Directors is to serve in that office, although that term may be renewed or extended. On the same basis, the Directors may also appoint one of their number as vice-chair of Directors.
- 26.2 If at any meeting of the Directors neither the chair nor vice-chair of Directors, if any, is participating in the meeting within ten minutes of the time at which it was to start, the participating Directors must appoint one of themselves to chair the meeting.
- 26.3 The Directors may terminate the appointment of a chair or any vice-chair of Directors at any time.

27. Decision-making by Directors

- 27.1 The general rule about decision-making by Directors is that any decision of the Directors must be either a majority decision at a meeting or a decision taken in accordance with Article 28.
- 27.2 Each Director has one vote on each matter to be decided, except for the chair of the meeting who, in the event of an equality of votes, shall have a second or casting vote (unless, in accordance with the Articles, the chair of the meeting is not to be counted as participating in the decision-making process for quorum or voting purposes).

28. Unanimous decisions by Directors

- 28.1 A decision of the Directors is taken in accordance with this Article when all eligible directors indicate to each other by any means that they share a common view on a matter.
- 28.2 Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible Director or to which each eligible Director has otherwise indicated agreement in writing.
- 28.3 References in this article to eligible Directors are to Directors who would have been entitled to vote on the matter had it been proposed as a resolution at a Directors' meeting.
- 28.4 A decision may not be taken in accordance with this Article if the eligible Directors would not have formed a quorum at such a meeting.

29. Delegation by Directors

- 29.1 The Directors may delegate, on such terms of reference as they think fit, any of their powers or functions to any committee comprising two or more Directors.
- 29.2 The Directors may delegate the implementation of their decisions or day-to-day management of the affairs of the Charity to any person or committee.
- 29.3 The terms of reference of a committee may include conditions imposed by the Directors, including that:
- 29.3.1 the relevant powers are to be exercised exclusively by the committee to whom the Directors delegate; and
 - 29.3.2 no expenditure or liability may be incurred on behalf of the Charity except where approved by the Directors or in accordance with a budget previously agreed by the Directors.
- 29.4 Persons who are not Directors may be appointed as members of a committee, subject to the approval of the Directors.
- 29.5 Every committee shall act in accordance with the terms of reference on which powers or functions are delegated to it and, subject to that, committees shall follow procedures

which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by Directors.

29.6 The terms of any delegation to a committee shall be recorded in the minute book.

29.7 The Directors may revoke or alter a delegation.

29.8 All acts and proceedings of any committee shall be fully and promptly reported to the Directors.

30. Conflicts of interests

30.1 A Director must declare the nature and extent of any interest, direct or indirect, which they have in a proposed transaction or arrangement with the Charity or in any transaction or arrangement entered into by the Charity which has not previously been declared.

30.2 A Director must absent themselves from any discussions of the Directors in which it is possible that a conflict will arise between their duty to act solely in the interests of the Charity and any personal interest (including, but not limited to, any personal financial interest).

30.3 If a conflict of interests arises for a Director because of a duty of loyalty owed to another organisation or person and the conflict is not authorised by virtue of any other provision in the Articles, the unconflicted directors may authorise such a conflict of interests where the following conditions apply:

30.3.1 the conflicted director is absent from the part of the meeting at which there is discussion of any arrangement or transaction affecting that other organisation or person;

30.3.2 the conflicted director does not vote on any such matter and is not to be counted when considering whether a quorum of directors is present at the meeting; and

30.3.3 the unconflicted directors consider it is in the interests of the charity to authorise the conflict of interests in the circumstances applying.

In this article **30.3** a conflict of interests arising because of a duty of loyalty owed to another organisation or person only refers to such a conflict which does not involve a direct or indirect benefit of any nature to a director or to a connected person.

31. Secretary

31.1 The Directors may appoint any person who is willing to act as the secretary for such term at such remuneration and on such conditions as the Directors think fit. From time to time the Directors may decide to remove such person and to appoint a replacement.

31.2 A secretary who is also a Director may not be remunerated, otherwise than as permitted by these Articles.

32. Minutes

The Directors shall cause the Charity to keep the following records in writing and in permanent form:

- 32.1.1 minutes of proceedings at general meetings;
- 32.1.2 minutes of meetings of the Directors and of committees of the Directors, including the names of the Directors present at each such meeting;
- 32.1.3 copies of resolutions of the Charity and of the Directors, including those passed otherwise than at general meetings or at meetings of the Directors; and
- 32.1.4 particulars of appointments of officers made by the Directors.

33. [Seal

33.1 The seal, if any, may only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors.

33.2 The Directors may determine by what means and in what form the seal is to be used.

33.3 Unless otherwise decided by the Directors, if the seal is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.

33.4 For the purposes of this Article, an authorised person is:

33.4.1 any Director;

33.4.2 the secretary (if any); or

33.4.3 any person authorised by the Directors for the purpose of signing documents to which the seal is applied.]

Commented [A3]: Will the Charity use a seal? If not, this can be deleted.

34. Records and accounts

34.1 The Directors shall comply with the requirements of the Act and the Charities Act as to maintaining a Members' register, keeping financial records, the audit or examination of accounts and the preparation and transmission to the Registrar of Companies and the Charity Commission of:

34.1.1 annual reports;

34.1.2 annual returns; and

34.1.3 annual statements of account.

34.2 Accounting records relating to the Charity must be made available for inspection by any Directors at any reasonable time during normal office hours.

34.3 A copy of the Charity's latest available statement of account shall be supplied on request to any Director or Member, or to any other person who makes a written request and pays the Charity's reasonable costs of fulfilling the request, within two months of such request.

35. Communications

35.1 The Charity may deliver a notice or other document to a Member:

35.1.1 by delivering it by hand to the address recorded for the Member in the register of Members;

35.1.2 by sending it by post or other delivery service in an envelope (with postage or delivery paid) to an address recorded for the Member in the register of Members;

35.1.3 by fax to a fax number notified by the Member in writing;

35.1.4 by electronic mail to an address notified by the Member in writing;

35.1.5 by a website, the address of which shall be notified to the Member in writing; or

35.1.6 by advertisement in at least two national newspapers.

35.2 This Article does not affect provisions in any relevant legislation or the Articles requiring notices or documents to be delivered in a particular way.

35.3 If a notice or document is delivered by hand, it is treated as being delivered at the time it is handed to or left for the Member.

35.4 If a notice or document is sent:

35.4.1 by post or other delivery service in accordance with article 35.1.2, it is treated as being delivered:

(a) 24 hours after it was posted, if first class post was used; or

(b) 72 hours after it was posted or given to delivery agents, if first class post was not used;

provided it can be proved conclusively that a notice or document was delivered by post or other delivery service by showing that the envelope containing the notice or document was:

(c) properly addressed; and

(d) put into the post system or given to delivery agents with postage or delivery paid.

35.4.2 by fax, it is treated as being delivered at the time it was sent;

35.4.3 by electronic mail, it is treated as being delivered at the time it was sent;

35.4.4 by a website, it is treated as being delivered when the material was first made available on the website, or if later, when the recipient received (or is deemed

to have received) notice of the fact that the material was available on the website.

For the purposes of this article, no account shall be taken of any part of a day that is not a Business Day.

- 35.5 If a notice is given by advertisement, it is treated as being delivered at midday on the day when the last advertisement appears in the newspapers.

36. Irregularities

The proceedings of any meeting or the taking of any poll or the passing of a written resolution or the making of any decision shall not be invalidated by reason of any accidental informality or irregularity (including by accidental omission to give or any non-receipt of notice) or want of qualification in any of the persons present or voting or by reason of any business being considered which is not specified in the notice.

37. Indemnity

- 37.1 Subject to article 37.2, but without prejudice to any indemnity to which they may otherwise be entitled:

37.1.1 every Director or former director of the Charity shall be indemnified out of the assets of the Charity in relation to any liability they incur in that capacity; and

37.1.2 every other officer or former officer of the Charity may be indemnified out of the assets of the Charity in relation to any liability they incur in that capacity.

- 37.2 This Article does not authorise any indemnity to the extent that such indemnity would be prohibited or rendered void by any provision of the Act or by any other provision of law and any such indemnity is limited accordingly.

38. Rules

- 38.1 The Directors may from time to time establish such rules as they may consider necessary for or conducive to the effective operation of the Charity. In particular, but without prejudice to the generality of the above, such rules may regulate:

38.1.1 the admission of Members of the Charity, their rights and privileges and other conditions of membership;

38.1.2 the conduct of Members in relation to one another and to the Charity's employees and volunteers; and

38.1.3 the procedure at general meetings and meetings of the Directors and committees to the extent that such procedure is not regulated by the Act or by the Articles.

- 38.2 The Charity in general meeting may alter, add to or repeal the rules by special resolution.

38.3 The rules shall be binding on all Members and no rule shall be inconsistent with or shall affect or repeal anything contained in the Articles.

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Dated

2018

Articles of association

of

MonLife Trading Limited

Anthony Collins Solicitors LLP

134 Edmund Street

Birmingham B3 2ES

Tel: 0121 200 3242

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Ref: GEM 43856.0001

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The Companies Act 2006

Private Company Limited by Shares

Articles of association of MonLife Trading Limited

Part 1 interpretation and limitation of liability

1 Defined terms and interpretation

1.1 In the articles, unless the context requires otherwise:

address	has the meaning given in section 1148 of the Companies Act 2006;
articles	means the company's articles of association;
bankruptcy	includes individual insolvency proceedings (and in relation to a corporate person, includes corporate insolvency proceedings) in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy (or insolvency, liquidation or winding up in relation to corporate entities);
chairman	has the meaning given in article 15;
chairman of the meeting	has the meaning given in article 43;
clear days	in relation to a notice, excludes the day the notice is deemed under the articles to be given and the day on which the specified period expires;
Companies Acts	means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;
director	means a director of the company, and includes any person occupying the position of director, by whatever name called;
distribution recipient	has the meaning given in article 35;
document	includes, unless otherwise specified, any document sent or supplied in electronic form;
electronic form	has the meaning given in section 1168 of the Companies Act 2006;
electronic means	has the meaning given in section 1168 of the Companies Act 2006;

eligible director	has the meaning given in article 11;
fully paid	in relation to a share means that the nominal value and any premium to be paid to the company in respect of that share have been paid to the company;
group	means the company, any subsidiary of the company, any company of which the company is a subsidiary (its holding company) and any other subsidiaries of any such holding company and member of the group shall mean any of them;
hard copy form	has the meaning given in section 1168 of the Companies Act 2006
holder	in relation to shares means the person whose name is entered in the register of members as the holder of the shares;
instrument	means a document in hard copy form;
model articles	means the model articles for private companies limited by shares contained in Schedule 1 of the Companies (Model Articles) Regulations 2008 (SI 2008/3229), as amended prior to the date of adoption of these articles, and reference to a numbered model article is a reference to the relevant article in the model articles;
ordinary resolution	has the meaning given in section 282 of the Companies Act 2006;
paid	means paid or credited as paid;
parent company	means MonLife being the sole shareholder of the company being the registered holder of 100% of the nominal value of the shares;
participate	in relation to a directors' meeting, has the meaning given in article 13;
proxy notice	has the meaning given in article 49;
relevant officer	means any person who is or was at any time a director, secretary or other officer (except an auditor) of the company or of any undertaking in the same group as the company;
shares	means shares in the company;
special resolution	has the meaning given in section 283 of the Companies Act 2006;
subsidiary	has the meaning given in section 1159 of the Companies Act 2006;
transmittee	means a person entitled to a share by reason of the death or bankruptcy of a member or otherwise by operation of law; and
writing	means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

- 1.2 The model articles are excluded.
- 1.3 Unless the context otherwise requires, other words or expressions contained in the articles bear the same meaning as in the Companies Act 2006 as in force on the date when the articles become binding on the company.
- 1.4 Except where the contrary is stated or the context otherwise requires, any reference in the articles to a statute or statutory provision includes any order, regulation, instrument or other subordinate legislation made under it for the time being in force, and any reference to a statute, statutory provision, order, regulation, instrument or other subordinate legislation includes any amendment, extension, consolidation, re-enactment or replacement of it for the time being in force.
- 1.5 The words 'include', 'includes' and 'including' or similar words are deemed to be followed by the words 'without limitation' and shall not restrict the generality of any preceding words or be construed as being limited to the same class, acts, things or matters as the preceding words where a wider construction is possible.
- 1.6 Words importing the singular number include the plural and vice versa. Words importing the masculine gender include the feminine and neuter gender. Words importing persons include corporations.

2 Name

- 2.1 The Company's name is MonLife Trading Limited.

