

# Public Document Pack



County Hall  
Rhadyr  
Usk  
NP15 1GA

Wednesday, 17 July 2019

## Notice of meeting

### Audit Committee

Thursday, 25th July, 2019 at 2.00 pm,  
County Hall, The Rhadyr, Usk, NP15 1GA

### AGENDA

Item No	Item	Pages
1.	Apologies for Absence	
2.	Declarations of Interest	
3.	Public Open Forum	
4.	To note the Action List from the previous meeting	1 - 2
5.	Draft Statement of Accounts Report, including Annual Governance Statement (Appendices include 1. Summary of accounts information 2. Statement of Accounts (prior to Audit) - (PDF attached separately) 3. MCC Welsh Church Fund Accounts	3 - 152
6.	2019-20 Reserves Usage Forecast (including 2018-19 Outturn and Period 1 2019-20)	153 - 168
7.	Annual Improvement Report 2018/19	169 - 198
8.	Implementation of Recommendations -17-18-01	199 - 206
9.	CPR Exemptions 6 Monthly Report	207 - 226
10.	IT Risk Register	227 - 232
11.	Forward Work Plan	233 - 236
12.	To confirm minutes of the previous meeting	237 - 242
13.	To confirm the date of the next meeting as 12th September 2019 at 2.00pm	

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**Paul Matthews**  
**Chief Executive**

MONMOUTHSHIRE COUNTY COUNCIL  
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:

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

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### Welsh Language

The Council welcomes contributions from members of the public through the medium of Welsh or English. We respectfully ask that you provide us with 5 days notice prior to the meeting should you wish to speak in Welsh so we can accommodate your needs.

# 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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# Agenda Item 4

## Audit Committee Actions 13<sup>th</sup> June 2019

<b>Agenda Item:</b>	<b>Subject</b>	<b>Officer</b>	<b>Outcome</b>
5	Performance management	Chief Officer, Resources	Update to be provided at September meeting
5	Anti-Bribery Compliance	Chief Officer, Resources	Update on annual risk register to be provided at July meeting
5.	Forward Work Plan	Cheryl Cook	Contract Procedure Rules to be added
6	Committee Annual Report	Chair/Clerk	Add to County Council agenda
13	Wellbeing of Future Generations/rural transport	Head of Governance/ Chief Officer, Resources	A written response regarding £3 million to be spent by March 2019 for Active Travel

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# MONMOUTHSHIRE COUNTY COUNCIL

## ANNUAL ACCOUNTS

2018/19



## CONTENTS PAGE

Section		Page
	<b>Introduction:</b>	
1	Narrative Report	1
2	Statement of Responsibilities	7
3	Annual Governance Statement	8
	<b>Core Financial Statements:</b>	
5	Movement in Reserves Statement	30
6	Comprehensive Income and Expenditure Statement	31
7	Balance Sheet	32
8	Cash Flow Statement	33
9	<b>Notes to the Accounts:</b>	
10	Movement in Reserves Statement Notes	35
11	Comprehensive Income and Expenditure Statement Notes	43
12	Non-Current Assets and Capital Financing Notes	47
13	Financial Instruments, Current Assets & Liabilities Notes	56
14	Post-Employment Benefits Notes	69
15	Cash Flow Statement Notes	74
16	Other Notes to the Accounts	76
17	Accounting Policies	87

## 1 NARRATIVE REPORT

### 1.1 Introduction

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

#### Key facts about Monmouthshire



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

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

#### Political and management structure

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

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

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

#### Social Care & Health

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

#### Children & Young People

Schools and Early Years provision, Standards and Resources.

#### Chief Executive's Unit

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

#### Resources

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

#### Enterprise

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

#### Corporate

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

### 1.2 The Council's corporate aims and objectives

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

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

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

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

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

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

### 1.3 Financial Performance for the Year

#### Revenue Budget for 2018/19

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

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

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

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

Note 11.1 to the accounts shows how the figures reconcile.

### Level of general and specific reserves/balances

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

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

### Capital expenditure & financing

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

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

### Significant capital receipts

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

### Revaluation and disposals of non-current assets

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

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

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

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

### Borrowing arrangements and sources of funds

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

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

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

### Collection of Council Tax and Non-Domestic Rates

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

### Pension Liabilities

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

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

## 1.4 The Financial Outlook

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

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

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

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

### **Cardiff Capital Region City Deal (CCRC)**

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

### **Brexit**

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

## **1.5 The Accounting Statements**

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

### ***Movement in Reserves Statement***

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

### ***Comprehensive Income and Expenditure Statement***

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

### ***Balance Sheet***

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

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

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

### *Cash Flow Statement*

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

### *Notes to the Accounts*

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

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**Mark Howcroft**  
**Assistant Head of Finance (Acting S151 Officer)**

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**Date**



## 2 STATEMENT OF RESPONSIBILITIES

### 2.1 The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs, in line with statute this is the Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### 2.2 The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Section 151 Officer has:

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

The Section 151 Officer has also:

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

## APPROVAL OF STATEMENT OF ACCOUNTS

I certify that the accounts set out within sections 5 to 17 gives a true and fair view of the financial position of the Council as at the 31st March 2019 and its income and expenditure for the year ended 31st March 2019.

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**Mark Howcroft**  
**(Acting) Section 151 Officer**

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**Date**

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

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

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**Date**

ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Monmouthshire CC

Annual Governance Statement 2018-19

May 2019

**Executive Summary**

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

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

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

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

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

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

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

### **Scope of Responsibility**

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

### **The Purpose of the Governance Framework**

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

### **The Governance Framework**

**9** The Council's Corporate Governance is in line with the following principles:

Overarching requirements for acting in the public interest:

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

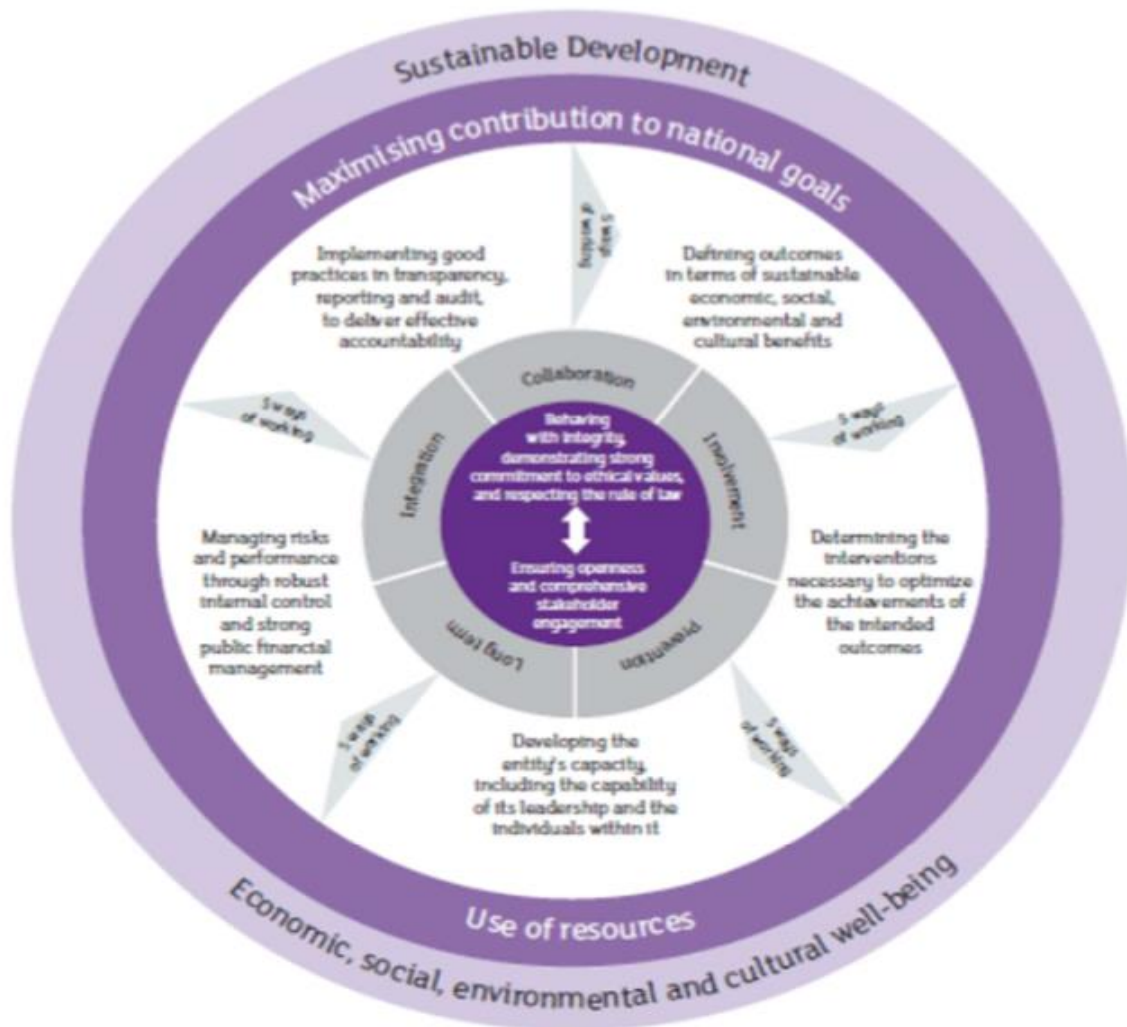
In addition achieving good governance in the Council requires effective arrangements for:

- C. Defining outcomes in terms of sustainable economic, social, environmental and cultural benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

**10** The diagram below brings together the above principles of good governance with the requirements of the Well-being of Future Generations (Wales) Act 2015. It shows sustainable development as all-encompassing. The core behaviours of:

- behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law; and
- ensuring openness and comprehensive stakeholder engagement

need to be applied to the five ways of working outlined in the 2015 Act. These five ways of working have to permeate all segments of delivering outcomes which, in turn, should ensure effective use of resources as the Council maximises its contribution to the economic, social, environmental and cultural well-being of Monmouthshire and Wales.



- 11 The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 12 The key elements of the Council's governance arrangements are set out in its Corporate Plan 2017-2022, "A Monmouthshire that works for everyone" which was approved by Council in February 2018, and incorporates the previous elements of the Council's Improvement Plan. A six month progress update was presented to Cabinet (December 2018) to provide an overview of progress being made in 2018/19 to deliver the commitments set out in the Corporate Plan. The Council's five priorities are:

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

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

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

- 14** In April 2016 the Local Service Board became the Public Service Board or PSB. As part of the requirements of the Well-being of Future Generations (Wales) Act 2015 the Public Service Board are focused on improving social, economic, environmental and cultural wellbeing, in accordance with the sustainable development principle. Public Service Boards have a planning responsibility to prepare and publish an assessment of local well-being, produce a local well-being plan and report annually on its progress.
- 15** An update on the emerging actions being developed to deliver the objectives contained in Monmouthshire's Well-being Plan was taken to PSB in July 2018, October 2018, January 2019 and March 2019.

### **Review of Effectiveness**

- 16** The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team within the Authority which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 17** The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 18** The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:
- i) The Monitoring Officer reviewed the Council's Constitution and ethical governance arrangements with the Constitution being revised and approved by Council in December 2017;
  - ii) periodic reviews of the financial controls including the financial procedure rules by the Chief Finance Officer (Head of Finance); financial procedure rules were approved by Council in September 2014;
  - iii) Whole Authority Strategic Risk Management Assessment and amendments to the Policy were approved by Cabinet in March 2019;
  - iv) Formal risk management and regular ongoing review of the processes involved reported through Audit Committee
  - v) Scrutiny conducted a self-evaluation and Peer Review with several other councils during Spring 2017 as part of its ongoing commitment to continuous improvement;
  - vi) Scrutiny reports its annual appraisal and Scrutiny Service Plan to Audit Committee to satisfy them that the Council's arrangements are working effectively;
  - vii) the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems, establishments and major projects in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that agreed recommendations are implemented;
  - viii) the work of the Council's Select and other Committees, including its Audit and Standards committees;
  - ix) the opinions and recommendations of the Council's external auditors, following both financial audit work and per the Local Government Measure in regard to matters, including governance issues, which are considered for action and implementation and reported to Council, Cabinet and Audit Committee, as appropriate;
  - x) The opinions and recommendations of other inspection, regulation and review agencies which are reported to Council, Cabinet and Audit Committee as appropriate.