3 Registered Office

- 3.1 The Registered Office is to be situated in England and Wales.

4 Powers

- 4.1 The company may do anything that a natural or corporate person can lawfully do which is not expressly prohibited by the articles.

5 Liability of members

The liability of the members is limited to the amount, if any, unpaid on the shares held by them.

Part 2 Directors

Directors' Powers and Responsibilities

6 Directors' general authority

- 6.1 Subject to the articles, the directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company.

7 Members' reserve power

- 7.1 The members may, by special resolution, direct the directors to take, or refrain from taking, specified action.
- 7.2 No such special resolution invalidates anything which the directors have done before the passing of the resolution.

8 Directors may delegate

- 8.1 Subject to the articles, the directors may delegate any of the powers which are conferred on them under the articles:

- 8.1.1 to such person or committee;
- 8.1.2 by such means (including by power of attorney);
- 8.1.3 to such an extent;
- 8.1.4 in relation to such matters or territories; and
- 8.1.5 on such terms and conditions

as they think fit. The power to delegate shall be effective in relation to the powers, authorities and discretions of the directors generally and shall not be limited by the fact that in certain of the articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the directors or by a committee authorised by the directors.

- 8.2 If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.
- 8.3 The directors may revoke any delegation in whole or part, or alter its terms and conditions.

9 Committees

- 9.1 Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.
- 9.2 A member of a committee need not be a director.

- 9.3 The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

Decision-making by directors

10 Directors to take decisions collectively

- 10.1 The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 11.

- 10.2 If:

10.2.1 the company only has one director; and

10.2.2 no provision of the articles requires it to have more than one director,

the general rule does not apply, and the director may take decisions without regard to any of the provisions of the articles relating to directors' decision-making.

11 Unanimous decisions

- 11.1 A decision of the directors is taken in accordance with this article when all eligible directors indicate to each other by any means that they share a common view on a matter.

- 11.2 Such a decision may take the form of a resolution in writing signed by each eligible director (whether or not each signs the same document) or to which each eligible director has otherwise indicated agreement in writing.

- 11.3 References in the articles to **eligible directors** are to directors who would have been entitled to vote on the matter had it been proposed as a resolution at a directors' meeting (but excluding any director whose vote is not to be counted in respect of that particular matter).

- 11.4 A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting.

12 Calling a directors' meeting

- 12.1 Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice.

- 12.2 Notice of any directors' meeting must indicate:

12.2.1 its proposed date and time;

12.2.2 where it is to take place; and

12.2.3 if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

- 12.3 Notice of a directors' meeting need not be in writing and must be given to each director provided that, if a director is absent (whether habitually or temporarily) from the United

Kingdom, the company has an address for sending or receiving documents or information by electronic means to or from that director outside the United Kingdom.

- 12.4 Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the company not more than seven days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

13 Participation in directors' meetings

- 13.1 Subject to the articles, directors participate in a directors' meeting, or part of a directors' meeting, when:
- 13.1.1 the meeting has been called and takes place in accordance with the articles; and
 - 13.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.
- 13.2 In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.
- 13.3 If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

14 Quorum for directors' meetings

- 14.1 At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.
- 14.2 The quorum for directors' meetings may be fixed from time to time by a decision of the directors and unless otherwise fixed it is two provided that:
- 14.2.1 if and so long as there is only one director the quorum shall be one; and
 - 14.2.2 for the purposes of any meeting held pursuant to article 18 to authorise a director's conflict, if there is only one director besides the director concerned and directors with a similar interest, the quorum shall be one.
- 14.3 If the total number of directors for the time being is less than the quorum required, the directors must not take any decision other than a decision
- 14.3.1 to appoint further directors; or
 - 14.3.2 to call a general meeting so as to enable the members to appoint further directors.

15 Chairing of directors' meetings

- 15.1 The directors may appoint a director to chair their meetings.
- 15.2 The person so appointed for the time being is known as the chairman.

- 15.3 The directors may terminate the chairman's appointment at any time.
- 15.4 If no director has been appointed chairman, or the chairman is unwilling to chair the meeting or is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating directors must appoint one of themselves to chair it.

16 Casting vote

- 16.1 If the numbers of votes for and against a proposal are equal, the chairman or other director chairing the meeting has a casting vote.
- 16.2 But this does not apply if, in accordance with the articles, the chairman or other director chairing the meeting is not to be counted as participating in the decision-making process for quorum or voting purposes.

17 Directors' interests

- 17.1 Except to the extent that article 18 applies or the terms of any authority given under that article otherwise provide, and without prejudice to such disclosure as is required under the Companies Act 2006, a director may be a party to, or otherwise interested in, any existing or proposed transaction or arrangement with the company and shall be entitled to participate in the decision-making process for quorum and voting purposes on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty that conflicts or may conflict with the interests of the company.

18 Directors' conflicts of interest

- 18.1 Subject to the provisions of the Companies Act 2006 and provided that he has disclosed to the other directors the nature and extent of any material interest of his, a director may, notwithstanding his office or that, without the authorisation conferred by this article 18.1, he would or might be in breach of his duty under the Companies Act 2006 to avoid conflicts of interest, be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any undertaking in the same group as the company, or promoted by the company or by any undertaking in the same group as the company, or in which the company or any undertaking in the same group as the company is otherwise interested.
- 18.2 No director shall:
- 18.2.1 by reason of his office, be accountable to the company for any benefit which he derives from any office or employment, or from any transaction or arrangement, or from any interest in any undertaking, that is authorised under article 18.1 (and no such benefit shall constitute a breach of the duty under the Companies Act 2006 not to accept benefits from third parties, and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit);
 - 18.2.2 be in breach of his duties as a director by reason only of his excluding himself from the receipt of information, or from participation in decision-making or discussion (whether at meetings of the directors or otherwise), that will or may relate to any

office, employment, transaction, arrangement or interest that is authorised under article 18.1; or

- 18.2.3 be required to disclose to the company, or use in relation to the company's affairs, any confidential information obtained by him in connection with any office, employment, transaction, arrangement or interest that is authorised under article 18.1 if his doing so would result in a breach of a duty or an obligation of confidence owed by him in that connection.
- 18.3 A general notice given to the directors that a director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the director has an interest in any such transaction of the nature and extent so specified; and an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.
- 18.4 The directors may, if the quorum and voting requirements set out below are satisfied, authorise any matter that would otherwise involve a director breaching his duty under the Companies Act 2006 to avoid conflicts of interest, and any director (including the director concerned) may propose that the director concerned be authorised in relation to any matter the subject of such a conflict provided that:
- 18.4.1 such proposal and any authority given by the directors shall be effected in the same way that any other matter may be proposed to and resolved upon by the directors under the provisions of the articles, except that the director concerned and any other director with a similar interest:
- (a) shall not be counted for quorum purposes as participating in the decision-making process while the conflict is under consideration;
 - (b) may, if the other directors so decide, be excluded from participating in the decision-making process while the conflict is under consideration; and
 - (c) shall not vote on any resolution authorising the conflict except that, if any such director does vote, the resolution will still be valid if it would have been agreed to if his votes had not been counted; and
- 18.4.2 where the directors give authority in relation to such a conflict:
- (a) they may (whether at the time of giving the authority or at any time or times subsequently) impose such terms upon the director concerned and any other director with a similar interest as they may determine, including, without limitation, the exclusion of that director and any other director with a similar interest from the receipt of information, or participation in any decision-making or discussion (whether at meetings of the directors or otherwise) related to the conflict;
 - (b) the director concerned and any other director with a similar interest will be obliged to conduct himself in accordance with any terms imposed from time to time by the directors in relation to the conflict but will not be in breach of his duties as a director by reason of his doing so;
 - (c) the authority may provide that, where the director concerned and any other director with a similar interest obtains information that is confidential to a

third party, the director will not be obliged to disclose that information to the company, or to use the information in relation to the company's affairs, where to do so would amount to a breach of that confidence;

- (d) the authority may also provide that the director concerned or any other director with a similar interest shall not be accountable to the company for any benefit that he receives as a result of the conflict;
- (e) the receipt by the director concerned or any other director with a similar interest of any remuneration or benefit as a result of the conflict shall not constitute a breach of the duty under the Companies Act 2006 not to accept benefits from third parties;
- (f) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and
- (g) the directors may withdraw such authority at any time.

18.5 Subject to article 18.6, if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman, whose ruling in relation to any director other than the chairman is to be final and conclusive.

18.6 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

19 Records of decisions to be kept

19.1 The directors must ensure that the company keeps a record, in hard copy form, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors (including where decisions are made electronically (in which case the directors shall record such decisions in a physical form)).

20 Directors' discretion to make further rules

20.1 Subject to the articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

Appointment of directors

21 Methods of appointing and removing directors

21.1 A parent company may at any time by notice in writing to the company:

- 21.1.1 appoint any person or persons as a director or directors of the company, and
- 21.1.2 remove any director or directors from office.

21.2 Any appointment or removal pursuant to article 19.1 shall take effect when it is delivered to the registered office of the company or, if it is produced at a meeting of the directors, when it is so produced or, if sent by electronic means to an address generally used by the company, when it is sent (and article 52.2 shall not apply to it). Any such removal shall be without prejudice to any claim that a director may have under any contract between him and the company. If the company has no directors and, by virtue of death or bankruptcy, no member is capable of acting, the transmittee of the last member to have died or to have had a bankruptcy order made against him has the right, by notice in writing, to appoint a person to be a director.

22 Termination of director's appointment

22.1 A person ceases to be a director as soon as:

22.1.1 that person ceases to be a director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;

22.1.2 a bankruptcy order is made against that person;

22.1.3 a composition is made with that person's creditors generally in satisfaction of that person's debts;

22.1.4 he becomes, in the opinion of all his co-directors, physically or mentally incapable of discharging his duties as a director;

22.1.5 notification is received by the company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms;

22.1.6 notification of the director's removal is received by the company from a parent company pursuant to article 21.1; or

22.1.7 he is otherwise duly removed from office.

23 Directors' remuneration

23.1 Directors may undertake any services for the company that the directors decide.

23.2 Subject to the rest of these articles, Directors are entitled to such remuneration as the directors determine:

23.2.1 for their services to the company as directors; and

23.2.2 for any other service which they undertake for the company.

23.3 Subject to the articles, a director's remuneration may:

23.3.1 take any form; and

23.3.2 include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.

23.4 Unless the directors decide otherwise, directors' remuneration accrues from day to day.

23.5 Any director who is a trustee or director of a charity which is the holder of the majority of the issued share capital of the company will be entitled to receive remuneration under this article only if and to the extent that he would be able to receive such payment from the charity but has not in fact done so.

24 Directors' expenses

24.1 The company may pay any reasonable expenses which the directors (and any company secretary) properly incur in connection with their attendance at:

24.1.1 meetings of directors or committees of directors;

24.1.2 general meetings; or

24.1.3 separate meetings of the holders of any class of shares or of debentures of the company,

or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company.

Part 3 Shares and Distributions

Shares

25 All shares to be fully paid

25.1 No share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the company in consideration for its issue.

25.2 This does not apply to shares taken on the formation of the company by the subscribers to the company's memorandum.

26 Issuing shares

26.1 The directors shall not, without the prior written consent of a parent company, allot shares or other securities in, or grant any rights to subscribe for or convert into shares or other securities of, the company to any person other than a parent company. The power conferred on the directors by section 550 of the Companies Act 2006 is limited accordingly.

27 Company not bound by less than absolute interests

27.1 Except as required by law, no person is to be recognised by the company as holding any share upon any trust, and except as otherwise required by law or the articles, the company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

28 Share certificates

- 28.1 The company must issue each member, free of charge, with one or more certificates in respect of the shares which that member holds.
- 28.2 Every certificate must specify:
- 28.2.1 in respect of how many shares, of what class, it is issued;
 - 28.2.2 the nominal value of those shares;
 - 28.2.3 that the shares are fully paid; and
 - 28.2.4 any distinguishing numbers assigned to them.
- 28.3 No certificate may be issued in respect of shares of more than one class.
- 28.4 If more than one person holds a share, only one certificate may be issued in respect of it.
- 28.5 Certificates must:
- 28.5.1 have affixed to them the company's common seal; or
 - 28.5.2 be otherwise executed in accordance with the Companies Acts.
- 28.6 The directors may determine, either generally or in relation to any particular case, that any signature on any certificate need not be autographic but may be applied by some mechanical or other means, or printed on the certificate, or that certificates need not be signed.

29 Replacement share certificates

- 29.1 If a certificate issued in respect of a member's shares is:
- 29.1.1 damaged or defaced; or
 - 29.1.2 said to be lost, stolen or destroyed,
- that member is entitled to be issued with a replacement certificate in respect of the same shares.
- 29.2 A member exercising the right to be issued with such a replacement certificate:
- 29.2.1 may at the same time exercise the right to be issued with a single certificate or separate certificates;
 - 29.2.2 must return the certificate which is to be replaced to the company if it is damaged or defaced; and
 - 29.2.3 must comply with such conditions as to evidence indemnity and the payment of reasonable expenses as the directors decide.

30 Share transfers

- 30.1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of the transferor.

- 30.2 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share.
- 30.3 The company may retain any instrument of transfer which is registered.
- 30.4 The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it.
- 30.5 The directors, in their absolute discretion, may refuse to register the transfer of a share, and if they do so, they shall within two months after the date on which the transfer was lodged send the transferee the notice of refusal together with their reasons for refusal and, unless they suspect that the proposed transfer may be fraudulent, the instrument of transfer.

31 Transmission of shares

- 31.1 If title to a share passes to a transmittee, the company may only recognise the transmittee as having any title to that share.
- 31.2 A transmittee who produces such evidence of entitlement to shares as the directors may properly require:
 - 31.2.1 may, subject to the articles, choose either to become the holder of those shares or to have them transferred to another person; and
 - 31.2.2 subject to the articles, and pending any transfer of the shares to another person, has the same rights as the holder had.
- 31.3 But transmittees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares.

32 Exercise of transmittees' rights

- 32.1 Transmittees who wish to become the holders of shares to which they have become entitled must notify the company in writing of that wish.
- 32.2 If the transmittee wishes to have a share transferred to another person, the transmittee must execute an instrument of transfer in respect of it.
- 32.3 Any transfer made or executed under this article is to be treated as if it were made or executed by the person from whom the transmittee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.

33 Transmittees bound by prior notices

- 33.1 If a notice is given to a member in respect of shares and a transmittee is entitled to those shares, the transmittee is bound by the notice if it was given to the member before the transmittee's name has been entered in the register of members.

Dividends and other distributions

34 Procedure for declaring dividends

- 34.1 The company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends.
- 34.2 A dividend must not be declared unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors.
- 34.3 No dividend may be declared or paid unless it is in accordance with members' respective rights.
- 34.4 Unless the members' resolution to declare or directors' decision to pay a dividend, or the rights attached to any shares, specify otherwise, it must be paid by reference to each member's holding of shares on the date of the resolution or decision to declare or pay it.
- 34.5 If the company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear.
- 34.6 The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.
- 34.7 If the directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

35 Payment of dividends and other distributions

- 35.1 Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means:
- 35.1.1 transfer to a bank or building society account specified by the distribution recipient either in writing or as the directors may otherwise decide;
- 35.1.2 sending a cheque made payable to the distribution recipient by post to the distribution recipient at the distribution recipient's registered address (if the distribution recipient is a holder of the share), or (in any other case) to an address specified by the distribution recipient either in writing or as the directors may otherwise decide;
- 35.1.3 sending a cheque made payable to such person by post to such person at such address as the distribution recipient has specified either in writing or as the directors may otherwise decide; or
- 35.1.4 any other means of payment as the directors agree with the distribution recipient either in writing or by such other means as the directors decide.
- 35.2 Dividends may be declared or paid in any currency and the directors may agree with any distribution recipient that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may

agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for the company or any other person to bear the costs involved.

35.3 In the articles, **the distribution recipient** means, in respect of a share in respect of which a dividend or other sum is payable:

35.3.1 the holder of the share; or

35.3.2 if the share has two or more joint holders, whichever of them is named first in the register of members; or

35.3.3 if the holder is no longer entitled to the share by reason of death or bankruptcy, or otherwise by operation of law, the transmittee.

36 No interest on distributions

36.1 The company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by:

36.1.1 the rights attached to the share, or

36.1.2 the provisions of another agreement between the holder of that share and the company.

37 Unclaimed distributions

37.1 All dividends or other sums which are:

37.1.1 payable in respect of shares; and

37.1.2 unclaimed after having been declared or become payable,

may be invested or otherwise made use of by the directors for the benefit of the company until claimed.

37.2 The payment of any such dividend or other sum into a separate account does not make the company a trustee in respect of it.

37.3 If:

37.3.1 12 years have passed from the date on which a dividend or other sum became due for payment, and

37.3.2 the distribution recipient has not claimed it,

the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the company.

38 Non-cash distributions

38.1 Subject to the terms of issue of the share in question, the company may, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend or

other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).

- 38.2 For the purposes of paying a non-cash distribution, the directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:
- 38.2.1 fixing the value of any assets;
 - 38.2.2 paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and
 - 38.2.3 vesting any assets in trustees.

39 Waiver of distributions

- 39.1 Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the company notice in writing to that effect, but if:
- 39.1.1 the share has more than one holder; or
 - 39.1.2 more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders, or otherwise,
- the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share.

Capitalisation of Profits

40 Authority to capitalise and appropriation of capitalised sums

- 40.1 Subject to the articles, the directors may, if they are so authorised by an ordinary resolution:
- 40.1.1 decide to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the company's share premium account or capital redemption reserve; and
 - 40.1.2 appropriate any sum which they so decide to capitalise (a **capitalised sum**) to the persons who would have been entitled to it if it were distributed by way of dividend (the **persons entitled**) and in the same proportions.
- 40.2 Capitalised sums must be applied:
- 40.2.1 on behalf of the persons entitled, and
 - 40.2.2 in the same proportions as a dividend would have been distributed to them.
- 40.3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.

- 40.4 A capitalised sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the company which are then allotted credited as fully paid to the persons entitled or as they may direct.
- 40.5 Subject to the articles the directors may:
- 40.5.1 apply capitalised sums in accordance with articles 40.3 and 40.4 partly in one way and partly in another:
 - 40.5.2 make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this article (including the issuing of fractional certificates or the making of cash payments); and
 - 40.5.3 authorise any person to enter into an agreement with the company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this article.

Part 4 Decision-making by Members

Organisation of general meetings

41 Attendance and speaking at general meetings

- 41.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 41.2 A person is able to exercise the right to vote at a general meeting when:
- 41.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
 - 41.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 41.3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 41.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.
- 41.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

42 Quorum for general meetings

- 42.1 No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

43 Chairing general meetings

- 43.1 If the directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.
- 43.2 If the directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:
- 43.2.1 the directors present; or
- 43.2.2 (if no directors are present), the meeting,
must appoint a director or member to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.
- 43.3 The person chairing a meeting in accordance with this article is referred to as 'the chairman of the meeting'.

44 Attendance and speaking by directors and non-members

- 44.1 Directors may attend and speak at general meetings, whether or not they are members.
- 44.2 The chairman of the meeting may permit other persons who are not:
- 44.2.1 members; or
- 44.2.2 otherwise entitled to exercise the rights of members in relation to general meetings,
to attend and speak at a general meeting.

45 Adjournment

- 45.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, if the meeting was convened by the members, the meeting shall be dissolved and, in any other case, the chairman of the meeting must adjourn it.
- 45.2 The chairman of the meeting may adjourn a general meeting at which a quorum is present if:
- 45.2.1 the meeting consents to an adjournment; or
- 45.2.2 it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.
- 45.3 The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.
- 45.4 When adjourning a general meeting, the chairman of the meeting must:
- 45.4.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors; and

- 45.4.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.
- 45.5 If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the company must give at least seven clear days' notice of it:
 - 45.5.1 to the same persons to whom notice of the company's general meetings is required to be given; and
 - 45.5.2 containing the same information which such notice is required to contain.
- 45.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

Voting at general meetings

46 Voting: general

- 46.1 A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.

47 Errors and disputes

- 47.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.
- 47.2 Any such objection must be referred to the chairman of the meeting, whose decision is final.

48 Poll votes

- 48.1 A poll on a resolution may be demanded:
 - 48.1.1 in advance of the general meeting where it is to be put to the vote; or
 - 48.1.2 at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.
- 48.2 A poll on a resolution may be demanded by the chairman of the meeting, the directors or by any qualifying person (as defined in section 318 of the Companies Act 2006) present and entitled to vote on the resolution.
- 48.3 A demand for a poll may be withdrawn if:
 - 48.3.1 the poll has not yet been taken; and
 - 48.3.2 the chairman of the meeting consents to the withdrawal.
- 48.4 A demand withdrawn in accordance with article 48.3 shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

48.5 Polls demanded at the general meeting must be taken immediately and in such manner as the chairman of the meeting directs.

49 Content of proxy notices

49.1 Proxies may only validly be appointed by a notice in writing (a **proxy notice**) which:

49.1.1 states the name and address of the member appointing the proxy;

49.1.2 identifies the person appointed to be that member's proxy and the general meeting in relation to which that person is appointed;

49.1.3 is signed by or on behalf of the member appointing the proxy, or is authenticated in such manner as the directors may determine; and

49.1.4 is delivered to the company in accordance with the articles not less than 48 hours before the time appointed for holding the general meeting in relation to which the proxy is appointed and in accordance with any instructions contained in the notice of the general meeting to which they relate (but notwithstanding this an appointment of a proxy may be accepted by the directors at any time prior to the meeting at which the person named in the appointment proposes to vote (or, where a poll is demanded at the meeting, but not taken forthwith, at any time prior to the taking of the poll)).

49.2 The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.

49.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions, but the company shall not be obliged to ascertain that any proxy has complied with those or any other instructions given by the appointor and no decision on any resolution shall be vitiated by reason only that any proxy has not done so.

49.4 On a vote on a resolution on a show of hands at a meeting, every proxy present who has been duly appointed by one or more members entitled to vote on the resolution has one vote, except that if the proxy has been duly appointed by more than one member entitled to vote on the resolution and:

49.4.1 has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against it; or

49.4.2 has been instructed to vote the same way (either for or against) on the resolution by all of those members except those who have given the proxy discretion as to how to vote on the resolution,

the proxy is entitled to one vote for and one vote against the resolution.

49.5 Unless a proxy notice indicates otherwise, it must be treated as:

49.5.1 allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting, and

49.5.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

50 Delivery of proxy notices

- 50.1 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.
- 50.2 An appointment under a proxy notice may be revoked by delivering to the company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.
- 50.3 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.
- 50.4 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

51 Amendments to resolutions

- 51.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:
- 51.1.1 notice of the proposed amendment is given to the company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine); and
 - 51.1.2 the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.
- 51.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution if:
- 51.2.1 the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and
 - 51.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.
- 51.3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

Part 5 Administrative arrangements

52 Means of communication to be used

- 52.1 Subject to the articles, anything sent or supplied by or to the company under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company.
- 52.2 Except insofar as the Companies Acts require otherwise, the company shall not be obliged to accept any notice, document or other information sent or supplied to the company in electronic form unless it satisfies such stipulations, conditions or restrictions (including, without limitation, for the purpose of authentication) as the directors think fit, and the company shall be entitled to require any such notice, document or information to be sent or supplied in hard copy form instead.
- 52.3 In the case of joint holders of a share, except insofar as the articles otherwise provide, all notices, documents or other information shall be given to the joint holder whose name stands first in the register of members in respect of the joint holding and shall be deemed to have been given to all the joint holders. For all purposes, including the execution of any appointment of proxy, resolution in writing, notice or other document (including anything sent or supplied in electronic form) executed or approved pursuant to any provision of the articles, execution by any one of such joint holders shall be deemed to be and shall be accepted as execution by all the joint holders.
- 52.4 In the case of a member that is a corporation, for all purposes, including the execution of any appointment of proxy, resolution in writing, notice or other document (including anything sent or supplied in electronic form) executed or approved pursuant to any provision of the articles, execution by any director or the secretary of that corporation or any other person who appears to any officer of the company (acting reasonably and in good faith) to have been duly authorised to execute shall be deemed to be and shall be accepted as execution by that corporation.
- 52.5 A member whose registered address is not within the United Kingdom and who notifies the company of an address within the United Kingdom at which notices, documents or other information may be served on or delivered to him shall be entitled to have such things served on or delivered to him at that address (in the manner referred to above), but otherwise no such member shall be entitled to receive any notice, document or other information from the company. If the address is that member's address for sending or receiving documents or information by electronic means the directors may at any time without prior notice (and whether or not the company has previously sent or supplied any documents or information in electronic form to that address) refuse to send or supply any documents or information to that address.
- 52.6 Subject to the articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.