- Audit Committee receives a regular report on the progress made with recommendations and proposals issued by Wales Audit Office
- xi) regular monitoring of performance against the Corporate Plan and service plans and of key targets, and reporting of this to senior management and members;
  - xii) Audit Committee annual report (Council July 2018);
  - xiii) Corporate Safeguarding Policy taken through Council May 2018;
  - xiv) Annual appraisal of the effectiveness of the authority's performance management arrangements reported annually to Audit Committee.
  - xv) Chief Officer for Children and Young People's Annual Report presented to Council April 2018; Director of Social Services Annual Report presented to Council July 2018; Wellbeing Objectives and Statement Annual Report presented to Council September 2018.
  - xvi) Updated policies and strategies reported through Cabinet and Council

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

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

- 20 The code of conduct for members and a protocol on member / officer relations are set out in the constitution. A new version of the code of conduct for members was adopted by Council in May 2016. The council also has a local protocol for the self-regulation of member conduct.
- 21 The Standards Committee, which includes a majority of independent representatives, advises on and monitors the Members' Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members.
- 22 The Public Service Ombudsman Wales Annual Report (2017/18) was presented to the Standards Committee in December 2018. Four Code of Conduct issues were referred to the PSOW; three were closed after initial consideration, one was referred to adjudication.
- 23 Agreed arrangements enable the Council to comply with statutory requirements in respect of child protection and the protection of vulnerable adults. Recruitment procedures help ensure that Council employees and Members working with children or vulnerable adults are checked for their suitability to do so.
- 24 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.
- 25 There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.
- 26 Policy and decision-making is facilitated through (i) the Cabinet, the meetings of which are open to the public and live streamed on YouTube except where exempt or confidential matters are being discussed, and (ii) a scheme of delegation to committees and officers as set out in the Constitution: Five select committees (including the statutory PSB Select Committee) and a separate Audit Committee review, scrutinise and hold to account the performance of the Cabinet, decision-making committees and officers. A Scrutiny "Call-In" process for decisions which have been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness.
- 27 A Scrutiny and Executive Protocol is in place which is aligned to the updated constitution of December 2017 and provides parameters for effective executive and scrutiny relationships.
- 28 The Constitution is updated periodically by the Monitoring Officer; it was reviewed and updated during 2017/18, and approved by Council in December 2017; it continues to be reviewed. It can be found on the Council's website and sets out:

- how the Council operates and makes decisions,
  - the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders,
  - the key roles of all members and chief officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated chief officers,
  - a scheme of delegated powers for decision-taking
  - responsibilities for reviewing and agreeing the Council's corporate governance arrangements,
  - arrangements for ensuring it is regularly reviewed and updated
  - its related codes and protocols.
- 29 To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; to ensure sound financial management is a key factor in decisions, the Head of Finance attends SLT, Cabinet and Council meetings.
- 30 The ethical governance framework includes:
- codes of conduct for officers and members
  - a protocol governing Member/Officer relations,
  - a whistle-blowing policy widely communicated within the Council and which is regularly reviewed [ reviewed and approved by Cabinet June 2017]
  - registers of personal and business interests for Members
  - an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied.
  - equalities awareness training
- 31 In accordance with the Local Government and Housing Act, 1989, the Monitoring Officer ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman Investigation resulting in a finding of maladministration
- 32 All exemptions of the Contract Procedure Rules are reported through Audit Committee six monthly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Procedure Rules and Financial Procedure Rules.
- 33 The Audit Committee called in several senior managers during the year and challenged them on why a procurement process went outside the Council's normal tendering processes.
- 34 32 Internal Audit opinions were issued in 2018/19; 6 audit jobs resulted in **Limited** assurance.
- 35 The overall opinion on the adequacy of the internal control environment for 2018/19 was **REASONABLE**. Management agreed to implement the recommendations made in audit reports in order to address the weaknesses identified. The Internal Audit opinions issued in 2018/19 were as follows:



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

- 36 Reasons why the outcome of the audit reviews which were deemed to provide Limited assurance were presented in a separate report to Audit Committee which has sought assurances from respective operational managers that action will be taken to make the necessary improvements in control.
- 37 The Internal Audit team had a full complement of staff for the full year; 84% of the 2018/19 plan was achieved, which was an improvement on the previous year (82%). The Chief Internal Auditor's overall audit opinion is based on the number of audits undertaken and their individual opinions; he was able to give an overall opinion on the adequacy of the control environment.
- 38 The Internal Audit team continued to ensure its compliance with the Public Sector Internal Audit Standards (PSIAS). This was validated through a peer review process at the end of 2017/18 undertaken by the Chief Internal Auditor for Neath Port Talbot Council; the outcome of which was that the team are generally compliant, the highest level of compliance.
- 39 An Improvement Framework is in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement. This is supported by a range of mechanisms including collaborative working initiatives and reviews undertaken both internally and by the external auditors and inspectors. This framework works in conjunction with the Local Government Wales Measure 2009. Performance is reported through Select Committees and Cabinet.
- 40 The strategies which support this Framework include the Asset Management Plan, People Strategy, Local Development Plan, Financial Plan, Digital & Customer Strategy, Economy & Enterprise Strategy which are delivered through service business plans and employee aims & objectives, evaluated and risk assessed.
- 41 Chief Officers and Heads of Service are accountable for ensuring that the Council Priorities are delivered and performance against key targets is regularly monitored via the performance management framework and is regularly reported to members via Select Committees.

**Principle B: Ensuring openness and comprehensive stakeholder engagement**

- 42 The agendas are published in advance of all meetings on the Council's website.
- 43 The scrutiny reports on recommendations/outcomes from scrutiny activity are presented to Cabinet quarterly. The scrutiny function has a 'Scrutiny Service Improvement Plan'. The plan is built into the Council's improvement framework. The plan is also scrutinised by the Council's Audit Committee annually to ensure they are satisfied that the Council has appropriate and effective scrutiny arrangements in place.
- 44 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles. The Scrutiny Handbook provides a guide for Members, officers and the public on the role and value of scrutiny and the website displays the Scrutiny Forward Work Programme and invites public submissions. Development of Customer Insight to better understand our communities. Dissemination of ward meeting minutes.
- 45 Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message. The Council has partnered with an IT supplier to develop

Monmouthshire Made Open – a digital engagement platform to enable local people to help shape ideas to the challenges facing their communities. Scrutiny has a Twitter account to help engage more effectively with the public on democracy.

- 46 Public engagement events continued in 2018/19 for the budget proposals. MCC's model of engagement in understanding its communities' views and the way it now operates as an organisation was shared with many delegates at a Welsh sustainability conference as exemplar. The Council has encouraged the community within Monmouthshire to actively contribute to making stepped changes to improve the way in which services are provided and is a key workstream of the Future Monmouthshire programme established by the Council in May 2016; the intention is to transform public service delivery. This links back to the principles of the Well-being of Future Generations Act which sets out five ways of working including involvement.
- 47 Monmouthshire Public Service Board updated its Well-being Assessment for the county 2018/19 and reported progress into the Board regularly in the year. This will help to shape the future of the area and its communities by informing the Public Service Board's Well-being plan which sought the views of Monmouthshire residents. The assessment draws together findings from data, academic research and policy papers and the views of local people.
- 48 Our Monmouthshire, updated October 2018, is about all of us addressing the needs of the future as well as current generations. People in Monmouthshire were asked *what's good about your community and what would make it better, now and in the future*. These views help MCC make sure it addresses some of the really big challenges that Monmouthshire faces in coming years.
- 49 Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Audit Committee process before being endorsed by Council. All Council decisions, reports and questions asked by Members are available on the website. Financial information, Corporate Plan progress, Council activities, achievements, developments, updates and events were included on the Council's intranet and website, with all Council, Cabinet, Audit Committee and Select Committees now live streamed on YouTube. All public meetings of the Council are live streamed on YouTube and are available to view on the Council's YouTube channel at any time after the meeting, which provides greater transparency of the Council's business.
- 50 Individual Cabinet Members can make decisions under the scheme of delegation; agendas and decisions for all Cabinet Members are published on the Council's website.
- 51 The Council's website contains links to the following areas in the interests of openness.

Data published by Monmouthshire County Council

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

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

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

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

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

- 62 In February 2019 Council received the report to approve the continuation of the five goals set in the Corporate Plan in 2018 as the Council's objectives for 2019-20 to comply with the Local Government (Wales) Measure 2009.
- 63 Wales Audit Office presented its Annual Improvement Report to Audit Committee in September 2018. WAO has carried out work with all councils on improvement assessment, the Wellbeing of Future Generations Act, the service user and scrutiny as well as some local work. Wales Audit Officers have reported to Audit Committee on work completed from previous years at Monmouthshire. It concluded that the Council meets its statutory requirements for continuous improvement and there are no formal recommendations
- 64 Reports were taken through the scrutiny Select process during the year which linked service plans to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents are available through the Council's website.
- 65 The Council was an early adopter of the Wellbeing of Future Generations Act which came into effect in April 2016. Preparation included increased awareness raising with Council members and officers. Extensive work was undertaken in 2016/17 to implement the act including training sessions and developing the Well-being assessment in partnership with PSB partners this was endorsed by Council and approved by the Public Service Board (PSB) in March 2017. Well-being and Future Generations continued to be a key theme and foundation through the reporting processes in 2018/19.
- 66 The Council is embracing the benefits of digital communications including social media use. It is also developing additional digital channels by introducing a Customer Services app, enabling people to interact and transact with the Council using mobile devices. The Council's website was further developed to make it easier to navigate and includes more transactional functions. Social media continued to thrive during 2018/19 through Twitter, Facebook and You Tube to raise awareness of forthcoming events, to provide live streaming of Cabinet, Council and other political meetings, to promote the activities and services provided and to show support and encouragement for community groups.
- 67 Enhancing the digital services with economic (effective and efficient processes aiding business interaction), environmental (less travel and print consumables) and social (digital customer centric services) continued to be a key aspect of improving services throughout 2018/19. Outcomes are measured via the Digital Programme Office Service plan and performance planning process.
- 68 To ensure the best use is made of resources and that taxpayers and service users receive excellent value for money, there are a number of mechanisms within the Council to support this. The option appraisals for the 21<sup>st</sup> Century Schools considered cost and quality to determine the best outcome for the service; budget mandates were in place to monitor and capture the savings assessments; the IT Board reviewed business cases for future IT investment.
- 69 Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year, and the budget management actions of Cabinet and senior officers are scrutinized by 4 of the Select committees quarterly. The budget monitoring reporting cycle periodically contains some output measures and unit cost data, so that economic comparison of costs with other Councils can be made. Previously the Council has compared very favourably to others.
- 70 The MTFP process for 2019/20 to 2022/23 was reviewed and approved by Cabinet in November 2018. The Capital Strategy Assessment 2018/19 and Draft Capital Budget Proposals 2019/20 to 2022/23 were taken to Cabinet in December 2018. Draft Revenue Budget Proposals 2019/20 also went to Cabinet in December 2018. Final Proposals went to Cabinet in February 2019. The budget was set in January 2018 by Council for 2018/19. Ongoing scrutiny of the Council's budget position in line with the MTFP has provided members with a greater understanding of the budget setting process and the pressures within individual directorates.
- 71 An authority-wide performance measurement system for the Council, the "data hub", hosted on the Council's intranet site continues to be used and further developed. This is available within 3 clicks of the homepage that opens up on all laptops and enables members and officers to track and monitor key data at any point in time from key strategic plans to directorate level "dashboards". This also allows performance to be compared against other council areas, where applicable. A Cabinet level dashboard contains a number of key performance measures and is discussed quarterly by SLT and Cabinet.

- 72 An Overview of Performance Management Arrangements was reported to Audit Committee in November 2018. This was an update on the current effectiveness of the Authority's performance management arrangements. It provides an appraisal of the arrangements that make up the performance framework to ensure that Audit Committee are able to take an overview of their effectiveness. Each arrangement has been scored based on the council's self evaluation framework; the key elements were all scored *adequate or good*, no measure was scored *weak or unsatisfactory*.
- 73 The Council utilises 'Buy For Wales' contracts to ensure value for money is obtained in procuring the many goods and services required to run the Council. A nationwide analysis found that MCC had the highest proportion of spend with SMEs of any local authority in the UK (Source:<http://www.spendsmall.org/>)
- 74 The Equality Impact Assessment and Sustainable Development checklist have been revised and combined to align with the Future Generations Act. The "Future Generations Evaluation" ensures the decisions the Council makes are carefully considered to take equality and sustainable development into account, this includes legislation that Monmouthshire County Council is subject to the Equality Act 2010, Wellbeing of Future Generations Act and Welsh Language (Wales) Measure 2011. A range of these were undertaken during 2018/19 which have been published on the website accompanying decision making reports.
- 75 The WAO reported on their follow on review of Good Governance when determining significant service changes, through Audit Committee in July 2017. They concluded that the Council has a clear strategic approach for significant changes, although, better information would help Members when deciding the future shape of the Council.

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

- 76 The Local Authority is a partner in the South East Wales Consortium Schools Causing Concern protocol. This Policy forms a part of, and is aligned with, the National Model for School Improvement in relation to the informal support and challenge provided by the Local Authority (LA) to a school prior to any issuing of a warning notice or invocation of formal powers of intervention based on the six grounds for intervention. It also aligns with the Welsh Government (WG) Guidance on Schools Causing Concern (March 2016).
- 77 Contract Procedure Rules exemptions are reported to the Audit Committee 6 monthly; managers have been challenged in year to justify their procurement outside the Council agreed procedures. Several managers were called in to Audit Committee to give an account of why accepted procedures were not followed.
- 78 Regular reporting into Cabinet, Scrutiny and Audit Committee enables the achievement of the Council's objectives to be challenged and appropriate action plans put in place to address any identified issues so that the intended outcomes can be achieved. The Improvement Objectives and Performance indicators – 2018/19 were taken through Select Committees six monthly. The Strategic Risk Assessment 2018 was also taken through Select Committee, Audit Committee and signed off by Cabinet during the year.
- 79 Dealing with customer complaints helps Monmouthshire to identify and deal with failures in service delivery. The Council's complaint / compliment procedure is available on the web site. Out of 87 complaints received in 2017/18, 74 were resolved informally although 1 complaint was referred to the Ombudsman, who decided not to investigate. 13 formal complaints were received, 2 of which were escalated. 123 comments were received along with 189 compliments.