52.7 A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

53 Deemed delivery of documents and information

53.1 Any document or information sent or supplied by the company shall be deemed to have been received by the intended recipient:

53.1.1 where the document or information is properly addressed and sent by first class post or other delivery service to an address in the United Kingdom, on the day (whether or not it is a working day) following the day (whether or not it is a working day) on which it was put in the post or given to the delivery agent and, in proving that it was duly sent, it shall be sufficient to prove that the document or information was properly addressed, prepaid and put in the post or duly given to the delivery agent;

53.1.2 where (without prejudice to article 53.1.4) the document or information is properly addressed and sent by post or other delivery service to an address outside the United Kingdom, five working days after it was put in the post or given to the delivery agent and, in proving that it was duly sent, it shall be sufficient to prove that the document or information was properly addressed, prepaid and put in the post or duly given to the delivery agent;

53.1.3 where the document or information is not sent by post or other delivery service but delivered personally or left at the intended recipient's address, on the day (whether or not a working day) and time that it was sent;

53.1.4 where the document or information is properly addressed and sent or supplied by electronic means, on the day (whether or not a working day) and time that it was sent and proof that it was sent in accordance with guidance issued by ICSA: The Governance Institute shall be conclusive evidence that it was sent;

53.1.5 where the document or information is sent or supplied by means of a website, when the material was first made available on the website or (if later) when the intended recipient received (or is deemed to have received) notice of the fact that the material was available on the website.

54 Company seals

54.1 Any common seal may only be used by the authority of the directors.

54.2 The directors may decide by what means and in what form any common seal is to be used.

54.3 Unless otherwise decided by the directors, if the company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.

54.4 For the purposes of this article, an authorised person is:

54.4.1 any director of the company;

- 54.4.2 the company secretary (if any); or
- 54.4.3 any person authorised by the directors for the purpose of signing documents to which the common seal is applied.

55 No right to inspect accounts and other records

- 55.1 Except as provided by law or authorised by the directors or an ordinary resolution of the company, no person is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a member.

56 Provision for employees on cessation of business

- 56.1 The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

57 Secretary

- 57.1 Subject to the Companies Act 2006, the directors may appoint a company secretary (or two or more persons as joint secretary) for such term, at such remuneration and upon such conditions as the directors may think fit; and any company secretary (or joint secretary) so appointed may be removed by the directors. The directors may also from time to time appoint on such terms as they think fit, and remove, one or more assistant or deputy secretaries.

Directors: indemnity and insurance

58 Indemnity

- 58.1 Subject to article 58.2 (but without prejudice to any indemnity to which a relevant officer is otherwise entitled):
 - 58.1.1 a relevant officer may be indemnified out of the company's assets to whatever extent the directors may determine against:
 - (a) any liability incurred by that officer in connection with any negligence, default, breach of duty or breach of trust in relation to the company or any undertaking in the same group as the company;
 - (b) any liability incurred by that officer in connection with the activities of the company, or any undertaking in the same group as the company, in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006);
 - (c) any other liability incurred by that officer as an officer of the company or of any undertaking in the same group as the company; and

58.1.2 the company may, to whatever extent the directors may determine, provide funds to meet expenditure incurred or to be incurred by a relevant officer in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the company or any undertaking in the same group as the company, or any investigation, or action proposed to be taken, by a regulatory authority in that connection, or for the purposes of an application for relief, or in order to enable the relevant officer to avoid incurring such expenditure.

58.2 This article does not authorise any indemnity that would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

59 Insurance

59.1 The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant officer in respect of any relevant loss.

59.2 In this article, a **relevant loss** means any loss or liability which has been or may be incurred by a relevant officer in connection with that officer's duties or powers in relation to the company, any undertaking in the same group as the company or any pension fund or employees' share scheme of the company or of any undertaking in the same group as the company.

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REGISTERED NO.

**Articles
of
Association**

of

MonLife Plus Limited

Incorporated: 2018

COMPANY LIMITED BY SHARES

THE COMPANIES ACT 2006

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham
B3 2ES

Reference: OJD: 36456.0005

Articles of Association of MonLife Plus Limited

PART A: INTRODUCTION

1. INTERPRETATION

1.1. In these Articles:

"the Act"	means the Companies Act 2006;
"AGM"	means an annual general meeting of the Company;
"the Articles"	means these Articles of Association of the Company and "Article" shall be construed accordingly;
"the Board"	means the board of the Company comprising the Directors and (where appropriate) includes a Committee of the Board and the Directors acting by written resolution;
"Board Meeting"	means a meeting of the Board or (where appropriate) of a Committee of the Board;
"Chair"	means (subject to the context) either the person elected as chair of the Company under Article 33 or, where the Chair of the Company is not present or has not taken the chair at a meeting, means the person who is chairing a Board Meeting at the time, or the person appointed by the Shareholders from amongst their number to chair a General Meeting;

"clear days"	in relation to a period of notice means the period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;
"Committee"	means a committee of the Board;
"Company"	means the company regulated by the Articles;
"Companies House"	means the office of the Registrar of Companies;
"Council"	means Monmouthshire County Council of County Hall, The Rhadyr, Usk NP15 1GA
"Director"	means a director of the Company for the time being;
"executed"	includes any mode of execution;
"General Meeting"	means any meeting of the Shareholders;
"holder"	in relation to shares means the Shareholder whose name is entered in the register of Shareholders;
"holding company"; "subsidiary" and "wholly-owned subsidiary"	mean a "holding company", "subsidiary" and "wholly-owned subsidiary" as defined in section 1159 of the Act and a company shall be treated, for the purposes only of the membership requirement contained in subsections 1159(1)(b) and (c) of the Act, as a member of another company even if its shares in that other company are registered in the name of (a) another person (or its nominee), whether by way of security or in connection with the taking of security, or (b) its nominee;
"including"	means "including without limitation" and "include" and "includes" are to be construed accordingly;

"Objects"	means the objects of the Company as set out Article 6;
"Observers"	means those persons (other than Directors) present under Article 35 at a Board Meeting;
"Registered Office"	means the registered office of the Company;
"Relevant Agreement"	means any agreement or agreements entered into between the Company and the Shareholders relating to the management, operation and activities of the Company;
"Secretary"	means the secretary of the Company (if any) as may be appointed under these Articles to perform the duties of the secretary of the Company, including a joint, assistant or deputy secretary;
"Share"	means a share of any type in the capital of the Company (and includes both a fully paid and a partly paid share);
"Shareholder"	means a shareholder for the time being of the Company;
"Shareholder Reserved Matters"	means those matters designated as such in a Relevant Agreement or elsewhere where a decision is reserved to the Shareholders;
"United Kingdom"	means Great Britain and Northern Ireland.

1.2. In these Articles:

1.2.1. terms defined in the Act are to have the same meaning;

1.2.2. references to the singular include the plural and vice versa, to the whole include part and vice versa, and to the

masculine include the feminine and neuter and vice versa;

1.2.3. references to "organisations" or "persons" include corporate bodies, public bodies, unincorporated associations and partnerships;

1.2.4. references to legislation, regulations, determinations and directions include all amendments, replacements or re-enactments and references to legislation (where appropriate) include all regulations, determinations and directions made or given under it; and

1.2.5. the headings are not to affect the interpretation of the Articles.

2. **NAME**
The Company's name is MonLife Plus Limited.

3. **REGISTERED OFFICE**
The Company's Registered Office is to be situated in England or Wales

4. **POWERS**

The Company may do anything that a natural or corporate person can lawfully do which is not expressly prohibited by the Articles.

5. **LIMIT OF LIABILITY**

The liability of the Shareholders is limited to the amount, if any, unpaid on the Shares held by them.

6. **OBJECTS**

The Company's Objects are:

6.1. to undertake activities for commercial purposes; and

6.2. to carry on business as a general commercial company.

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PART B. SHARE CAPITAL

7. SHARE CAPITAL

The share capital of the Company is £100 ordinary shares divided into 100 shares of £1 each.

8. ISSUE OF SHARES AND SHARE CERTIFICATES

8.1. Subject to the Act the Company may issue Shares which must be redeemed or are liable to be redeemed at the option of the Company or the holder on such terms as the Board decides.

8.2. The Company may pay commissions as provided in the Act. Subject to the Act, any commission may be paid in cash and/or by the allotment of Shares.

8.3. Except as required by law, no person is to be recognised by the Company as holding a Share on trust. The Company is not bound to recognise any interest in a Share other than the holder's absolute right to it.

8.4. Unless the Shareholders decide otherwise by special resolution, any unissued ordinary Shares and any new Shares that are created must first be offered to the existing Shareholders in proportion to the number of Shares they already hold. The offer must be made by giving notice to each of the Shareholders. The notice must specify the number of Shares offered. It must give at least twenty-one days within which the offer can be accepted. Any Shares which are not accepted within this twenty-one day period will be deemed declined and must be offered, in the same proportions, to the Shareholders who have accepted the Shares offered to them. The further offer must be made on the same terms and subject to the same notice period as the original offer. Any Shares not accepted (except by way of fractions) and any Shares released from this Article by a special resolution are to be under the control of the Board. The Board may (subject to Article 8.5) dispose of them as they decide but no Shares refused by the existing Shareholders may be disposed of on terms which are more favourable to their subscribers than the terms on which they were offered to the Shareholders. Sections 561(1) and 562 of the Act do not apply to the Company.

8.5. The Board may not allot shares or grant rights to subscribe for or convert securities into Shares unless approved by the Shareholders.

9. SHARE CERTIFICATES

9.1. Shareholders are entitled without payment to one certificate for all the Shares of each class they hold (and, on transferring part of their Shares, to a certificate for the balance of their holding). Every certificate shall be executed by the Company. It must specify the number, class and distinguishing numbers (if any) of the Shares to which it relates and the amount paid up for the Shares. The Company need not issue more than one certificate for Shares held jointly. The delivery of a certificate to one joint holder is a sufficient delivery to all of them.

9.2. If a Share certificate becomes defaced, or worn out or is lost or destroyed it may be renewed. The Board may specify conditions to be satisfied before it is renewed. Those conditions may relate to evidence or indemnity and provide for the payment of the Company's reasonable costs in investigating evidence. Apart from any payments due as a result of compliance with the Board's conditions no other charge may be made. If the Share Certificate is defaced or wearing out the old certificate must be delivered to the Company before it can be renewed.

10. LIEN

10.1. The Company is to have a first and paramount lien on every Share registered in the name of any person indebted or under a liability to the Company, (including a Share held jointly with another person) for all money payable by the holder or the holder's estate to the Company. The Board may exempt a Share from this Article at any time.

10.2. The Company may sell any Shares on which the Company has a lien if the debt secured by the lien is not paid within 14 clear days after notifying the holder of the Share (or the person entitled to it in consequence of the death or bankruptcy of the holder), demanding payment and stating that if the notice is not complied with the Shares may be sold.

10.3. In order to give effect to a sale the Board may authorise any person to sign a transfer of the Shares to or as directed by the purchaser. The title of the purchaser will not be affected by any irregularity in or invalidity of the sale proceedings.

10.4. The net proceeds of the sale must be applied to discharge the debt secured by the lien. Any residue is to be paid to the person entitled to the Shares at the date of the sale when he surrenders the certificate for the Shares sold to the Company for cancellation.

11. CALLS ON SHARES AND FORFEITURE

11.1. Subject to the terms of allotment, the Board may make calls on the Shareholders for any money unpaid on their Shares (whether in respect of nominal value or premium). Each Shareholder must (subject to receiving at least 14 clear days' notice specifying when and where payment is to be made) pay the Company the amount called as required by the notice. A call may require payment in instalments. A call may be revoked before the Company receives the sum due

under it. Payment of a call may also be postponed. A person on whom a call is made will remain liable for the call made even if the Shares on which it was made are later transferred.

11.2. A call is made when the Board resolution authorising the call is passed.

11.3. The joint holders of a Share are jointly and severally liable to pay all calls on it.

11.4. If a call is unpaid after it is due the person from whom it is payable must pay interest on the unpaid amount from when it became due until payment. The rate must be fixed by the terms of allotment of the Share or in the notice of the call. If no rate is fixed the rate is to be the appropriate rate (as defined in the Act). The Board may waive payment of the interest.

11.5. An amount payable on a Share on allotment on a fixed date (for the nominal value or a premium or as an instalment of a call) is to be deemed to be a call. If it is not paid this Article is to apply as if it had become payable because of a call.

11.6. Subject to the terms of allotment, the Board may make different arrangements on the issue of Shares for the holders of the amounts and times of payment of calls on their Shares.