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

- 80 The Council's recruitment procedures provide equality of employment opportunities. The equality-assessed pay structure meets the requirements of the Single Status Agreement of 1997. The Single Status Collective Agreement was approved by Cabinet in September 2010. This is complemented by the People Strategy, endorsed by Cabinet July 2018 having gone through scrutiny select consultation.
- 81 Developing the digital capabilities of people and systems to enable effectiveness, efficiency and enhanced customer services ( measured via the Digital Programme SIP)
- 82 There is continued support for Members' development through briefing sessions and other learning opportunities. A comprehensive training programme was developed for the intake of new members following Council elections in May 2017 including:

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

- 83 There is also ongoing training and development which meets the needs of officers and members through the corporate programme. Coaching and leadership skills training will be rolled out to all managers in due course. Check in, Check Out provides a value-based performance assessment approach between staff and line managers and aims to ensure employees have clear and effective understanding of their contribution to the objectives of their teams and subsequently the Council.
- 84 Scrutiny Member Development programme is in place which provides ongoing specific skills based training for Members and includes scrutiny induction.
- 85 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance.

**Partnerships/collaboration working**

- 86 There is Council policy on information sharing along with numerous information sharing protocols with our partners; this is included within the Data Protection Policy. Information sharing is key to joined-up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Monmouthshire signed up to this in January 2011. The Authority is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 1998 and more recently, the General Data Protection Regulation 2018. The Information Sharing protocol has been developed to ensure information is only shared appropriately, safely and compliantly.
- 87 The Council ensures that it has appropriate governance arrangements around its collaborations with other public agencies and other third parties. These can take a range of forms, from informal arrangements to those where governance arrangements are determined through legislation. The governance arrangements form a key part of the decision making processes that the Cabinet or Council follow when deciding to enter a collaborative arrangement, transparent local accountability is a key area of focus.
- 88 As a key example of our commitment to effective governance, arrangements have been developed for the PSB Select Committee.
- 89 A Partnership Audit was undertaken and reported into the Audit Committee in May 2014; 100 partnership / collaboration arrangements were identified. Governance arrangements have been put in place around all key partnerships the Council is involved with. Monmouthshire's Partnership Structure is now shown on The Hub and was reported through Strong Communities Select in April 2016.
- 90 The Community & Partnership Development Team was developed in order to help build sustainable and resilient communities that support the wellbeing of current and future generations in Monmouthshire which is a shared purpose with the public service board partners. The Team work with communities

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

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

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

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

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

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

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

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

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

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

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



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

- 97** The Audit Committee considers the effectiveness of the Council's arrangements for securing continuous improvement including risk management arrangements. The Audit Committee also considers corporate governance, monitors the work of auditors and inspectors, and monitors the relationships between auditors and staff and the responses to audit and inspection recommendations. It also has responsibility for reviewing the Annual Statement of Accounts and its associated reports (which include this statement) before approval by Council. The Audit Committee has an independent, non-political, Chairman who prepares an annual report of the work of the Audit Committee.
- 98** Internal Audit operate to the standards set out in the 'Public Sector Internal Auditing Standards' which have been developed from the Institute of Internal Auditors (IIA) International Internal Auditing Standards which came into effect in April 2013. The team's role and status is set out in the Council's Internal Audit Charter. The Chief Internal Auditor reports to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's control environment.
- 99** The Chief Internal Auditor continues to ensure Internal Audit complies with the Public Sector Internal Audit Standards. A self assessment was undertaken during 2017/18 to assess compliance with the Standards which was validated in March 2018 by an external assessor, the Chief Internal Auditor of Neath Port Talbot Council. The outcome of which was that the Internal Audit team is generally compliant, the highest level of compliance.
- 100** The Council has an objective and professional relationship with its external auditors and statutory inspectors. It manages its information resource through strategies and policies to enable effective decision making which is managed via the Information Strategy and action plan.

### **Risk management**

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

The strategic risk assessment ensures that:

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

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

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

**103** The Council's Strategic Risk Assessment for 2018/19 contains 13 distinct risks. Following the revised policy these were updated and reviewed throughout the year with the latest version being made available to members via The Hub (March 2019).

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

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

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

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

- 109** Also in July 2018, the Council's latest iteration of its Procurement Strategy was approved by Cabinet. The Strategy builds upon workshop sessions undertaken with the Economy and Development Select Committee and the aims, aspirations and priorities for procurement, identified throughout the participative process.
- 110** Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Audit Committee process before being endorsed by Council. All public meetings of the Council, including Council, Cabinet, Select, Audit Committee, Planning Committee are live streamed on YouTube and are available to view on the Council's YouTube channel at any time after the meeting, which provides greater transparency of the Council's business.
- 111** The Corporate Plan also aligns with the People, Asset Management, MTFP and SRS strategies as well as linking in with MCC's Service Plans.
- 112** The Audit Committee continues to support the Internal Audit team and endorses its annual report and plan. The plan details the work and service areas the team will cover based on a risk assessment in order to provide assurance on the adequacy of the internal controls, governance arrangements and risk management process.
- 113** The Whole Authority Report complaints, comments and compliments 2017/18 was presented to Audit Committee in January 2019 which identified the number and types of feedback received and dealt with from 1 April 2017 until 31 March 2018. The report also provided a summary of the number of Freedom of Information Act (FOI) requests received and dealt with by the Council during this period.

#### **Information Governance**

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

**Main areas for Improvement**

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

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

**Action Plan 2017/18**

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

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

**Monitoring & Evaluation**

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

**Signed:** ..... **2019**  
**Leader**

**Signed:** ..... **2019**  
**Chief Executive**

Appendix 1

Progress against 2017/18 AGS Action Plan

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

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

Appendix 2

Action Plan 2018/19

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

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

<b>Movement In Reserves Statement for the Year Ended 31st March 2019</b>							
	Note	Council Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1st April 2017		7,380	7,804	19,152	34,336	(16,660)	17,676
<b><i>Movement in reserves during 2017/18</i></b>							
Total Comprehensive Income and Expenditure		(17,210)	-	-	(17,210)	15,117	(2,091)
Adjustments between accounting basis & funding basis under regulations	10.2	16,686		(15,598)	1,088	(1,088)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(524)	-	(15,598)	(16,122)	14,030	(2,091)
Transfers to/(from) Earmarked Reserves	10.4	430	(430)		-		-
Increase/(Decrease) in 2017/18		(95)	(430)	(15,598)	(16,122)	14,030	(2,091)
Balance at 31st March 2018 carried forward		7,286	7,374	3,554	18,214	(2,630)	15,585
<b><i>Movement in reserves during 2018/19</i></b>							
Total Comprehensive Income and Expenditure		(16,989)	-	-	(16,989)	(38,166)	(55,155)
Adjustments between accounting basis & funding basis under regulations	10.2	15,820	-	1,027	16,847	(16,847)	(0)
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(1,169)	-	1,027	(142)	(55,013)	(55,155)
Transfers to/(from) Earmarked Reserves	10.4	761	(761)	-	-	-	-
Increase/(Decrease) in 2018/19		(408)	(761)	1,027	(142)	(55,013)	(55,155)
Balance at 31st March 2019 carried forward		6,878	6,613	4,582	18,072	(57,643)	(39,570)



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

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

Monmouthshire County Council: Statement of Accounts 2018/19

Cash Flow Statement for the Year Ended 31st March 2019

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

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

## 10 MOVEMENT IN RESERVES STATEMENT NOTES

### 10.1 Movement in Reserves

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

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

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

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

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

**Monmouthshire County Council: Statement of Accounts 2018/19**

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

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

Capital expenditure charged against the Council Fund	(264)	-	264
<b>Adjustments involving the Capital Receipts Reserve:</b>			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(727)	1,727	(1,000)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(17,324)	17,324
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(95)	-	95
<b>Adjustments involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	25,568	-	(25,568)
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,928)	-	10,928
<b>Adjustment involving the Accumulated Absences Account:</b>			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	356	-	(356)
<b>Adjustment between the Capital Adjustment Account and the Revaluation Reserve:</b>			
Depreciation of non-current asset revaluation gains	-	-	-
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>16,685</b>	<b>(15,598)</b>	<b>(1,088)</b>

### 10.3 Usable Reserves available for Revenue Purposes

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

Each of the Authority's Schools is directly governed by a Board of Governors, which is responsible for managing the school's finances. The balance on the Council Fund includes £(232,000) in respect of underspent (or overspent) budgets which have been delegated to schools. These balances are at the disposal of the respective schools and represent an earmarked reserve which is not available for the Authority to use generally.

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

### 10.4 Transfers to/from Earmarked Reserves

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

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

The transfers to and from Earmarked Reserves in 2018/19 can be summarised as follows:

	At 1st April 2017 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2018 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2019 £000
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**Monmouthshire County Council: Statement of Accounts 2018/19**

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

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

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

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

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

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

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

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



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

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

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

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

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

## 10.5 School Balances

The balance on the Council Fund includes £(232,404) in respect of underspent (or overspent) budgets which have been delegated to schools. These balances are at the disposal of the respective schools and represent an earmarked reserve which is not available for the Authority to use generally. Details of the movements of these reserves are shown below:

	At 1st April 2017	In Year Movement	At 31st March 2018	In Year Movement	At 31st March 2019
	£	£	£	£	£
<b>Comprehensives</b>					
Caldicot	33,736	(134,373)	(100,637)	35,624	(65,012)
Chepstow	(81,068)	239,524	158,456	(107,795)	50,662
King Henry VIII	(139,355)	(23,105)	(162,460)	79,663	(82,798)
Monmouth	(100,573)	(323,378)	(423,950)	(114,375)	(538,325)
<b>Sub Total Comprehensives</b>	<b>(287,259)</b>	<b>(241,332)</b>	<b>(528,591)</b>	<b>(106,882)</b>	<b>(635,473)</b>
<b>Primaries</b>					
Archbishop R Williams	49,657	29,798	79,455	(6,049)	73,405
Cantref	52,766	13,199	65,965	22,426	88,391
Castle Park	(46,115)	2,456	(43,659)	19,887	(23,773)
Cross Ash	45,620	13,736	59,356	(5,206)	54,151
Deri View	27,297	12,703	40,000	40,000	80,001
Dewstow	90,125	15,501	105,626	3,016	108,642
Durand	53,931	17,734	71,664	(42,578)	29,087
Gilwern	39,636	12,617	52,253	2,998	55,251
Goytre Fawr	25,371	(14,568)	10,803	(8,066)	2,738
Kymin View	10,294	24,363	34,657	(29,050)	5,607
Llandogo	(9,736)	(2,713)	(12,449)	(71,067)	(83,516)
Llanfair Kilgeddin CV	0	0	0	0	0
Llanfoist	68,056	(18,476)	49,579	(35,238)	14,341
Llantilio Pertholey	20,967	(16,527)	4,439	(14,082)	(9,643)
Llanvihangel Crucorney	(3,117)	3,628	511	33,830	34,342
Magor Vol Aided	35,179	(54,406)	(19,226)	(35,424)	(54,651)
New Pembroke Primary	8,826	(8,645)	181	(13,420)	(13,239)

**Monmouthshire County Council: Statement of Accounts 2018/19**

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

### 10.6 Capital Receipts Reserve

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

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

### 10.7 Revaluation Reserve

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

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

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

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

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

## 10.8 Capital Adjustment Account

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

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

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

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

### 10.9 Pensions Reserve

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

2017/18 £000		2018/19 £000
(217,236)	Balance at 1 April	(217,645)
14,231	Remeasurement gains or (losses) on pension assets and liabilities	(36,469)
(25,568)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(26,143)
10,928	Employer's pensions contributions and direct payments to pensioners payable in the year	12,044
<b>(217,645)</b>	<b>Balance at 31 March</b>	<b>(268,213)</b>

### 10.10 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year, for example, annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account. Further information on the calculations of benefits can be found in notes 13.7(c) and 17.6 to the accounts.

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

### 10.11 Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of Land at the Old Abergavenny cattle market under a finance lease but for which full cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

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

## 11 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

## 11.1 Expenditure and Funding Analysis

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

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

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

2017/18 (Restated)					2018/19			
Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000		Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000
7,307	1,776	(808)	8,274	Children & Young People	15,207	1,620	(1,436)	15,391
1,298	2,816	(853)	3,261	Social Care & Health	1,190	2,744	(811)	3,123
2,626	1,804	577	5,007	Enterprise	8,860	2,888	835	12,583
3,806	1,764	77	5,647	Chief Executives Unit	209	453	(417)	245
1,975	828	8,107	10,910	Resources	782	792	9,106	10,680
0	(105)	(17,375)	(17,480)	Corporate	0	(379)	(18,181)	(18,559)
<b>17,012</b>	<b>8,882</b>	<b>(10,275)</b>	<b>15,619</b>	<b>Cost of Services</b>	<b>26,247</b>	<b>8,118</b>	<b>(10,903)</b>	<b>23,462</b>
581	0	17,290	17,871	Other operating expenditure	(438)	0	18,023	17,585
(4,082)	5,759	1,287	2,963	Financing and investment income and expenditure	(4,534)	5,981	(3,129)	(1,682)
(13,318)	0	(5,924)	(19,242)	Taxation and non-specific grant income and expenditure	(16,218)	0	(6,158)	(22,376)
<b>(16,820)</b>	<b>5,759</b>	<b>12,652</b>	<b>1,592</b>	<b>Other Income &amp; Expenditure</b>	<b>(21,189)</b>	<b>5,981</b>	<b>8,735</b>	<b>(6,473)</b>
192	14,641	2,378	17,211	Adjustments between the Funding & Accounting Basis	5,058	14,099	(2,168)	16,989

**11.2 Expenditure & Income analysed by nature**

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

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

**11.3 Financing and Investment Income and Expenditure**

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

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

### 11.4 Significant Trading Operations

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

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

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

### 11.5 Council Tax

Council tax derives from charges raised according to the value of residential properties. Each dwelling has been classified into one of nine valuation bands according to its capital value at 1 April 2003 for this specific purpose. Charges are calculated by taking the amount of income required for the Authority, Office of Police and Crime Commissioner for Gwent and Town and Community Councils for the forthcoming year and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent, totalled across all bands and adjusted for discounts. The tax base was 45,888 for 2018/19 (45,537 for 2017/18).

This average basic amount for a Band D property, £1,538.93 (£1,466.49 in 2017/18), is multiplied by the proportion specified for the particular band to give the individual amount due.

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

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	1.0	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	498	3,299	6,944	8,734	7,133	7,530	5,292	1,743	670
Valuation (£000)	up to 44	44-65	65-91	91-123	123-162	162-223	223-324	324-424	424+

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

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

### 11.6 Grant Income

#### Capital Grants and Contributions

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

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

**Capital Grants and Contributions Received in Advance**

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

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

**Revenue Grants and Contributions**

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

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



## 12 NON-CURRENT ASSET &amp; CAPITAL FINANCING NOTES

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

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

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

Movements in 2017/18	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
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<b>Cost or Valuation:</b>								
At 1st April 2018	180,177	14,028	85,891	4,021	360	40,724	325,201	1,310
Additions	14,690	1,685	5,004	58	-	22,326	43,763	-
Revaluation movements taken to Revaluation Reserve	812	(0)	-	(8)	(372)	-	432	101
Revaluation movements taken to Surplus/Deficit on Provision of Services	(2,557)	-	-	-	(277)	0	(2,835)	-
Impairment movements taken to Surplus/Deficit on Provision of Services	(546)	-	(2,230)	-	0	-	(2,776)	-
Reclassified (to)/from Held for Sale	18	(1,107)	-	0	1,200	-	112	-
Other reclassifications	24,694	-	35	164	0	(29,937)	(5,045)	-
<b>At 31st March 2018</b>	<b>217,287</b>	<b>14,606</b>	<b>88,700</b>	<b>4,235</b>	<b>911</b>	<b>33,113</b>	<b>358,852</b>	<b>1,411</b>
<b>Accumulated Depreciation:</b>								
At 1st April 2018	(6,629)	(9,242)	(24,474)	-	-	-	(40,345)	(139)
Depreciation charge	(8,164)	(1,188)	(1,564)	-	-	-	(10,915)	(54)
Depreciation written out on revaluation to Revaluation Reserve	446	-	-	8	0	-	455	157
Depreciation written out on revaluation to Surplus/Deficit on Provision of Services	1,650	-	-	-	0	-	1,650	-
Depreciation written out on impairment to Surplus/Deficit on Provision of Services	0	-	-	-	-	-	0	-
Reclassified to/(from) Held for Sale	-	1,068	-	-	-	-	1,068	-
Other reclassifications	8	-	-	(8)	0	-	0	-
<b>At 31st March 2018</b>	<b>(12,689)</b>	<b>(9,361)</b>	<b>(26,037)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(48,087)</b>	<b>(36)</b>
<b>Net Book Value:</b>	<b>204,599</b>	<b>5,245</b>	<b>62,663</b>	<b>4,235</b>	<b>911</b>	<b>33,113</b>	<b>310,765</b>	<b>1,375</b>

## 12.2 Revaluations of Property, Plant & Equipment

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

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

- The 2018/19 revaluations were carried out or approved by qualified valuers within the Authority's Estates section or external qualified valuers. The basis for valuation is set out in the accounting policies within section 17 of the notes to the accounts.
- All assets requiring valuations have been revalued in the 5 year period ending 31st March 2019. The valuations carried out during 2018/19 primarily include Primary Schools, Recreational Spaces, Oak Grove Solar Farm, Castlegate Business Park, Newport Leisure Park, Abergavenny Youth & Community Centre and Drybridge House.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	161	10,403	66,086	4,319	-	836	81,804
<b>Valued at current value as at:</b>							
31st March 2019	44,526	-	-	-	-	-	44,526
31st March 2018	58,200	-	-	-	110	-	58,310
31st March 2017	65,310	-	-	-	-	-	65,310
31st March 2016	68,613	-	-	-	-	-	68,613
31st March 2015	1,797	-	-	-	-	-	1,797
<b>Total Cost or Valuation</b>	<b>238,607</b>	<b>10,403</b>	<b>66,086</b>	<b>4,319</b>	<b>110</b>	<b>836</b>	<b>320,360</b>

### 12.3 Schools Non-Current Assets

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

The Authority runs the voluntary controlled schools on behalf of 3rd party organisations such as charities and religious organisations who own the underlying assets. The Authority does not record these school assets on its balance sheet. During the financial year the historic value of £5.8m for Osbaston and Raglan was added back to Council balance sheet until such time that the conveyance with the diocese has been successfully concluded.

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

The net book value of school non-current assets as at 31st March 2019, shown in the Authority's balance sheet, is £168,568,616 (£167,607,967 as at 31st March 2018).

### 12.4 Private Finance Initiatives

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

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

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

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

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

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

## 12.5 Investment Properties

Investment Properties are those that are used solely to earn income and/or for capital appreciation. Investment Properties are not used in any way to deliver a service and are not held for sale. The Authority's current portfolio of investment properties consists of long held assets such as County Farms and District Shops and also a Solar Farm, Newport Leisure Park and Castlegate Business Park constructed/acquired recently. The resultant boost to the Authority's net income is shown below.

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

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

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

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

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

## Fair Value Hierarchy

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

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

There have been no transfers between levels during the year.

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

**Level 3 Significant Unobservable Inputs:** The Freehold Reversions, Retail Properties, Industrial Properties & Solar Farm located in the local authority area & properties acquired in 2018/19 for rental income are measured using the income approach, by means of a term and reversion method. The approach has been developed using the authority's own data requiring it to factor in assumptions such as the duration, rent growth, occupancy levels, bad debt levels, maintenance costs, etc. These property types are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

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

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

### Level 3 Investment Properties

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

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

### Fair Value Measurement

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

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

## 12.6 Assets Held for Sale

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

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

## 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
<b>Cost or Valuation:</b>				
1st April 2017	238	4,464	180	4,882
Additions	24	-	-	24
Revaluation increases/ (decreases) recognised in the SDPS	(250)	-	-	(250)
Impairment losses/(reversals) recognised in the SDPS	(25)	-	-	(25)
Reclassified from property, plant and equipment	13	-	-	13
<b>31st March 2018</b>	<b>0</b>	<b>4,464</b>	<b>180</b>	<b>4,643</b>
<b>Cost or Valuation:</b>				
Additions	99	-	-	99
Revaluation increases/ (decreases) recognised in the SDPS	1	-	-	1
Impairment losses/(reversals) recognised in the SDPS	0	-	-	0
Reclassified from property, plant and equipment	0	-	-	0
<b>31st March 2019</b>	<b>100</b>	<b>4,464</b>	<b>180</b>	<b>4,743</b>

### Property Heritage Assets

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

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

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

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

### Museum Exhibits

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

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

### Civic Regalia, Artwork & Collections

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

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

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

## 12.8 Capital Expenditure and Capital Financing

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

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

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

## 12.9 Capital Commitments

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

## 12.10 Financing Capital Expenditure

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

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



## 12.11 Minimum Revenue Provision

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

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

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

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

## 12.12 Leases - Authority as Lessor

### Operating Leases

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

The minimum lease payments receivable includes rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. During the financial year £524,000 of minimum lease payments were receivable by the Authority (£582,000 in 2017/18).

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

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

## 12.13 Leases - Authority as Lessee

### Operating Leases

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

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £216,650 (£342,466 in 2017/18).

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

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

## 13 FINANCIAL INSTRUMENTS, CURRENT ASSETS & LIABILITIES NOTES

### 13.1 Categories of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

**Monmouthshire County Council: Statement of Accounts 2018/19**

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

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

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

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

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

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

### 13.2 Financial Instruments - Income, Expense, Gains and Losses

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

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

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

### 13.3 Fair Values of Financial Instruments

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

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

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

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

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

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

#### Financial liabilities

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

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

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

The fair value of financial liabilities held at amortised cost is more than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the current rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

### Financial Assets

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

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

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

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

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

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team in conjunction with appointed treasury advisors.

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

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

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

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

#### a) Credit Risk

##### Treasury Investments

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

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

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

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

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

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

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

#### Trade & Lease receivables and Contract assets

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

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

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

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

#### Loans, Financial Guarantees and Loan Commitments

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

#### b) Liquidity Risk

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

The maturity analysis of financial instruments is as follows:

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



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

The Counterparty analysis of Borrowing is shown below:

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

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

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

### c) Market Risk

#### i) Interest rate risk

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

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

Investments measured at amortised cost and loans borrowed are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

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

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

At 31st March 2019, if interest rates had been 1% higher with all other variables held constant, the most significant financial effect would be:

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

\* No impact on Comprehensive Income and Expenditure

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

#### ii) Price risk

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

#### iii) Foreign exchange risk

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

### 13.5 Debtors

The nature and value of payments due to the Council for the year but not received as at 31st March 2019, repayable in the short term (within 12 months of the balance sheet date) and long term (after 12 months of the balance sheet date), is summarised below:

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

**Monmouthshire County Council: Statement of Accounts 2018/19**

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

The aged analysis of the debtors outstanding as at 31st March 2019 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
<b>Central Government Bodies:</b>						
Welsh Government	3,847	0	0	0	0	<b>3,847</b>
HM Customs & Excise	1,942	0	0	0	0	<b>1,942</b>
NNDR Debtor	11	0	0	275	0	<b>286</b>
Council Tax and Housing Benefit Subsidy	58	0	0	0	0	<b>58</b>
Other	38	0	0	0	0	<b>38</b>
<b>Other entities and individuals:</b>						
Other Local Authorities	4,674	2,605	447	62	6	<b>7,794</b>
Revenue debtors	2,792	0	0	0	0	<b>2,792</b>
Council tax arrears	0	0	0	1,378	1,130	<b>2,508</b>
Corporate sundry debtors	1,338	621	164	149	174	<b>2,446</b>
Housing benefit overpayments	166	97	419	549	224	<b>1,455</b>
NHS Bodies	2,399	159	41	16	3	<b>2,618</b>
Social Services sundry debtors	169	101	243	118	101	<b>732</b>
Capital debtors	144	0	0	0	0	<b>144</b>
Rent arrears	75	7	20	27	178	<b>307</b>
Housing Advances	208	0	0	0	0	<b>208</b>
Other	8,120	0	0	0	0	<b>8,120</b>
<b>Total</b>	<b>25,981</b>	<b>3,590</b>	<b>1,334</b>	<b>2,574</b>	<b>1,816</b>	<b>35,296</b>

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2019 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
Other Local Authorities	0	0	(59)	(62)	(6)	<b>(127)</b>
NHS Bodies	0	(13)	(9)	0	(2)	<b>(24)</b>

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

### 13.6 Creditors

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

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

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

### 13.7 Provisions and Contingent Liabilities

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

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

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

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

#### a) Insurance Claims

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

To satisfy IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a full actuarial assessment of open insurance claims was carried out at 30th September 2015 by the Authority's insurance brokers. The Authority has used this data to project future potential liabilities on the basis of current claims received, policy excesses and stop losses (the capped loss we can incur in any policy year). This assessment has allowed the Authority to reflect the estimated cost of liabilities at 31 March 2019. Provision has only been made where the Authority's insurers indicate a settlement is likely. The result is that the total provision is at the most likely level to be paid out in the future. Any movement in provisions has been charged against the services to which the claims relate.

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

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

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

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

#### b) Municipal Mutual Insurance (MMI)

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

In addition to the levy paid for settled claims, a percentage payment is also applied to outstanding claims which are subsequently settled against the Authority. As at the 31st March 2019, a provision of £31,000 has been made for outstanding claims of this nature.

#### c) Accumulating Compensated Absences

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

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

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

The value of the provision made in respect of such employee benefits at the 31st March 2019 was £2,938,789 (£3,601,269 at 31st March 2018).

#### d) Asbestos Indemnity

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

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

The resultant provision is one where the authority has negotiated a limited contingent liability of £6.003million, as updated annually by RPI, for a period of 15 years from the date of transfer of 20th January 2008. 4 years remain of this period.

There are no immediate financial implications and professional advice suggests a low risk of future liability arising. Low risk does not however equate to “no risk” and there is a potential future liability of up to £6.483 million as updated by RPI (£6.360 million as at 31st March 2018) , in the event the asbestos indemnity is called upon.

The latest available information indicates spend to date by Monmouthshire Housing Association (for the period 21st January 2008 to 31st March 2019) is £111,478 (previously £87,694 for the period 21st January 2008 to 31st March 2018).

#### e) Shared Resource Service (SRS) Public Debt

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

### 13.8 Agency Transactions

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

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

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

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

Loans are interest free

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

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

The maximum loan amount per applicant is £150,000

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

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

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

## 14 POST-EMPLOYMENT BENEFIT NOTES

### 14.1 Participation in Pension Schemes

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

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

#### *Teachers*

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

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

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

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

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

There were £324,000 of contributions remaining payable to the scheme at the year end (£321,000 at 31st March 2018).