11.7. If a call remains unpaid after it has become due the Board may give the person by whom it is payable at least 14 clear days' notice requiring payment of the call and any interest due and all expenses that may have been incurred by the Company as a result of the non-payment. The notice must state where payment is to be made and that if it is not complied with the Shares on which the call was made are liable to be forfeited.

11.8. If the notice is not complied with then, before the payment it required is made, the Shares on which it was given may be forfeited by a resolution of the Board. The forfeiture is to include all dividends or other money payable on the forfeited Shares which were not paid before the forfeiture.

11.9. Subject to the Act, a forfeited Share may be sold, re-allotted or otherwise disposed of as the Board decides. This may be to its holder before the forfeiture or to any other person. At any time before the sale, re-allotment or other disposition, the forfeiture may be cancelled on such terms as the Board decides. Where a forfeited Share is to be transferred to any person the Board may authorise any person to sign the Share transfer to that person.

11.10. Where a Shareholder's Shares have been forfeited he will cease to be a Shareholder in respect of them. He must surrender the certificate for the Shares forfeited to the Company for cancellation. He is still liable to the Company for all money which, at the date of forfeiture, was payable to the Company on them plus

interest at the interest rate before forfeiture or, if no interest was payable, at the appropriate rate (as defined in the Act) from the date of forfeiture until payment. The Board may waive payment or enforce payment without allowing for the value of the Shares at the time of forfeiture or the consideration received on their disposal.

11.11. A statutory declaration by a Director or the Secretary that a Share has been forfeited on a specified date is to be conclusive evidence of the fact stated in it as against all persons claiming to be entitled to the Share. The declaration is (subject to the execution of an instrument of transfer if necessary) to constitute a good title to the Share. The purchaser of the Share is not bound to see to the application of the consideration, if any. His title to the Share is not to be affected by any irregularity in or invalidity of the forfeiture or disposal proceedings.

12. TRANSFER OF SHARES

12.1. A transfer may be in any usual form or in any other form the Board approves. It must be signed by or on behalf of the transferor.

12.2. The Board may refuse to register a Share transfer without giving any reason.

12.3. If the Board refuses to register a Share transfer it must notify the transferee of the refusal within two months after the date the transfer was lodged with the Company.

12.4. No fee may be charged for the registration of any transfer or other document relating to or affecting the title to any Share.

12.5. The Company may retain a transfer document which is registered, but any transfer which the Board refuses to register must (except in any case of fraud) be returned to the person lodging it when notice of the refusal is given.

12.6. The Board may destroy in any manner that the Board approves all instruments of transfer of Shares of the Company which have been registered as long as the following conditions are met:-

12.6.1. six years have passed since the date of registration thereof; and

12.6.2. the Board acts in good faith; and

12.6.3. the Board, at the date of destruction, has no notice of any claim to which the instrument of transfer might be relevant.

12.7. The Board may destroy in any manner that the Board approves all registered

Share Certificates which have been cancelled as long as the following conditions are met:-

12.7.1. at least three years have passed since the date of cancellation of the Share Certificate; and

12.7.2. the Board acts in good faith; and

12.7.3. the Board at the date of destruction has no notice of any claim to which the Share Certificate might be relevant.

12.8. It shall be conclusively presumed in favour of the Company that any instrument of transfer destroyed in accordance with Article 12.6 was a valid and effective instrument duly and properly registered and that any Share Certificate destroyed in accordance with Article 12.7 was a valid Certificate duly and properly cancelled.

12.9. Nothing in this Article 12 shall be regarded as imposing any liability upon the Company in respect of any instrument of transfer or Share Certificate in circumstances where the conditions specified in Articles 12.6 or 12.7 (as appropriate) have not been fulfilled.

13. TRANSMISSION OF SHARES

13.1. The survivor of a joint holder who dies and/or the personal representatives of a sole holder are the only persons the Company must recognise as having any title to the Shares. Nothing in these Articles is to release the estate of a deceased Shareholder from any liability in respect of any Share which had been jointly held by him.

13.2. A person entitled to a Share on the death or bankruptcy of a Shareholder may, on producing such evidence as the Board requires either become the holder of the Share or nominate some person to be registered as the transferee. If he elects to become the holder he must notify the Company in writing. If he elects to have another person registered he must transfer the Share to that person. The Articles relating to Share transfer are to apply to the notice or transfer as if it were a transfer signed by the Shareholder.

13.3. A person entitled to a Share on the death or bankruptcy of a Shareholder is to have the same rights as the Shareholder had except that the right to attend or vote at General Meetings or at a class meeting of the holders of any class of Shares shall not arise before that person is registered as the holder of the Share.

14. ALTERATION OF SHARE CAPITAL

14.1. The Company may by ordinary resolution-

14.1.1. increase its share capital by new Shares of such amount as the resolution prescribes;

14.1.2. consolidate and divide its share capital into Shares of a larger amount than its existing Shares;

14.1.3. subject to the Act, sub-divide any of its Shares into Shares of smaller amount and create a preference in favour of some of the Shares resulting from the subdivision over the others; and/or

14.1.4. cancel unissued Shares which have not been agreed to be taken up and reduce its share capital by the amount of the cancelled Shares.

14.2. Where as a result of a consolidation of Shares any Shareholders would become entitled to a fraction of a Share, the Board may, on behalf of those Shareholders, sell the Shares representing the fraction for the best price reasonably obtainable to any person (including, subject to the Act, the Company) and distribute the net sale proceeds among those Shareholders. The Board may authorise a person to sign the Share transfer to, or as directed by, the purchaser. The purchaser is not required to see to the application of the purchase money. His title to the Shares is not to be affected by an irregularity or invalidity in the sale proceedings.

14.3. Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account.

15. PURCHASE OF OWN SHARES

15.1. Subject to the Act, the Company may purchase its own Shares (including any redeemable Shares) and pay for the redemption or purchase other than out of the Company's distributable profits or the proceeds of a fresh issue of Shares.

16. DIVIDENDS

16.1. Subject to the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the Shareholders. No dividend may exceed the amount recommended by the Board.

16.2. Subject to the Act, the Board may pay interim dividends if it appears to it that

they are justified by the distributable profits of the Company. If the Share capital is divided into different classes, the Board may pay interim dividends on Shares with deferred or non-preferred dividend rights as well as on Shares which confer preferential dividend rights, but no interim dividend may be paid on Shares with deferred or non-preferred rights if any preferential dividend is in arrear at the time of payment. The Board may also pay any dividend payable at a fixed rate at such intervals as they decide if it appears to them that the distributable profits justify the payment. Provided the Board acts in good faith the Directors are not to be liable to preferred Shareholders for any loss suffered by the lawful payment of an interim dividend on any deferred or non-preferential Shares.

16.3. Except where the rights attaching to Shares provide otherwise, all dividends are to be paid according to the amount paid up on the Shares on which they are paid. Where the amount paid up changes over the period for which the dividend is payable, the dividend must be apportioned and paid proportionately to the amount paid up on the Shares during each part of the period for which the dividend is paid. If a Share is issued on terms that it is to rank for dividend as from a particular date that Share is to rank for dividend accordingly.

16.4. On the recommendation of the Board a General Meeting declaring a dividend may direct that it is to be satisfied wholly or partly by the distribution of assets. In administering the distribution the Board may:-

16.4.1. issue fractional certificates;

16.4.2. fix the value of any assets;

16.4.3. adjust the rights of Shareholders by paying cash to any Shareholder based on the asset values so fixed;

16.4.4. vest any assets in trustees; and/or

16.4.5. settle any difficulty which arises over the distribution.

16.5. Any dividend or money payable on a Share may be paid by cheque posted to the registered address of the person entitled (or as he/she may direct in writing). If two or more persons hold the Share or are jointly entitled to it because of the death or bankruptcy of the holder it may be sent to the person first named in the register. Cheques are to be payable to the person entitled (or as he/she directs in writing). Payment of the cheque is to be a good discharge to the Company. Any joint holder or other person jointly entitled to a Share may give receipts for any dividend or other money payable on a Share.

16.6. No dividend or other money payable on a Share is to bear interest against the Company unless the rights attached to the Share provide otherwise.

16.7. Any dividend unclaimed twelve years after its payment date may be forfeited by a resolution of the Board.

17. CAPITALISATION OF PROFITS

17.1. The Board may, with the authority of an ordinary resolution of the Company:-

17.1.1. capitalise any profits of the Company not required for paying a preferential dividend (whether or not they are available for distribution) or any sum in the Company's share premium account or capital redemption reserve;

17.1.2. subject to Article 17.2, appropriate the sum resolved to be capitalised to the Shareholders who would have been entitled to it if it were distributed by dividend (in the same proportions) and apply it in paying up any amounts unpaid on any part paid Shares they hold and/or in paying up in full and allotting to them (or as they direct) unissued Shares or debentures in the Company of a nominal amount equal to that sum;

17.1.3. provide for Shares or debentures distributable in fractions by the issue of fractional certificates or by payment in cash; and/or

17.1.4. authorise a person to enter into an agreement with the Company on behalf of all the Shareholders concerned, providing for the allotment to them of any Shares or debentures credited as fully paid to which they are entitled upon such capitalisation. Any agreement made under such authority is to bind all such Shareholders.

17.2. The Share premium account, the capital redemption reserve and any profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued Shares to be allotted to Shareholders credited as fully paid.

PART C. GENERAL MEETINGS

18. AGM

- 18.1. The Company will hold an AGM each year.
- 18.2. The AGM is to be held at such time and place as the Board appoints.
- 18.3. The business of the AGM is:-
 - 18.3.1. to receive the annual Directors' report;
 - 18.3.2. to consider the accounts and auditor's report;
 - 18.3.3. to appoint the auditor (if necessary); and
 - 18.3.4. to transact any other business specified in the notice convening the meeting.

19. GENERAL MEETINGS

- 19.1. All General Meetings are to be called by the Board.
- 19.2. If there are insufficient Directors in the United Kingdom to form a quorum at a Board Meeting to call a General Meeting it may be called in the same way as a Board Meeting.
- 19.3. On receiving a requisition from the requisite number of Shareholders as specified under Section 303 of the Act the Board must immediately call a General Meeting.

20. NOTICE OF GENERAL MEETINGS

- 20.1. General Meetings must be called by at least 14 clear days' notice
- 20.2. A General Meeting may be called by shorter notice if this is agreed by a majority in number of the Shareholders who may attend and vote and who together hold 90% or more in nominal value of the Shares giving that right.

20.3. The notice must specify:-

20.3.1. the time and place of the General Meeting;

20.3.2. the general nature of the business to be transacted; and,

20.3.3. in the case of an AGM, that it is an AGM.

20.4. No business may be transacted at a General Meeting except that specified in the notice convening the meeting.

20.5. Notice of a General Meeting must be given to all of the Shareholders (except any living outside the United Kingdom who have not given an address for service in the United Kingdom), the Directors and the Company's auditors (if any).

20.6. The accidental omission to give notice of a General Meeting to, or the non-receipt of notice of a General Meeting by, any person entitled to receive notice will not invalidate the proceedings at that General Meeting.

21. QUORUM FOR GENERAL MEETINGS

21.1. No business may be transacted at a General Meeting unless a quorum is present.

21.2. A quorum is one Shareholder entitled to vote upon the business to be transacted present in person or represented by a duly authorised representative (appointed pursuant to Article 24.4) but in order for a General Meeting to be quorate a duly authorised representative of the Council must be present if the Council is a Shareholder.

21.3. If a quorum is not present within 30 minutes from the time of the General Meeting or a quorum ceases to be present during a General Meeting it must be adjourned to such time and place as the Board decides.

21.4. Notice of an adjournment of a General Meeting because of a lack of quorum and the time and place of the adjourned General Meeting must be given to all Shareholders under Article 20.3.

21.5. If a quorum is not present within 30 minutes from the time of the adjourned General Meeting it is to be dissolved.

21.6. If there is an equality of votes on a show of hands or a ballot the Chair is entitled to a second or casting vote.

22. CHAIR AT GENERAL MEETINGS

22.1. The Shareholders present and entitled to vote must choose one of their number to chair the General Meeting (hereafter in this Part C referred to as “the Chair”).

23. ADJOURNMENT OF GENERAL MEETINGS

23.1. The Chair may, with the consent of a General Meeting at which a quorum is present (and must if so directed by the General Meeting), adjourn it to a time and place agreed by the General Meeting.