#### *Greater Gwent Pension Fund*

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

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

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

14.2 Pension Fund Stakeholders

14.3 Entries in the comprehensive income and expenditure statement

14.4 Expected future pension contributions

14.5 Actuarial Assumptions

14.6 Sensitivity analysis

14.7 Investments held by the pension fund

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

14.9 A summary explanation of the movement in assets and liabilities

**14.2 Pension Fund Stakeholders**

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

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

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

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

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

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

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

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



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

#### 14.4 Expected future pension contributions

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2020 is £11,336,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2020 are £455,000.

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

#### 14.5 Actuarial Assumptions

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

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

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

Financial Assumptions	Local Government Pension Scheme			Teachers Unfunded Discretionary Benefits		
	31st March 2019	31st March 2018	31st March 2017	31st March 2019	31st March 2018	31st March 2017
Rate of increase in salaries	2.8%	2.8%	3.7%	-	-	-
Rate of increase in pensions (inline with CPI)	2.4%	2.4%	2.2%	2.4%	2.4%	2.2%
Rate for discounting scheme liabilities	2.7%	2.6%	3.5%	2.7%	2.6%	3.5%
<b>Life Expectancy:</b>						
Current male pensioner aged 65 (years)	21.5	21.5	23.0	21.5	21.5	23.0
Current female pensioner aged 65 (years)	23.9	23.9	25.4	23.9	23.9	25.4
Future male pensioner aged 65 in 20 years' time (years)	23.6	23.6	25.2	-	-	-
Future female pensioner aged 65 in 20 years' time (years)	26.1	26.1	27.8	-	-	-

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

#### 14.6 Sensitivity Analysis

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

Change in assumption at 31st March 2019	Approximate % increase to Employer	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	11%	65,339
0.5% increase in the Salary Increase Rate	2%	10,004
0.5% increase in the Pension Increase Rate	9%	54,192

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

#### 14.7 Investments held by the pension fund

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

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

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

##### The Movement in Fund Assets

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

##### The Movement in Fund Liability

(531,153)	(5,417)	As at 1st April	(544,485)	(5,070)
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(19,610)	0	Current service cost	(20,121)	0
(199)	0	Past service (cost) / gain (including curtailments)	(41)	0
0	0	Settlement gains	0	0
0	0	Curtailment costs	0	0
(13,930)	(135)	Interest on pension liabilities	(14,831)	(126)
(2,937)	0	Contributions by scheme participants	(3,121)	0
10,676	19	Gains / (losses) on remeasurement of liabs	(47,216)	3
12,667	463	Benefits paid	13,180	444
0	-	Effect of business combinations & disposals	0	-
<b>(544,485)</b>	<b>(5,070)</b>	<b>As at 31st March</b>	<b>(616,635)</b>	<b>(4,749)</b>

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

Within the £616,635,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2019 (£544,485,000 31 March 2018), there are £4,718,000 of unfunded liabilities (£4,813,000 as at 31st March 2018). £339,000 of employer contributions were made in respect of these liabilities during the year.

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

Over the five years ending the 31 March 2019, the fund's actuaries have estimated that the Authority had the following assets and liabilities:

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

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

15 NOTES TO THE CASH FLOW STATEMENT

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

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

**15.2 Returns on Investments and Servicing of Finance**

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

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

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

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

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

## 16 OTHER NOTES TO THE ACCOUNTS

### 16.1 Members Allowances

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

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

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

### 16.2 Audit Costs

The Authority has incurred the following costs during 2018/19 in relation to the audit of the Statement of Accounts, certification of grant claims, statutory inspections and to non-audit services provided by the Authority's external auditors:

2017/18 £000		2018/19 £000
176	Fees payable to the appointed auditor with regard to external audit services - financial audit	176
103	Fees payable to the appointed auditor with regard to external audit services - Local Government Measure	103
55	Fees payable to the appointed auditor for certification of grant claims & returns	68
<b>334</b>	<b>Total</b>	<b>347</b>

### 16.3 S31 and S33 Pooled Budget Arrangements

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

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

#### a) Mardy Park Rehabilitation Scheme

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### d) Gwent Frailty Programme

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

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

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

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

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

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

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

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

### **16.4 Related Party Transactions**

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

#### **Central & Welsh Government**

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

#### **Members**

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in note 16.1 to the accounts. Where work or services have been commissioned, or where grants were made during the financial year in which members had an interest, members have a duty to declare such an interest. The Authority must ensure that contracts entered into were in full compliance with the Authority's standing orders and that grants were made with proper consideration of declarations of such interests."

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

#### **Companies and Joint Ventures**

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

#### **Senior Officers**

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

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

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



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

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

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

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

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

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

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

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

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

## 16.5 Trust Funds

The Council acts as sole or custodian trustee for a number of trust funds. The funds do not represent assets of the Council and they have not been included in the Consolidated Balance Sheet. The below balances are based upon unaudited figures for the year ended 31st March 2019:

	Income £000	Expend £000	Assets £000	Liabilities £000
<b>Welsh Church Act Fund</b>	(250)	376	5,710	(344)
The primary objective of the Charity is to assist groups and individuals for educational, social, recreational and other charitable purposes. The Trust owns tangible fixed assets comprising eight parcels of land. Five of these are agricultural, two are grazing and one is forestry.				
<b>Llanelly Hill Social Welfare Centre</b>	(21)	21	114	(46)
The primary objective of the fund is the provision of a Social welfare centre to the residents of Llanelly hill. The Trust's fixed assets comprise the social welfare centre premises and land upon which it is situated.				
<b>Chairman's Charity</b>	(1)	3	0	(2)
The Chairman's Charity supports and raises funds for the Chairman's nominated Charity of the year.				
<b>Funds for which Monmouthshire County Council acts as custodian trustee:</b>				
<b>Monmouthshire Farm School Endowment</b>	(32)	79	664	(4)
<b>Appointeeship - Personal Monies</b>	(1,176)	972	669	(465)
<b>Appointeeship - Independent Living Fund Monies</b>	(1)	32	0	(31)

## 16.6 Related Businesses and Operations

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

### Dragon Waste Limited

The Company was formed to carry out the Council's waste disposal function. The Council holds a 19% share holding in the company. The Company's latest available trading results are the accounts for the year ending 31st March 2018.

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

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

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

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

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

### SRS Public

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

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

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

### SRS Business Solutions Limited

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

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

The Company's latest available trading results are the draft estimates for the year ending 31st March 2019.

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

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

#### Y Prentis

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

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

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

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

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

#### Education Achievement Service (EAS)

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

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

The Company's latest available trading results are the draft estimates for the period ending 31st March 2019.

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

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

#### Gwent Archives

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

The Company's latest available trading results are the draft estimates for the period ending 31st March 2019.

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

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

#### Gwent Crematorium

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

The Company's latest available trading results are the draft estimates for the period ending 31st March 2019.

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

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

#### Project Gwyrdd

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

The Company's latest available trading results are the draft estimates for the period ending 31st March 2019.

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

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

#### City Deal

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

#### CSC Foundry

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

### 16.7 Interests in Joint Operations

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

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

### 16.8 Senior Officer Remuneration

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

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

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
<b>Total</b>	<b>720,480</b>	<b>0</b>	<b>0</b>	<b>720,480</b>	<b>150,902</b>	<b>871,382</b>

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

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

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

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

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

## 16.9 Officers' Emoluments

The number of employees whose remuneration was £60,000 or more in bands of £5,000, during the year ended 31st March 2019, was:

2017/18		Remuneration Band	2018/19	
Number of employees	(Of which are teaching staff)		Number of employees	(Of which are teaching staff)
0	0	£115,000 - £119,999	0	0
1	0	£110,000 - £114,999	1	0
3	3	£105,000 - £109,999	2	1
0	0	£100,000 - £104,999	1	0
1	0	£95,000 - £99,999	1	1
0	0	£90,000 - £94,999	1	1

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

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

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

Employers' pension contributions were paid at a rate of 22.1% of pensionable pay for staff within the Local Government Pension Scheme (21.1% for 2017/18) and 16.4% of pensionable pay for staff within the Teachers' Pension Scheme (16.4% in 2017/18).

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

### 16.10 Termination Benefits

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

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

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

2017/18			Exit package Cost band	2018/19		
No. of Compulsory Redundancies agreed	No. of other departure costs agreed	Total Cost of Exit Packages in each payband £000's		No. of Compulsory Redundancies agreed	No. of other departure costs agreed	Total Cost of Exit Packages in each payband £000's
35	4	370	£0 - £20,000	35	4	312
14	1	473	£20,001 - £40,000	7	2	253
3	0	130	£40,001 - £60,000	1	1	97
0	1	80	£60,001 - £80,000	0	0	0
1	0	81	£80,001 - £100,000	1	0	92
0	0	0	£100,001 - £150,000	0	0	0
<b>53</b>	<b>6</b>	<b>1,134</b>	<b>Total</b>	<b>44</b>	<b>7</b>	<b>754</b>

### 16.11 Events after the Balance Sheet date

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

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



## 17 STATEMENT OF ACCOUNTING POLICIES

### 17.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019.

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

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

### 17.2 Accounting Standards issued not yet adopted

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

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

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

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

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

### 17.3 Accruals of Income and Expenditure

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

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

#### 17.4 Cash and Cash Equivalents

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

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

#### 17.5 Charges to Revenue for Non-Current Assets

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

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

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

#### 17.6 Critical Judgements in Applying Accounting Policies

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

- The Council is deemed to control the services provided under its PFI arrangements and also to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.
- A provision is made for the cost of employee benefit entitlements (in the form of annual leave, time off in lieu and flexi time) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is calculated by taking a sample of non-school employee records and extrapolating the data over the total non-school employee base. The sample return for 2018/19 was 21% (24% for 2017/18).

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

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

The items in the Authority's Balance Sheet at 31st March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

<p>Britain leaving the European Union: asset values and pension liability</p>	<p>There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.</p>	<p>Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.</p>
<p>Provisions</p>	<p>The Council has included provisions for known insurance claims as at 31st March 2019. The value of these claims is based on information provided by our Insurance brokers on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. However the outcome of these cases is still uncertain as outstanding legal cases and negotiations remain on going.</p>	<p>The Authority maintains the insurance and risk management reserve to assist in the control of the Authority's insurance risks. The provisions in place and the balance on the insurance and risk management reserve at 31st March 2019 are deemed to provide sufficient cover for the Authority's claims exposure. Notes 13.7(a) &amp; 13.7(b) provide further information on the types of claims the Authority is exposed to.</p>
<p>Arrears</p>	<p>At 31st March 2019, the Authority had an outstanding balance of short term debtors totalling £29.8m. Against this debtors balance, there is an impairment allowance of £3.1m. It is not certain that this impairment allowance would be sufficient as the Authority cannot assess with certainty which debts will be collected or not.</p>	<p>If collection rates were to deteriorate, there would be a consequential increase in the impairment of doubtful debts.</p>

## 17.8 Employee Benefits

### *Benefits Payable During Employment*

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

### *Termination Benefits*

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

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

### *Post Employment Benefits*

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

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

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

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

### *The Local Government Pension Scheme*

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

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

- The Liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates, employee turnover rates, etc., and projections of earning for current employees.
- Liabilities are discounted to their value at current prices, using a single discount rate which is derived from the spot rates on a selection of AA rated corporate bonds of various durations which match the liabilities within the Authority's pension fund. This is known as the yield curve approach.
- The assets of the Greater Gwent (Torfaen) Pension Fund attributable to the Authority are included in the balance sheet at their fair value as determined by the Fund's actuary.
- The change in the net pensions liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Interest on plan assets – this is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Gains or losses on remeasurement – changes in the net pensions liability (Liabilities less assets) that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

### **Discretionary Benefits**

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

## **17.9 Events After the Balance Sheet Date**

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

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

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

of Accounts.

## 17.10 Exceptional Items

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

## 17.11 Financial Instruments

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

### *Financial Liabilities*

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

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

### *Financial Assets*

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

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

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

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

## 17.12 Government Grants and Contributions

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

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

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

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

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

### 17.13 Heritage Assets

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

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

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

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

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

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

### 17.14 Intangible Assets

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

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

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



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

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

### 17.15 Inventories and Long Term Contracts

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

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

### 17.16 Investment Property

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

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

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

### 17.17 Fair value measurement

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

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

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

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

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

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

## 17.18 Interests in companies and other entities

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

## 17.19 Leases

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

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

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

### *The Authority as Lessee - Finance Leases*

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

Lease payments are apportioned between:

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

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

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

#### *The Authority as Lessee - Operating Leases*

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

#### *The Authority as Lessor - Finance Leases*

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

Lease rentals receivable are apportioned between:

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

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

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

#### *The Authority as Lessor - Operating Leases*

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

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

## 17.21 Property, Plant and Equipment

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

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

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

### *Impairment*

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

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

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

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

### *Depreciation*

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

Depreciation is calculated on the following bases:

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

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

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

### *Components*

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

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

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

### *Disposals and Non-current Assets Held for Sale*

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

Assets held for Sale Assets are assets where the:

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

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

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

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

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

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

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

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

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

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

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

## 17.23 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

## 17.24 Provisions, Contingent Liabilities and Contingent Assets

### *Provisions*

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

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

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

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

### *Contingent Liabilities*

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

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

### *Contingent Assets*

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

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

## 17.25 Reserves

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

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

## 17.26 Revenue Expenditure Funded from Capital under Statute



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

**17.27 VAT**

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

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<b>SUBJECT:</b>	<b>STATEMENT OF ACCOUNTS 2018/19</b>
<b>MEETING:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>25<sup>th</sup> July 2019</b>
<b>DIVISIONS/WARD AFFECTED:</b>	<b>All Authority</b>

**1. PURPOSE:**

1.1 The purpose of this report is to:

- Consider the draft statement of accounts for the Authority for 2018/19

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.

1.2 And note a trial change in approach caused by early closure deadlines, that no longer makes it conducive for Audit Committee to endorse Accounts to Council, but instead for Leader/Chief Executive to derive their comfort to sign the audited Accounts based on the Wales Audit office findings reported and Audit Committee diligence.

**2. RECOMMENDATIONS:**

2.1 That the draft Monmouthshire County Council Statement of Accounts for 2018/19, as presented for audit, be reviewed. (Appendix 2).

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

- Draft Monmouthshire County Council Welsh Church Act Fund (Appendix 3)
- Draft Monmouthshire Farm School Endowment Trust Fund (Appendix 4)
- Draft Llanelly Hill Social Welfare Centre Accounts (Appendix 5)

2.3 That the Audit Committee notes their delegated powers to give the final approval of the audited statement of accounts in readiness for publication by the 15<sup>th</sup> September.

**3. KEY ISSUES**

3.1 Under current legislation for Wales, the draft statement of accounts are to be produced by the 15<sup>th</sup> June (30<sup>th</sup> June in 2017/18). The Council concluded the process on the 4<sup>th</sup> June 2019 and the draft statements were handed over for audit. An audited statement of accounts must be published by the Authority by 15<sup>th</sup> September (30<sup>th</sup> September in 2017/18).

- 3.2 Under proposed legislation, from the 2020/21 financial year, the deadline for production of the draft statement of accounts will be brought forward from 15th June to 31st May. It also proposes that the date that the Council must consider, approve and publish an audited Statement of Accounts will be brought forward from 15th September to 31st July.
- 3.3 Having given consideration to the logistics of presenting the audited accounts to both Audit Committee and Council prior to 15th September and ultimately 31st July given the shorter time period available, it is proposed that the Council adopts the approach utilised by some other Welsh Authorities whereby the approval of the audited accounts is delegated to the Audit Committee rather than requiring approval by full Council.
- 3.4 The Statement of Accounts, shown in Appendix 2, 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).
- 3.5 In complying with these Standards, the accounts are highly technical and do not always make easy reading. With this in mind a supporting summary of accounts (Appendix 1) is provided to aid comprehension.
- 3.6 The formal Statement of Accounts includes the following prescribed reporting focus,
- Income & Expenditure Statement
  - Balance Sheet
  - Cashflow Statement
  - Movement in Reserves Statement
- 3.7 Supporting explanatory notes are also included in sections 10 to 17 which aim to give further information on the amounts included in the primary statements.
- 3.9 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.
- 3.10 The final Monmouthshire County Council Welsh Church Act Fund accounts and the Llanelly Hill Social Welfare Centre Accounts will be considered for approval by Council at its meeting in November 2019. The Monmouthshire Farm School Endowment Trust Fund statement will be considered by the Monmouthshire Farm School Endowment Trust Fund Committee.

#### **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. Summary of accounts
2. Draft Statement of Accounts (prior to audit) 2018/19
3. Draft Monmouthshire County Council Welsh Church Fund Accounts 2018/19
4. Draft Monmouthshire Farm School Endowment Trust Fund 2018/19
5. Draft Llanelly Hill Social Welfare Centre Accounts 2018/19

**8. AUTHORS:**

Mark Howcroft            Assistant Head of Finance

**9. CONTACT DETAILS**

email: [markhowcroft@monmouthshire.gov.uk](mailto:markhowcroft@monmouthshire.gov.uk)

**APPENDIX 1**



**SUMMARY OF ACCOUNTS  
2018/19**

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The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2019



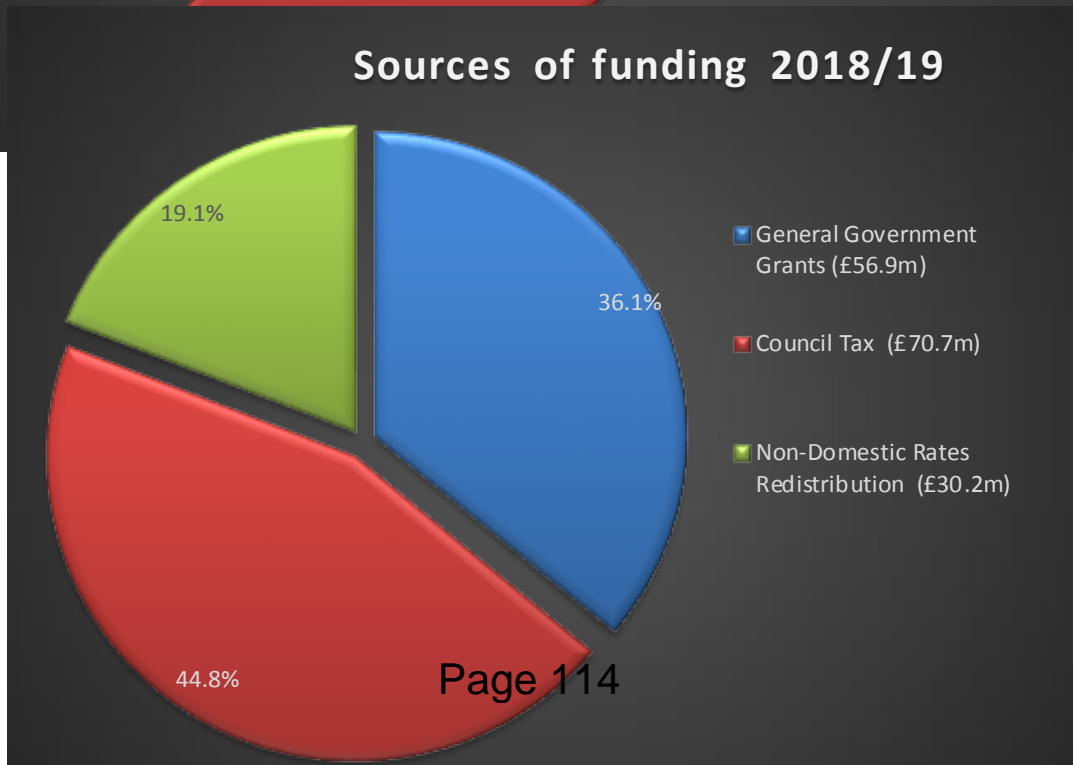
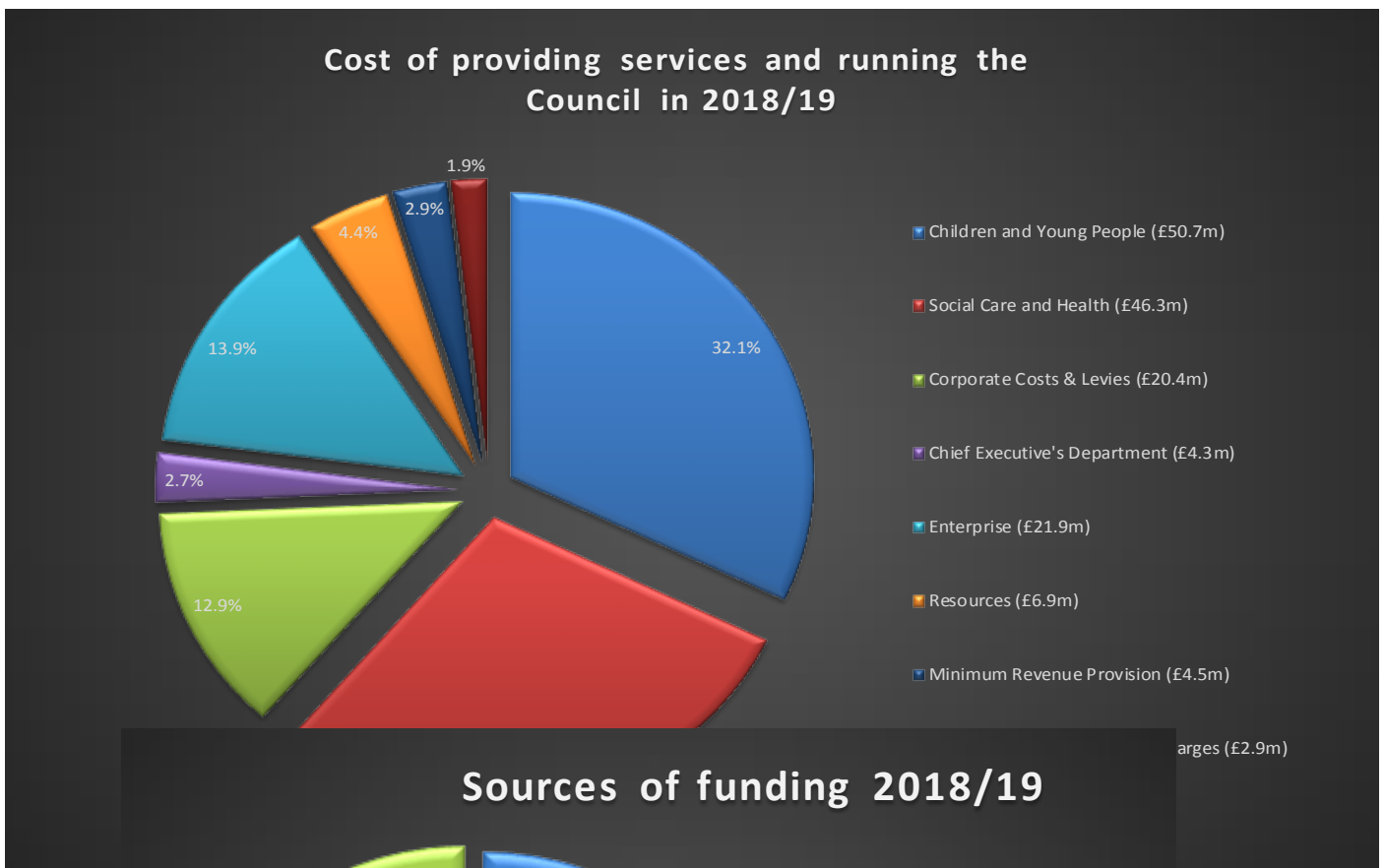
# The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2019

## Introduction

This document provides an overview of the Council's income and expenditure for the financial year 2018/19 and its financial position as at 31 March 2019. 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 2018/19 the Council spent £157.9m (£152.9m in 2017/18) providing services for Monmouthshire residents. The chart below gives a breakdown of service costs:



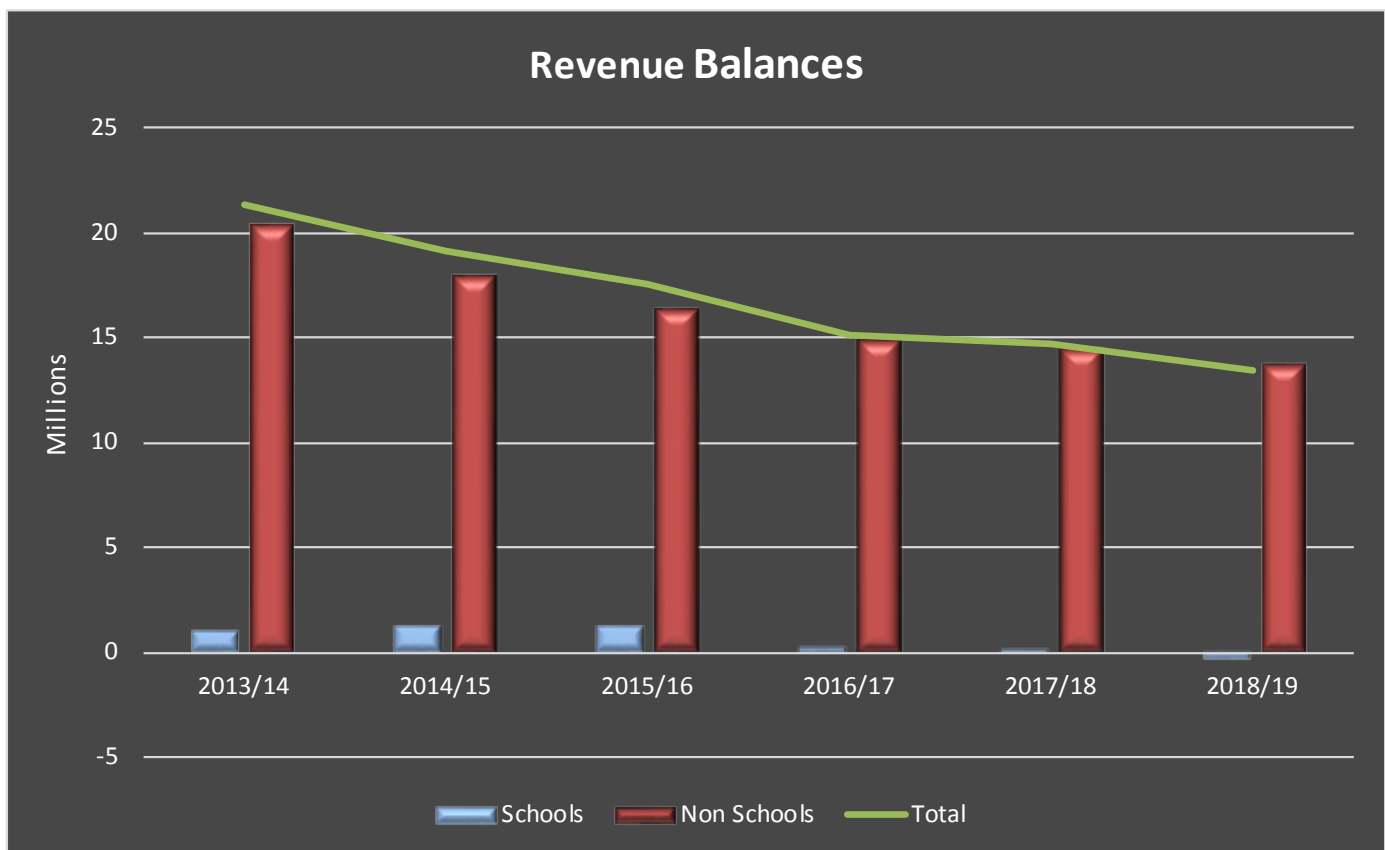


## The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2019

These services were paid for by a combination of general government grants, council tax and business rates.