23.2. The Chair may also, without the consent of a General Meeting, adjourn it (whether or not it has commenced or is quorate) if it appears to the Chair that:-

23.2.1. the number of persons wishing to attend is greater than could reasonably have been expected and cannot conveniently be accommodated in the meeting room;

23.2.2. unruly conduct is likely to prevent the orderly holding of the meeting;

23.2.3. an adjournment is necessary for the business of the meeting to be conducted properly; or

23.2.4. a proposal of such importance is made that its consideration by a larger number of Shareholders is desirable.

23.3. When a meeting is adjourned under Article 23.2, the time and place for the adjourned meeting is either to be fixed by the Chair at the time of the adjournment or in default it is to be fixed by the Board.

23.4. The only business which may be transacted at an adjourned General Meeting is that left unfinished from the General Meeting which was adjourned.

23.5. It is not necessary to give notice of a General Meeting which is adjourned under Article 23.1 or Article 23.2 unless it is adjourned for 14 days or more in which case 7 clear days' notice must be given.

23.6. Resolutions passed at an adjourned General Meeting are to be treated as having been passed on the date on which they were actually passed.

24. VOTING AT GENERAL MEETINGS

24.1. Resolutions are to be decided on a show of hands unless a ballot is properly demanded.

24.2. Every Shareholder present has one vote on a show of hands.

24.3. Directors who are not Shareholders may speak but not vote at General Meetings.

24.4. A Shareholder which is an organisation may, by resolution of its governing body (or a committee or officer of the organisation acting under powers delegated by its governing body), authorise such person as it thinks fit to act as its representative at General Meetings.

24.5. A person authorised under Article 24.4 may exercise the same powers on behalf of the organisation as the organisation could exercise if it were an individual Shareholder.

24.6. If there is an equality of votes on a show of hands or a ballot the Chair is entitled to a second or casting vote.

24.7. An objection to the qualification of any voter may only be raised at the General Meeting at which the vote objected to is tendered. Every vote not disallowed at the General Meeting is valid. An objection made in time must be referred to the Chair whose decision is final.

24.8. A declaration by the Chair that a resolution has been carried (or not carried) unanimously, or by a particular majority, which is entered into the minutes of the meeting is conclusive evidence of the fact unless a ballot is demanded.

25. BALLOTS

25.1. A ballot may be demanded at any time during the General Meeting by the Chair or any Shareholder.

25.2. The demand for a ballot may be withdrawn before the ballot is taken. If the demand for a ballot is withdrawn the result of the show of hands will stand.

25.3. The demand for a ballot will not prevent the General Meeting continuing to

transact business other than the question on which the ballot is demanded.

25.4. A ballot is to be taken as the Chair directs. The Chair may appoint scrutineers (who need not be Shareholders) and set a time and place to declare the result. The result will be the resolution of the General Meeting at which the ballot was demanded but will be treated as passed when the result is declared.

25.5. A ballot on the election of a chair or an adjournment must be taken immediately. A ballot on any other question may be taken either immediately or at such time and place as the Chair directs.

25.6. At least 7 clear days' notice must be given of the time and place at which the ballot is to be taken unless the time and place are announced at the General Meeting at which it is demanded.

26. SHAREHOLDERS' WRITTEN RESOLUTIONS

26.1. Subject to the Act, a written resolution signed by a simple majority (or in the case of a special resolution by a majority of not less than 75%) of the Shareholders entitled to attend and vote at a General Meeting (provided those Shareholders would constitute a quorum at a General Meeting) is as valid as if it had been passed at a General Meeting.

26.2. A resolution under Article 26.1 may consist of several documents in similar form each signed by one or more Shareholders.

26.3. A resolution under Article 26.1 may be signed for a corporate body or an organisation which is a Shareholder by its authorised representative, a Member of its governing body or secretary, its solicitor or by an attorney.

PART D. DIRECTORS

27. APPOINTMENT AND RETIREMENT OF DIRECTORS

27.1. Unless the Shareholders decide otherwise by ordinary resolution the number of Directors shall not be less than three.

27.2. All of the Directors are to be appointed by ordinary resolution of the Shareholders.

27.3. The appointment of a Director takes effect at the point at which the Shareholder resolution appointing him is passed.

27.4. No Director may be appointed except as set out in the Articles.

27.5. Subject to sections 168 and 169 of the Act, the Shareholders may remove any or all of the Directors at any time (with or without reason) by ordinary resolution.

27.6. The Shareholders may appoint a person as a Director either in substitution for a Director it has removed or to fill a casual vacancy.

27.7. A Director will cease to hold office if he:-

27.7.1. dies;

27.7.2. ceases to be a Director under the Act or is prohibited by law from being a Director;

27.7.3. resigns by written notice to the Company delivered to the Registered Office;

27.7.4. is removed by ordinary resolution of the Shareholders;

27.7.5. he becomes bankrupt or makes any arrangement or composition with his creditors generally;

27.7.6. he is, or may be, suffering from mental disorder and either:

27.7.6.1. he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, an application for admission under the Mental Health (Care and Treatment) (Scotland) Act 2003; or

27.7.6.2. an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a deputy, curator bonis or other person to exercise powers with respect to his property or affairs.

27A ALTERNATE DIRECTORS

27A.1 Any Director (the “Appointer”) may appoint as an alternate (“Alternate Director”) any other Director, or any other person from a list of persons approved by resolution of the Directors to:

27A.1.1 exercise that Director’s powers; and

27A.1.2 carry out that Director’s responsibilities;

in relation to the taking of decisions by the Board or any Committee in the absence of the relevant Appointer.

27A.2 Any appointment or removal of an Alternate Director must be effected by notice in writing to the Company signed by the Appointer or in any other manner approved by the Board.

27A.3 The notice must:

27A.3.1 identify the proposed Alternate Director; and

27A.3.2 in the case of a notice of appointment of an Alternate Director contain a statement signed by the proposed Alternate Director that he is willing to act as the alternate of the Director giving the notice.

27A.4 An Alternate Director’s appointment terminates on the earlier of either of the following:

27A.4.1 the date specified in a notice from the Appointer to the Company revoking the appointment of the Alternate Director; or

27A.4.2 the date the Appointer ceases to be a Director in accordance with Article 27.7

27B RIGHTS AND RESPONSIBILITIES OF ALTERNATE DIRECTORS

27B.1 An Alternate Director may act as an Alternate Director to more than one Director and has the same rights in relation to any decision of the Board as the relevant Appointer.

27B.2 Except as the Articles specify otherwise, Alternate Directors:

27B.2.1 are deemed for all purposes to be Directors when acting as an Alternate Director;

27B.2.2 are liable for their own acts and omissions;

27B.2.3 are subject to the same restrictions as their Appointer;

27B.2.4 are not deemed to be agents of or for their Appointer; and

27B.2.5 in particular and without limitation, each Alternate Director shall be entitled to receive notice of all meetings of the Board and all Committees of which his Appointer is a member.

27B.3 An Alternate Director who is not in their own right a Director:

27B.3.1 may be included for the purposes of determining whether a quorum is present for any Board Meeting or a Committee provided that his Appointer is eligible to be included in the quorum and is not participating;

27B.3.2 may participate in a decision of the Board or any Committee provided that his Appointer is eligible to participate in the decision of the Board or Committee but is not participating; and

27B.3.3 shall be counted as more than one Director for the purposes of Article 27B.3.1 where he is appointed by two different Appointers.

27B.4 An Alternate Director who is a Director in his own right is entitled in the absence of his Appointer:

27B.4.1 to be counted twice for the purposes of quorum in his own right as a Director and as an Alternate Director for his Appointer provided that both he and his Appointer are eligible for quorum; and

27B.4.2 to have a separate vote on behalf of his Appointer, in addition to his own vote on any decision of the Board or a Committee provided that he and

his Appointer are both eligible to take part in the decision. Where only the Appointer is eligible to take part then the Alternate Director will only have one vote.

27B.5 An Alternate Director may be paid expenses and may be indemnified by the Company to the same extent as his Appointer but shall not be entitled to receive any fee from the Company for serving as an Alternate Director except such part of the Appointer's fee (to the extent the Appointer receives any fee in accordance with Article 28) as the Appointer may direct by notice in writing to the Company. Where any Alternate Director is an employee of the Council then no fee may be paid even if the Appointer was eligible for a fee. Where any Alternate Director is an elected member of the Council or any local authority that is a shareholder then Article 28.5 shall apply as if the reference to Director in that Article was to Alternate Director.

28. DIRECTORS' FEES AND EXPENSES

28.1. Subject to Article 28.3 and Article 28.5 a Director who is not an employee of the Council may be paid such fee as the remainder of the Board may from time to time determine.

28.2. This provision applies if the majority of the issued share capital of the Company is held by a charity. In such circumstances any Director who is a trustee or director of that charity will be entitled to receive a fee only if and to the extent he would be able to receive such payment from the charity but has not in fact done so.

28.3. Directors who are not employees or members of the Council are entitled to be paid all reasonable expenses properly incurred by them in attending Board Meetings and General Meetings and in carrying out their duties as Directors. Directors who are employees of the Council may claim expenses in line with their contracts of employment with the Council.

28.4. Where any Director is an elected member (to include any directly elected mayor) of the Council or any local authority that is a Shareholder then such a Director may only be paid such fees and/or expenses as are permitted by the Local Authorities (Companies) Order 1995.

28.5. The payment of expenses to Directors who are not employees or members of the Council is subject to the production of satisfactory receipts.

29. DIRECTORS' INTERESTS

29.1. A Director who has a direct or indirect interest in any contract, proposed contract, arrangement or dealing with the Company must declare his interest under sections 177 or 182 of the Act (as appropriate) before the matter is discussed by the Board.

29.2. Every Director must ensure that at all times a list is kept at the Registered Office including details of:-

29.2.1. any other body of which he is a director or officer;

29.2.2. any firm of which he is a partner;

29.2.3. any firm or organisation of which he is an employee;

29.2.4. any public body of which he is an official or elected Shareholder;

29.2.5. any company whose shares are publicly quoted in which he owns or controls more than 2% of the shares;

29.2.6. any company whose shares are not publicly quoted in which he owns or controls more than 10% of the shares;

29.2.7. any property owned by the Company or the Parent in which he has an interest or which he occupies; or

29.2.8. any other interest which is significant or material including any direct or indirect financial interest which may influence his judgement on matters being considered or to be considered by the Board.

29.3. A decision of the Board will not be invalid because of the subsequent discovery of an interest which should have been declared.

29.4. Every Director must ensure that at all times he declares to either the Secretary in writing or to a Board Meeting if a person with whom he is “connected” for the purposes of Section 252 of the Act:-

29.4.1. is likely to receive a payment or benefit from the Company;

29.4.2. is a director, officer or employee of a company, body or organisation which is likely to receive a payment or benefit from the Company;

29.4.3. is a partner of a firm which is likely to receive a payment or benefit from the Company;

29.4.4. is an official or elected shareholder of a public body which may make or receive a payment or benefit to or from the Company;

29.4.5. is the owner or controller of more than 2% of the shares of a company whose shares are publicly quoted and which may make or receive payment or benefit to or from the Company;

29.4.6. is the owner or controller of more than 10% of the shares of any company whose shares are not publicly quoted, which may make or receive a payment or benefit to or from the Company; or

29.4.7. is a tenant or occupier of any property owned by the Company or is seeking accommodation from the Company.

29.5. A general notice to the Board that a Director has an interest, of the nature and extent specified in the notice, in any transaction or arrangement in which a specified person or class of persons is interested, is to be treated as a disclosure that the Director has an interest in any such transaction of the nature and extent specified.

29.6. For the purposes of this Article 29 an interest of which a Director has no knowledge and of which it is unreasonable to expect him/her to have knowledge is not to be treated as an interest of that Director.

29.7. Personal Interests

29.7.1. A Director has a personal interest in a matter which is to be discussed or determined by the Board if he or a member of the Director's family as defined in section 253 of the Act will be directly affected by the decision of the Board in relation to that matter.

29.7.2. A Director who has a personal interest in a matter which is to be discussed or determined by the Board:-

29.7.2.1. may not count towards the quorum in relation to that matter;

29.7.2.2. may not take part in the discussion in relation to that matter;

29.7.2.3. may not vote in relation to that matter; and

29.7.2.4. must leave the Board Meeting at which the matter is discussed and determined.

29.8. Despite having a personal interest in the outcome, a Director may count towards the quorum, take part in the discussion and vote on a resolution of the Board (other than a resolution to make a payment or grant a benefit to the Director personally which is not at the same time being granted to the other Directors):

29.8.1. to take out Directors and officers indemnity insurance;

29.8.2. to give an indemnity or to establish a policy for the Company to give indemnities to the Directors generally under Article 38; or

29.8.3. to set a policy for the payment of Directors' fees and expenses under Article 28.