### Revenue Balances

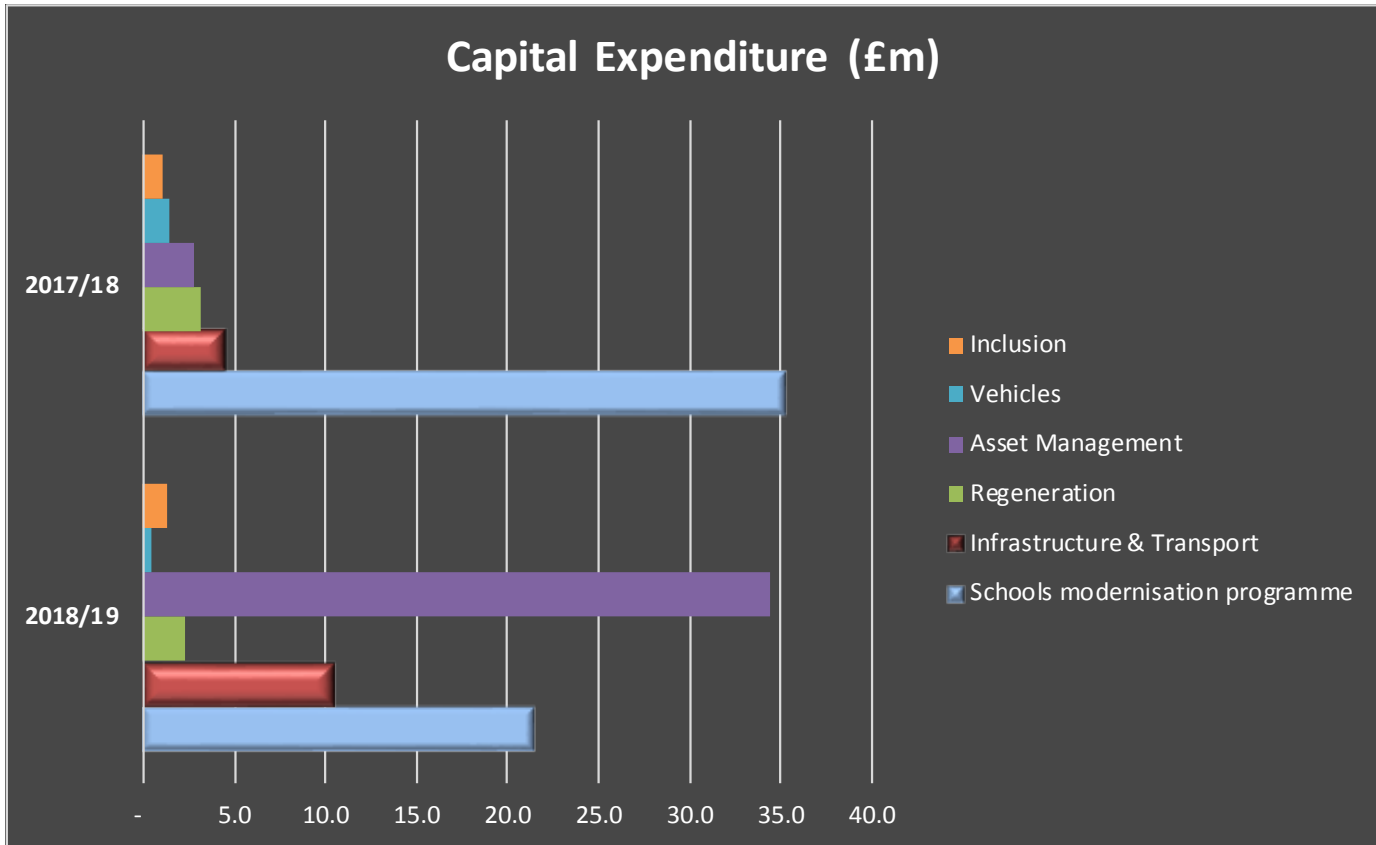
Revenue balances represent the difference between core funding and cumulative net expenditure receivable to, or payable from the *Council Fund* – which is like a ‘current account’ that exists to provide for the Council’s day to day activities. As at 31 March 2019 our Council Fund and Revenue balances stood at £13.5 million (£14.7m at 31 March 2018). This represents the excess of cumulative revenue income over cumulative revenue expenditure. Within these balances is a deficit of £232,000 relating to delegated school balances (surplus of £175,000 at 31 March 2018). Balances are held as a buffer to meet unforeseen / unplanned costs which would otherwise have to be met from reductions in service expenditure.



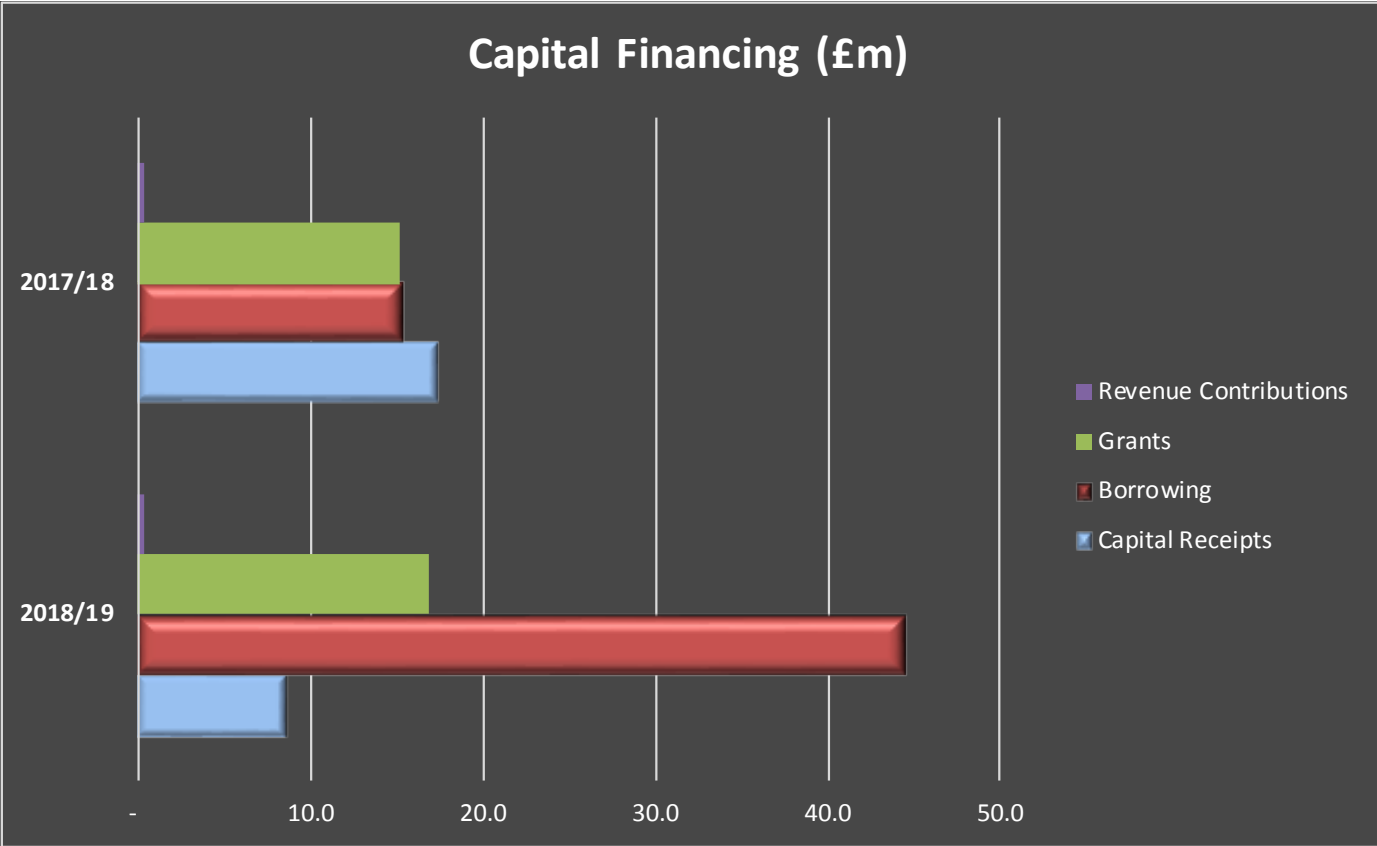
# The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2019

## 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 2018/19 capital expenditure totalled £70.3m (£48.1 million in 2017/18). The charts below show where this was spent and how it was financed (paid for).



The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2019



## The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2019

### Financial Position as at 31 March 2019

There is a difference of £(39.6) million (£15.6 million as at 31 March 2018) 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 shortfall 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.

The main driver in the change of total worth during 2018/19 comes from the significant remeasurement of pension fund liabilities which has increased by £50.6m. Further explanation can be found in note 14.8 of the statement of accounts.

A summary of the Council's Assets and Liabilities as at 31 March 2019 is shown below:

31st March 2018		31st March 2019	Change
£m		£m	£m
	<b><i>What we own and are owed (Assets):</i></b>		
364.2	Long term assets	395.8	31.6
10.0	Investments	11.1	1.1
7.4	Cash & Cash equivalents	11.3	3.9
21.9	Debtors	26.7	4.8
1.5	Assets held for sale	2.1	0.6
0.2	Inventories & other assets	0.4	0.2
<b>405.2</b>	<b>Total Assets</b>	<b>447.4</b>	<b>42.2</b>
	<b><i>What we owe (Liabilities):</i></b>		
74.9	Borrowing – to finance capital expenditure	106.6	31.7
55.0	Short term borrowing – to support day to day cash flow	72.8	17.8
36.4	Creditors & provisions	31.8	(4.6)
217.6	Liability for meeting future pension costs	268.2	50.6
5.7	Other liabilities	7.6	1.9
<b>389.6</b>	<b>Total Liabilities</b>	<b>487.0</b>	<b>97.4</b>
<b>15.6</b>	<b>Total Worth (Assets less Liabilities)</b>	<b>(39.6)</b>	<b>(55.2)</b>

**APPENDIX 2**

**PDF Copy of Draft Statement of Accounts, attached separately**

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2019**

**APPENDIX 3**

**The Monmouthshire County Council  
Welsh Church Act Fund**

**Annual Report and Financial Statements for the  
year ended the 31 March 2019**

Registered Charity Number: 507094

## Contents

Trustee, Officers and Advisors	1
Report of the Trustee	2
Independent Auditors' Report	5
Statement of financial Activities	7
Balance Sheet	8
Cashflow Statement	9
Notes to the Financial Statements	10

# Trustee, Officers and Advisors

## **Trustee**

Monmouthshire County Council

## **Secretary**

Matthew Phillips  
Monitoring Officer  
Monmouthshire County Council

## **Registered Office**

Innovation House  
Magor  
PO Box 106  
NP26 9AN

## **Auditors**

Wales Audit Office  
24, Cathedral Road  
Cardiff  
CF11 9LJ

## **Solicitor**

Matthew Phillips  
Head of Legal Services  
Monmouthshire County Council

## **Investment Custodian**

Monmouthshire County Council

## **General Management**

Mr Peter Davies  
Director of Resources  
Monmouthshire County Council

## **Bankers**

Barclays Bank  
1-5 St David's Way  
St David's Centre  
Cardiff  
CF10 2DP



# **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2019 Report of the Trustee for the year ended 31 March 2019**

The Trustee presents its annual report and the audited financial statements for the year ended 31 March 2019 of The Monmouthshire County Council Welsh Church Act Fund ('the Charity').

The information with respect to the Trustee, officers and advisors set out on page 1 forms part of this report.

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on the 16<sup>th</sup> July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and the UK Generally Accepted Practice as it applies from the 1<sup>st</sup> January 2015.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

## **Structure, Governance and Management**

The Charity is governed by the Welsh Church Act 1914 and the Welsh Church Act (Designation and Specification) Order 1996 and is registered with the Charity Commissioners under charity number 507094. A model scheme for the administration of the fund has been prepared and has been submitted to the Welsh Government for approval.

The Trust covers the Council administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and the City of Newport, with Monmouthshire County Council being designated as the host Authority. The Monmouthshire Welsh Church Act Fund was established on 1 April 1996, from the former Gwent Welsh Church Act Fund and part of the former Mid Glamorgan Welsh Church Act Fund.