29.9. In the event that there are not sufficient Directors to hold a quorate Board Meeting because one or more Directors have a personal interest in a relevant matter and are not permitted to form part of the quorum, then those Directors with a personal interest may form part of the quorum for the purposes of agreeing to circulate an ordinary resolution to the Shareholders detailing the extent of the conflict arising from the personal interest and requesting the Shareholders to authorise the Director's conflict arising from their personal interest.

29.10. In the event that a resolution is passed by the Shareholders in accordance with Article 29.9, the Director(s) with such an authorised personal interest may then count as part of the quorum and for voting purposes in relation to the relevant matter.

29.11. Non-Personal Interests

29.11.1. A Director who has an interest in a matter which is to be discussed or determined by the Board but which is not a personal interest may, subject to his fulfilling his duty to act in the best interests of the Company and to the right of the remaining Directors to require that he should withdraw from the Board Meeting at which the matter is to be discussed or determined:-

29.11.1.1. count towards the quorum in relation to that matter;

29.11.1.2. take part in the discussion in relation to that matter;

29.11.1.3. remain in the Board Meeting at which the matter is to be discussed or determined; and

29.11.1.4. vote in relation to that matter.

29.11.2. A Director is not to be regarded for the purposes of this Article 29 as having a non-personal interest in any matter if his interest in that matter arises solely because:

29.11.2.1. he is a Director or an officer of any body the accounts of which are consolidated with the Company's accounts;

29.11.2.2. he is an elected member, employee or officer of the Council or any local authority that is a Shareholder;

29.11.2.3. he is a director or officer of any subsidiary of the Company; and/or

29.11.2.4. he is a director or officer of the Company's holding company or another person that wholly owns the Company;

but he must nonetheless disclose his interest in accordance with Article 29.1.

29.12. A Director may disclose the business of the Company to the Council where the Council is a Shareholder.

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PART E. BOARD MEETINGS

30. POWERS OF THE BOARD

30.1. Subject to the Act, the Articles and any Relevant Agreement, the business of the Company is to be managed by the Board who may exercise all the powers of the Company.

30.2. Alterations of the Articles do not invalidate earlier acts of the Board which would have been valid without the alteration.

30.3. The Shareholders may, by special resolution, direct the Board and/or any Director to take, or refrain from taking, specified action.

30.4. No special resolution under Article 30.3 shall invalidate anything which the Board and/or any Director may have done before the resolution is passed.

30.5. Decisions on matters specified in a Relevant Agreement or otherwise and designated as "Shareholder Reserved Matters" shall be reserved to the Shareholders of the Company from time to time for their prior approval.

31. BOARD MEETINGS

31.1. Subject to the Articles and any Relevant Agreement, the Board may regulate Board Meetings as it wishes.

31.2. Board Meetings are to be called by any Director or the Secretary (if any).

31.3. Seven clear days' notice of Board Meetings must be given to each of the Directors but it is not necessary to give notice of a Board Meeting to a Director who is out of the United Kingdom.

31.4. A Board Meeting which is called on shorter notice than required under Article 31.3 is deemed to have been duly called if at least two Directors certify in writing that because of special circumstance it ought to be carried as a matter of urgency.

31.5. Questions arising at a Board Meeting are to be decided by a simple majority of votes and each Director is to have one vote. Where a Director is also an Alternate Director then he has an additional vote on behalf of each Appointer who is:

31.5.1. Not participating in the Board Meeting; and

31.5.2. Would have been entitled to vote if they were participating in it.

31.6. If there is an equality of votes the Chair is entitled to a second or casting vote.

31.7. A technical defect in the appointment of a Director or in the delegation of powers to a Committee of which the Board is unaware at the time does not invalidate decisions taken in good faith.

32. QUORUM FOR BOARD MEETINGS

32.1. Subject to Article 32.3, the quorum for Board Meetings is three Directors.

32.2. A Director may be part of the quorum of a Board Meeting if he can hear comment and vote on the proceedings through telephone, video conferencing or other communications equipment.

32.3. The Board may act despite vacancies in its number but if the number of Directors is less than three the Board may act only to procure the appointment of Directors by ordinary resolution of the Shareholders under Article 27.2.

32.4. At an inquorate Board Meeting or one which becomes inquorate for more than 20 minutes the Directors present may act only to call a General Meeting.

33. CHAIR

33.1. The Company must have a Chair. The Chair (and any deputy who serves in his/her place) must be elected by the Directors from amongst their number.

33.2. The Chair is to hold office for 3 years or such other period as the Board shall from time to time determine.

33.3. The Chair may resign from his position at any time (without necessarily resigning as a Director at the same time).

33.4. Where there is no Chair the first item of business of a Board Meeting must be to elect one.

33.5. The Chair may be removed from the office of Chair (but not as a Director) only at a Board Meeting called for the purpose where the resolution to remove him is passed by 75% of the Directors who are present and voting. The Chair must be given an opportunity to say why he should not be removed.

33.6. The Chair is to chair all Board Meetings at which he is present unless he does not wish to do so.

33.7. If the Chair is not present within 10 minutes after the starting time of a Board Meeting another Director must chair that Board Meeting during the Chair's absence.

33.8. If the Chair is absent or does not wish to chair the Board Meeting then the Board must elect one of the other Directors who is present to chair the Board Meeting during the Chair's absence.

34. DELEGATION

34.1. The Board may:

34.1.1. establish Committees consisting of those persons the Board decides;

34.1.2. delegate to a Committee any of its powers;

34.1.3. determine the quorum for Committee meetings; and

34.1.4. revoke (in whole or in part) or alter a delegation at any time.

34.2. The Members of a Committee are to be appointed by the Board to hold office for whatever period the Board decides and may be removed or replaced by the Board at any time.

34.3. The Board may specify the financial limits within which any Committee must function.

34.4. The Board may authorise a Committee to operate any bank account. The Board must decide upon the way in which that account must be operated.

34.5. The Board may also delegate to any Directors or any other person such of their powers as they consider desirable to be exercised by him. The Board may revoke (in whole or in part) or alter such a delegation at any time.

35. OBSERVERS

35.1. The Board may allow individuals who are not Directors to attend Board Meetings as Observers on whatever terms they decide.

35.2. Observers may not vote, but may take part in discussions unless the Board decides otherwise.

35.3. The Board may exclude Observers from any part of a Board Meeting where the Board considers the business is private.

36. DIRECTORS' WRITTEN RESOLUTIONS

36.1. A written resolution signed by all of the Directors entitled to receive notice of a Board Meeting (provided they would constitute a quorum at a Board Meeting) is as valid as if it had been passed at a Board Meeting.

36.2. A written resolution signed by all of the members of a Committee (provided they would constitute a quorum of that Committee) is as valid as if it had been passed at a meeting of that Committee.

36.3. A resolution under Articles 36.1 or 36.2 may consist of several documents in similar form each signed by one or more of the Directors or Committee members and will be treated as passed on the date of the last signature.

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PART F. OFFICERS

37. THE SECRETARY

37.1. The Board may decide whether to appoint a Secretary and for what term.

37.2. Where appointed a Secretary may be removed by the Board at any time.

37.3. No Director may occupy a salaried position of Secretary.

37.4. Where any Secretary appointed is an employee of the Council then he shall not be paid any fee or expenses by the Company.

38. INDEMNITIES FOR OFFICERS AND EMPLOYEES

38.1. No officer or employee is to be liable for losses suffered by the Company except those due to his own dishonesty or gross negligence.

38.2. Subject to the Act every Director, officer or employee is to be indemnified by the Company against any liability incurred in the discharge of his duties or in that capacity in defending any civil or criminal proceedings as long as:

38.2.1. judgment is given in his favour (or the proceedings are dealt with without a finding or admission of a material breach of duty by him);
or

38.2.2. he is acquitted; or

38.2.3. relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

PART G. STATUTORY AND MISCELLANEOUS

39. MINUTES

39.1. The Board must arrange for minutes to be kept of all Board and General Meetings. The names of the Directors present must be included in the minutes.

39.2. Copies of the draft minutes of Board Meetings must be distributed to the Directors as soon as reasonably possible after the meeting.

39.3. Minutes must be approved as a correct record at the next General Meeting (as regards minutes of General Meetings) or Board Meeting (as regards minutes of Board Meetings). Once approved they must be signed by the person chairing the meeting at which they are approved.

39.4. The Board must keep minutes of all of the appointments made by the Board.

40. ACCOUNTS ANNUAL REPORT AND ANNUAL RETURN

40.1. The Company must comply with Part 15 of the Act in:-

40.1.1. preparing and filing an annual Directors' report and annual accounts; and

40.1.2. making an annual return to the Registrar of Companies.

40.2. The Company must comply with Part 16 of the Act in relation to the audit or examination of accounts to the extent that the law requires.

40.3. The annual Directors report and accounts must contain:-

40.3.1. the revenue accounts and balance sheet for the last accounting period;

40.3.2. the auditor's report on those accounts (if applicable); and

40.3.3. the Board's report on the affairs of the Company.

40.4. The accounting records of the Company must always be open to inspection by a Director.

41. BANK AND BUILDING SOCIETY ACCOUNTS

41.1. All bank and building society accounts must be controlled by the Directors and must include the name of the Company.

41.2. Cheques and orders for the payment of money must be signed in accordance with the Board's instructions.

42. EXECUTION OF DOCUMENTS

42.1. If the Company has a seal it may only be used with the authority of the Board (which may be given generally for documents of a particular type).

42.2. Unless the Board decides otherwise, documents to which the seal is attached or which are executed as deeds must be signed by:

42.2.1. two Directors; or

42.2.2. one Director and the Secretary (where appointed); or

42.2.3. one Director in the presence of a witness who attests the Director's signature.

43. NOTICES

43.1. Notices under the Articles must be in writing (which shall include suitable electronic means) except notices calling Board Meetings.

43.2. A Shareholder present in person at a General Meeting is deemed to have received notice of the General Meeting and (where necessary) of the purposes for which it was called.

43.3. The Company may give a notice to a Shareholder, Director or auditor:

43.3.1. personally;

43.3.2. by sending it by post in a prepaid envelope;

- 43.3.3. by suitable electronic means;
- 43.3.4. by leaving it at his address; or
- 43.3.5. as the Board prescribes from time to time.

43.4. Notices under Article 43.3.2 to 43.3.4 may be sent:

- 43.4.1. to an address in the United Kingdom which that person has given the Company;
- 43.4.2. to the last known home or business address of the person to be served; or
- 43.4.3. to that person's address in the Company's register of Shareholders.

43.5. Any notice given in accordance with the Articles is to be treated for all purposes as having been received:

- 40.5.1 24 hours after being sent by electronic means or delivered by hand to the relevant address;
- 40.5.2 48 hours after being sent by first class post to that address;
- 40.5.3 on being handed to a Shareholder or Director personally;
- 40.5.4 as soon as the Shareholder or Director acknowledges actual receipt.

43.6. A notice may be served on the Company by delivering it or sending it to the Registered Office or by handing it to the Secretary (where appointed).

43.7. The Board may make standing orders to define other acceptable methods of delivering notices.

44. STANDING ORDERS

44.1. Subject to Article 44.4

44.1.1. the Board may from time to time adopt, alter, add to or repeal make standing orders for the proper conduct and management of the Company; and

44.1.2. the Company in General Meeting may alter, add to or repeal the standing orders.

44.2. The Board must use such means as they think sufficient to bring the standing orders to the notice of Shareholders.

44.3. Standing orders are binding on all Shareholders and Directors.

44.4. No standing order may be inconsistent with or may affect or repeal anything in the Articles.

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Matters	Reserved Matters for Shareholder Approval	Matters Delegated for Board Approval	Matters Delegated by the Board for Approval by individual Directors or another named employee of the Company
1. Business Plan	<p>Adopting the first and all future Business Plans.</p> <p>Approving any material change to any previously approved Business Plan; or any decision which deviates from the existing business plan</p>	<p>Varying the timing, scale or programme of works or projects that are included in the Business Plan where the change in the budgeted revenue is less than £250,000 in any one financial year.</p> <p>Non-material departures from the Business Plan</p>	<p>The Board shall be entitled to delegate decisions as detailed in the Business Plan and/or decisions which relate to commitments up to a value of £100,000.</p>
2. Appointment and Removal of Directors	<p>Appointment and removal of all Directors; including the approval of Alternate Directors.</p> <p>Appointment of the Chair and the Deputy Chair</p>	<p>Appointment and removal of all Board advisers (to include terms and conditions of relationship).</p>	<p>None.</p>
3. Variations to the Articles of Association	<p>Any variations to the Company's Articles.</p>	<p>None.</p>	<p>None.</p>
4. Executive and Non-Executive Director Remuneration	<p>The approval of the terms and conditions of employment of any executive director of the company; and of any Non-Executive Director</p>	<p>Non-material alterations to terms and conditions</p>	<p>None.</p>

Matters	Reserved Matters for Shareholder Approval	Matters Delegated for Board Approval	Matters Delegated by the Board for Approval by individual Directors or another named employee of the Company
	<p>who is not an officer or Member of the Council.</p> <p>The approval of any scheme for performance related pay awards</p>	<p>Performance related pay awards in accordance with a scheme approved by the council</p>	
<p>5. Employee Recruitment and Remuneration</p>	<p>Approval of a pay framework and job evaluation scheme for the Company.</p>	<p>Recruitment of employees and/or agreeing the remuneration of employees where the total remuneration for that position is greater than £75K and is within the approved pay framework.</p>	<p>Recruitment of employees and/or agreeing the remuneration of employees where the total remuneration for that position is no more than £75K and is within the approved pay framework.</p>
<p>6. Members</p>	<p>The admission of new members.</p>	<p>None.</p>	<p>None.</p>
<p>7. Issuing or Accepting of Borrowing / Loan Capital</p>	<p>Entering into any borrowing, the issuing of any loan capital or entering into any commitments with any person regarding the issue of any loan capital outside of the approved Business Plan.</p> <p>Agreeing, as part of the approved Business Plan, the extent of any</p>	<p>Entering into any borrowing or issuing any loan capital where this is approved in the current Business Plan, to the extent and on the terms set out in the approved Business Plan.</p>	<p>None.</p>

Matters	Reserved Matters for Shareholder Approval	Matters Delegated for Board Approval	Matters Delegated by the Board for Approval by individual Directors or another named employee of the Company
	permitted borrowing delegated for Board approval, and the terms on which that borrowing can be entered into.		
8. Encumbrances	Creating or granting any encumbrance over the whole or any part of the Company or its business, undertaking or assets other than Liens arising in the normal course of business	None	None
9. Nature of the Company Business	Any material changes to the strategic objectives of the Company; to the nature of the Company's business, or commencing any new business not contemplated by the approved Business Plan.	Any changes to the nature of the Company's business, or commencing any new business, but only where this is contemplated by the approved Business Plan.	None.
10. Acquisitions or Disposals	The acquisition of any freehold or leasehold land or building or the entering into of any option in respect of any land or building where this is	The acquisition of any land or building or the entering in of any option in respect of any land	None.

Matters	Reserved Matters for Shareholder Approval	Matters Delegated for Board Approval	Matters Delegated by the Board for Approval by individual Directors or another named employee of the Company
	not contemplated by the approved Business Plan.	or building specifically contemplated by the approved Business Plan.	
11. Company / Group Structure	Forming any subsidiary or acquiring an interest in any other company or participating in any partnership or corporate joint venture Amalgamating or merging with any other company or undertaking	None.	None.
12. Appointment of Agents or Subcontractors or Arms' Length Transactions	None	Appointment of contractors or subcontractors where this is in pursuance of the approved Business Plan	Appointment of contractors or subcontractors in pursuance of the approved Business Plan up to a value of £100,000.
13. Part sale of the business	Selling any part of the business, unless specifically contemplated and authorised in the approved Business Plan.	None.	None.

Matters	Reserved Matters for Shareholder Approval	Matters Delegated for Board Approval	Matters Delegated by the Board for Approval by individual Directors or another named employee of the Company
14. Business Name and Location	Changing the Company name, trading name, or registered office, or changing the location of any offices outside of the Company's registered office to a location outside of the County.	Changing the location of any offices outside of the Company's registered office to another location within the County only.	None.
15. Intellectual Property	The disposal, sale, assignment or granting of any rights in the Company's intellectual property outside of the normal course of business.	The granting of any rights (by licence or otherwise) in or over any intellectual property owned or used by the Company in the normal course of business	Where necessary to effect decisions delegated as above up to £100,000
16. Encumbrances	Creating or granting any encumbrance over the whole or any part of the Company or its business, undertaking or assets, or over any shares in the Company other than liens arising in the normal course of business.	None	None

Matters	Reserved Matters for Shareholder Approval	Matters Delegated for Board Approval	Matters Delegated by the Board for Approval by individual Directors or another named employee of the Company
17. Redundancy	None	Dismissing any employee in circumstances in which the Company will incur or agrees to bear redundancy or other costs (including actuarial costs) in excess of £75K.	Dismissing any employee in circumstances in which the Company will incur or agrees to bear redundancy or other costs (including actuarial costs) no greater than £75K.
18. Pension	<p>Establishing any new pension scheme, or granting any pension rights to any director, former director, or any members of any such person's family.</p> <p>Changes to pension arrangements for staff whether in the Local Government Pension Scheme or otherwise. Any other decisions of the Company which will have an effect on liabilities of the Shareholder under the Local Government Pension Scheme or any associated guarantee.</p>	Establishing any new pension scheme, or amending any pension scheme, provided by the Company to employees.	None.

Matters	Reserved Matters for Shareholder Approval	Matters Delegated for Board Approval	Matters Delegated by the Board for Approval by individual Directors or another named employee of the Company
19. Company Winding up	Passing any resolution for the winding up of the Company, or presenting any petition for its administration (save for in insolvency).	None.	None.

Monmouthshire County Council

Advice re membership of the Board of MonLife Plus Ltd and of the Shareholder Committee relating to MonLife Plus Ltd.

1. MonLife Plus Ltd (the “**Company**”) is a distinct legal entity. Although it is wholly owned by the Council, and is set up as a “Teckal” vehicle, which means that the Council is able to award contracts directly to it without a procurement exercise, it is a limited company which has a Board of Directors in charge.
2. However, as the Company is owned by the Council, and is funded by public money to deliver services on behalf of the Council, it is important that the Council has sufficient control over its activities to ensure that the Council is able to protect the asset whilst allowing the Company to be take advantage of its company status in the way it operates.
3. This control is exercised through two documents. The first is the Articles of Association, which act as the Company’s constitution in that they govern the way in which the Company behaves, what it is set up to do etc. The second document is the Shareholder’s, or Governance Agreement. This takes priority over the Articles; and sets out the relationship between the Council (as shareholder in the Company) and the Company and the way in which the Council, through the Shareholder Committee, controls the activities of the Company.
4. There are two sets of appointments to be made. The Company needs to have a Board of Directors; and a Shareholder Committee must be established. There needs to be a different membership serving on the Board and on the Shareholder Committee, as there is a clear danger of conflict if this was not the case.
5. Firstly, the Board of Directors. The Board should be made up of a set of people whose skills and experiences are, together, what the Company requires to operate to optimum success. Certainly when starting up, it is felt advisable that the number on the Board should be relatively low; consisting for example at the most of the Managing Director and Finance Director of the Company, a couple of senior officers from the Council, and a Non-Executive Director to add some assurance and external expertise. One member of the Board will be appointed as the Chair.
6. It is also possible to have Board advisers, such as the Head of Service or equivalent. Advisers are able to attend meetings and speak, but do not have a vote.

7. A Non-Executive Director would normally be appointed through an open recruitment process, with the NED being offered a small sum of remuneration for taking on the office.
8. Appointments of Members to the Board are appointments to an outside body and under the constitution the Council appoints Members to outside bodies. Accordingly, if the Council wishes to have any elected Members as Directors, the appointment is made by Council.
9. The appointment of Members to the Board can cause difficulty in terms of potential conflicts. Where an elected Member is also a Director they have two sets of legal obligations to observe, neither of which can be avoided. Firstly, as a Member of the Council they have to act in the best interests of the Council; but as a Director of the Company they have to act in the best interests of the Company. Even where the Company is wholly owned by the Council, such conflicts can arise. This also means that they should not participate in decisions for the Council which involve the Company. For example a Member Director who also has budgetary responsibilities at the Council may find that they have a conflict when it comes to considering payments or awards to the Company.
10. For these reasons some councils do not appoint Members as Directors and instead Members exercise control through the Shareholder Committee. If there is a desire nonetheless for Member involvement, the Articles and Shareholder's Agreement can provide that Members of the Shareholder Committee are able to attend the Board as observers, able to speak with the Chair's permission, but without a vote.
11. The role of the Council as Shareholder is an Executive function. This means that the Shareholder Committee has to be either Cabinet or a Cabinet Committee, which can only have Cabinet Members as voting members, although other Members can be co-opted as non-voting members. Given the potential for conflict between Cabinet and the Company – for example with the approval of budgets etc., there can be some issues with Cabinet exercising the Shareholder function itself. However, there is no legal reason to prevent this if the conflicts can be managed.
12. As the Shareholder panel is not an outside body, but is exercising an internal role, Council does not appoint Members to it. The Leader appoints the Cabinet Members and if Members of other groups are to be appointed, he would ask the other group leaders for their nominees. Alternatively, should the Cabinet exercise the role itself,

where group leaders are already invited to attend Cabinet, this could continue as it provides the involvement of these Members, even if they cannot vote.

13. If Cabinet is to exercise the role itself, we would recommend that it is clear when the Cabinet is sitting as Shareholder Committee, so that for example where the meetings are held on the same day as Cabinet, there is a clear definition between the meetings. In this way it helps to ensure that the business of the Shareholders is clearly given sufficient attention, thus helping to assure any scrutiny or select committee that this is the case. It also assists with the necessary filing of documents in relation to the Company as it is then clear as to what decisions have been taken by the Shareholders. Decisions of Cabinet acting as the Shareholder Committee are subject to call-in in the normal way.
14. As with the Board, unless Cabinet is to act as the Shareholder Committee, it is generally advisable to keep the number of members on the Shareholder Committee low – four or five at most between the Executive and co-opted members; and certainly to avoid any cross-over membership with the Board of Directors.
15. The schedule to the Shareholder's Agreement gives details of the way in which the relationship between the Council and the Company works and details what decisions need to be referred to the Shareholder Committee; what decisions are for the Board; and what decisions individual Directors are able to make. The most critical control points for the Shareholder Committee are the approval of the Business Plan, as the Company cannot then deviate from that without seeking the approval of the Shareholder Committee; the appointment and dismissal of directors; and the appointment and removal of the Chair.

Anthony Collins Solicitors LLP

June 2018

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The 7 principles of public life

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

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13TH SEPTEMBER 2018

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Deadline for finalised reports to Cheryl –

Finalised reports to Committee Section

Audited Statement of Accounts	Mark Howcroft
ISA 260 response to accounts	WAO/Mark Howcroft
Internal Audit Progress report 2018/19 quarter 1	Andrew Wathan
Review of Reserves Period 1	Mark Howcroft
Annual Improvement report 2017-18	WAO
Aligning the Levers of Change	WAO

8TH NOVEMBER 2018

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Deadline for finalised reports to Cheryl -

Finalised reports to Committee Section-

CPR Exemptions 6 monthly update	Andrew Wathan
Half Yearly Treasury Compliance Monitoring	Jon Davies/Lesley Russell
Internal Audit Progress report 2018-19 - quarter 2	Andrew Wathan
Overview of Performance Management arrangements	Richard Jones
WAO Proposals for Improvement Progress report	Richard Jones

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20TH DECEMBER 2018

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Deadline for finalised reports to Cheryl

Finalised reports to Committee Section

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31ST JANUARY 2018

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Deadline for finalised reports to Cheryl –

Finalised reports to Committee Section

Annual Whole Authority complaints	Annette Evans

Audited Trust funds accounts (Welsh Church Funds & Mon Farms)	Dave Jarrett/Nikki Wellington
ISA 260 or equivalent for Trust Funds	WAO
Treasury Strategy 2019-20	Jon Davies/Lesley Russell
Unsatisfactory Internal Audit Opinions	Andrew Wathan
Strategic Risk Assessment	Richard Jones
Review of Reserves - period 2	Mark Howcroft
14TH MARCH 2019	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section –</i>	
Joint Progress report - Statement of Accounts Refinements	Mark Howcroft & WAO
Internal Audit Progress report 2018/19 quarter 3	Andrew Wathan
Internal Audit Draft Plan 2019/20	Andrew Wathan
2ND MAY 2019	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section -</i>	
Draft Annual Governance Statement 2018/19	Andrew Wathan
Implementation of Audit Recommendations	Andrew Wathan
CPR Exemptions 6 monthly	Andrew Wathan
Jun-19	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section</i>	
Review of Reserves outturn	Mark Howcroft