Monmouthshire County Council as the Corporate Body is the Trustee for the Welsh Church Fund and therefore there are no policies and procedures adopted for the induction and training of trustees. The trustees also have regard to the Charity Commission's guidance on public benefit.

The management of the Fund is undertaken by officers of the Council and a 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.

## **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 decreased in value by £121,851 (£21,654 increase in 2017/18); this decrease is due to the allocation of previously unspent grant allocations by Caerphilly Borough Council that had been carried forward..

Income is principally comprised of investment income of £206,522 (£216,152 in 2017/18), The Trust has utilised the Trustee's own investment managers to manage the fund, thus, controlling management fees and therefore maximising returns

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2019**

whilst at the same time maintaining a balanced capital risk strategy.

Charitable resources expended during the year amounted to £370,948 (£173,430 in 2017/18) and principally comprised grant payments of £355,400 (£159,481 in 2017/18). The increase in charitable expenditure was primarily due to Caerphilly Borough Council utilising a large majority (£155,007) of their brought forward balances from previous years.

Net gains on investments held amounted to £41,399 (£21,068 net loss in 2017/18). These non-realised investment gains 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 amid the current volatility in the financial markets. The long term projections on these charity based investments as indicated by the Trustees' Treasury consultants continue to offer a balanced risk portfolio between income generation and asset growth..

### **Income generation**

The Charity's income was £207,698, compared to £216,152 in 2017/18. 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 2018/19, which was approved by Monmouthshire County Council in its capacity as sole and corporate trustee, on March 7th 2018.

### **Changes in fixed assets**

The fixed asset investments were re-valued in the 2018-19 financial year in line with the Investment Asset policy of revaluation every year.

### **Reserves**

The Trustee's policy is to maintain the level of investments at a level that provides sufficient annual income to fund the Charity's charitable expenditure. The level of funds held at 31<sup>st</sup> March 2019 is £5,370,481 (5,492,332 in 2017/18). The Trustee has reviewed its Fund strategy and produced an investment and fund strategy for 2018/19 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**

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 7th March 2018 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.

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2019**

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 Peter Davies  
Director of Resources, Monmouthshire County Council**

**Date:**

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2019  
Report of the Auditor General for Wales to the Trustee of the Monmouthshire County  
Council Welsh Church Act Fund**

**Report on the audit of the financial statements**

**Opinion**

I have audited the financial statements of The Monmouthshire County Council Welsh Church Act Fund for the year ended 31<sup>st</sup> March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the charity as at 31<sup>st</sup> March 2018 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities Act 2011.

**Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the trustee use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustee have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Report on other requirements**

**Other information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The trustee is responsible for the other information in the annual report and accounts. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information 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.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require me to report to you if, in my opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustee report;
- sufficient accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit.

# **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2019**

## **Responsibilities**

### **Responsibilities of the Trustee for the financial statements**

As explained more fully in the Trustee Responsibility Statement set out on page 4 of the Trustee Report, the trustee is responsible for preparing the financial statements in accordance with the Charities Act 2011, for being satisfied that they give a true and fair view, and for such internal control as the trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the charity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **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:

24 Cathedral Road  
Cardiff  
CF11 9LJ

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2019**

**Statement of financial activities (Sofa) for the year ended 31 March 2019**

	Notes	2019	2019	2018
		Unrestricted	Total	Total
		Funds	Unrestricted	Unrestricted
		Funds	Funds	Funds
		£	£	£
<b>Income &amp; Endowments from:</b>				
Investment income	2	206,522	206,522	216,152
Other incoming resources		1,176	1,176	0
<b>Total income &amp; Endowments</b>		<b>207,698</b>	<b>207,698</b>	216,152
<b>Resources Expended</b>				
Raising funds:				
Investment Property Professional fees		(679)	(679)	(749)
Management and administration		(2,000)	(2,000)	(3,000)
		<b>(2,679)</b>	<b>(2,679)</b>	(3,749)
<b>Charitable expenditure</b>				
Costs of activities in furtherance of the Charity's objects				
Grants payable	3,4	(355,400)	(355,400)	(159,481)
Management and administration		(5,813)	(5,813)	(4,511)
<b>Other</b>				
Governance Costs	5	(7,056)	(7,056)	(5,689)
<b>Total Resources Expended</b>		<b>(370,948)</b>	<b>(370,948)</b>	(173,430)
Gains/(losses) on investment assets	9,10	41,399	41,399	(21,068)
<b>Net Income /( Expenditure)</b>		<b>(121,851)</b>	<b>(121,851)</b>	21,654
<b>Transfers between funds</b>	13	<b>0</b>	<b>0</b>	0
<b>Net movement in funds</b>		<b>(121,851)</b>	<b>(121,851)</b>	21,654
Fund balances brought forward April 2017		5,492,332	5,492,332	5,470,678
<b>Fund balances carried forward 31 March 2018</b>	13	<b>5,370,481</b>	<b>5,370,481</b>	5,492,332

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 2019**

**Balance Sheet as at 31 March 2019**

	Notes	2019 Unrestricted Funds £	2018 Unrestricted Funds £
<b>Fixed assets</b>			
Investment Land	9	394,000	418,000
Investments	10	4,871,730	4,806,332
		<b>5,265,730</b>	<b>5,224,332</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	47,977	54,518
Cash at bank and in hand		395,958	368,539
		<b>443,935</b>	<b>423,057</b>
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	12	(339,184)	(155,058)
<b>Net current assets or liabilities</b>		<b>104,751</b>	<b>268,000</b>
<b>Net assets or liabilities</b>			
		<b>5,370,481</b>	<b>5,492,332</b>
<b>The Funds of the Charity:</b>			
Unrestricted Funds	13	5,370,481	5,492,332
<b>Total Charity funds</b>		<b>5,370,481</b>	<b>5,492,332</b>

The accounts on pages 7 to 16 were approved by the Trustee on 28 November 2019, and signed on their behalf by:

**By order of the Trustee**

**Mr Peter Davies**  
**Director of Resources – Monmouthshire County Council**

Date:

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2019**

**Statement of Cash flows as at 31 March 2019**

	note	Total Funds £	Prior Year Funds £
<b>Cash flows from operating activities</b>			
<i>Net cash provided by operating activities</i>	7	(180,281)	(79,882)
<b>Cash flow from investing activities</b>			
Dividends and rents from investments		207,698	216,152
<b>Change in cash and cash equivalents in the reporting period</b>			
<i>Cash and cash equivalents at the beginning of the reporting period</i>		27,417	136,270
<i>Cash and cash equivalents at the end of the reporting period</i>		368,541	212,271
<i>Cash and cash equivalents at the end of the reporting period</i>		395,958	368,541



**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2019**

**Notes to the financial statements for the year ended 31 March 2019**

**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.

**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.

# The Monmouthshire County Council Welsh Church Act Fund

## Annual Report for year ended 31 March 2019

### 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 Valuer and Chartered Surveyors, re-valued all Investment Land as at 1<sup>st</sup> 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

	2019	2018
	£	£
Investments with Monmouthshire County Council	3,975	1,351
Investment Property Rental Income	6,214	3,835
External Investments	196,333	210,966
	<b>206,522</b>	<b>216,152</b>

## 3 Grants Payable

	2019	2018
	£	£
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	42,025	35,054
Torfaen County Borough Council	38,425	30,106
Newport City Council	33,943	49,694
Blaenau Gwent County Borough Council	24,400	27,697
Caerphilly County Borough Council	216,607	16,929
	<b>355,400</b>	<b>159,480</b>

The management and administration cost of the fund and grants distributed were £5,813 during the year.

## The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2019

### 4 Analysis of Grants

	Grants to Organisations	Grants to Individuals
	£	£
The Advancement of Education	8,703	1,300
The Advancement of Religion	163,494	0
The Relief of Poverty	250	38,425
Other Purposes Beneficial to the Community	143,228	0
<b>Total</b>	<b>315,675</b>	<b>39,725</b>

Caerphilly Borough Council, Newport City Council, Torfaen County Borough Council and Monmouthshire County Council have under spent their allocations for 2018/19 by £108,233, £17,303, £14,372 and £772 respectively which will be carried forward for distribution in 2019/20. Grants to Churches and other Religious establishments totaled £163,494 and Community Organisations £143,278 respectively during the financial year. Grants of essential equipment and furnishings to the value of £38,425 were made to individuals for the relief of families in deemed to be in poverty. Oakdale Community Centre was awarded more than 1 award during the 2018/19 financial year totaling £7,972.

### 5 Governance Costs

	2019	2018
	£	£
Auditor's remuneration	7,056	5,689
	<b>7,056</b>	<b>5,689</b>

Governance costs are now reflective of Wales Audit Office now charging market rates and the balance The forecast chargeable rate for 2018-19 governance costs will be c £5,880.

No indemnity insurance for Trustee's liability has been purchased by the Charity. Though no specific indemnity insurance has been purchased by the Charity, the Fund is covered by Monmouthshire County Councils' fidelity guarantee insurance. Insurance covers financial losses incurred as a result of fraudulent acts conducted by Authority employees but does not cover the Trustee for any wrong decisions that may have been made. Governance costs have increased during the year as a result of the Public Audit Wales Act and in particular the duty placed on the Wales Audit Office to ensure full cost recovery in its audit fees.

### 6 Taxation

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Charity is not separately registered for VAT because it falls within the Local Authority's VAT Registration as Corporate trustee and accordingly, all their expenditure is recorded exclusive of any VAT incurred.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2019**

**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>	<b>(121,851)</b>	21,654
<b>Adjustments for non-cash transactions</b>		
(Gains) /losses on investments	<b>(41,399)</b>	21,068
Dividends, Interest & Rents from investments	<b>(207,698)</b>	(216,152)
Increase/(decrease) in Provisions	<b>0</b>	0
(Increase)/ decrease in debtors / bad debts	<b>6,541</b>	125,503
Increase/(decrease) in creditors	<b>184,126</b>	(11,955)
<b>Net cash provided and (used in) operating activities</b>	<b>(180,281)</b>	(59,882)

**8 Analysis of cash and cash equivalents as at 31 March 2019**

	Current Year £	In Year Movement £	Prior Year £
Cash in hand	<b>395,958</b>	27,417	368,541
Overdraft facility repayable on demand	<b>0</b>	0	0
<b>Total cash and cash equivalents</b>	<b>395,958</b>	27,417	368,541

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2019**

**9 Investment Land and Property**

	<b>Total</b>
	<b>£</b>
<b>Valuation</b>	
At 1 April 2018	418,000
Disposals	0
Revaluation	(24,000)
<b>At 31 March 2019</b>	<b>394,000</b>
<b>Depreciation</b>	
At 1 April 2018	0
Charge in year	0
Disposals	0
<b>At 31 March 2019</b>	<b>0</b>
<b>Net book Value</b>	
At 1 April 2018	418,000
<b>At 31 March 2019</b>	<b>394,000</b>

Tangible Investment Assets solely consist of freehold land. All land held by the Fund had been revalued as at 01<sup>st</sup> March 2019. Valuations were carried out in accordance with the valuation policy. A further valuation will be carried out within 2019/20 financial year and on thereafter on an annual rolling basis.

**10 Investments**

	<b>2019</b>	2018
	<b>£</b>	£
CCLA - COIF Property Fund	<b>1,050,649</b>	1,038,108
UBS Multi Asset Income Fund	<b>687,279</b>	694,458
M&G Charibond Fund	<b>689,393</b>	689,617
Schroders Income Maximiser	<b>422,246</b>	436,285
M&G Charifund	<b>535,509</b>	531,403
CCLA - COIF Investment Fund	<b>1,025,599</b>	957,143
Treasury Stock 2024 2.5%	<b>111,055</b>	109,318
Invested with Monmouthshire County Council	<b>350,000</b>	350,000
	<b>4,871,730</b>	4,806,332

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 0.5839% for 2018/19 (0.2449% for 2017/18).

The basis of valuation on the market based investments held with CCLA, M&G, UBS and Schroder's, is the open market value of the unit holdings on the 31<sup>st</sup> March 2019 multiplied by the units held. There were no additions or disposals of investments during the financial year. The Treasury Stock 2024 valuation is based upon the market value of the Treasury Gilts at the 31<sup>st</sup> March 2019 as listed on the dmo.gov website. The value of the 'pooled' investment with Monmouthshire County Council is the cash value as at the 31<sup>st</sup> March 2019. 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.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2019**

**11 Debtors**

	2019 £	2018 £
<b>Amounts falling due within one year</b>		
<i>Prepayment &amp; accrued income</i>		
Investment Income	47,977	51,143
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	0	1,375
Other Debtors	0	2,000
	<b>47,977</b>	<b>54,518</b>

All investment interest due from the trustee was paid in year in 2017-18.

**12 Creditors**

	2019 £	2018 £
<b>Amounts falling due within one year</b>		
Grant creditors	327,932	138,821
Other creditors	11,253	16,237
	<b>339,185</b>	<b>155,058</b>

Grant creditors are recognised on the amounts awarded by the five constituent authorities of the Welsh Church Fund unpaid at the financial year-end. Other creditors are fees reimbursable for professional services utilised during the financial year by the Charity.

**13 Funds**

	Balance 1 April 2018 £	Incoming resources £	Resources Expended £	Other Recognised Gain / (Loss) £	<b>Balance 31 March 2019 £</b>
Unrestricted funds	5,492,332	207,698	(370,948)	41,399	<b>5,370,481</b>

There were no transfers between funds during the 2018-19 financial year.

# The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2019

## 14 Related party transactions

During the year transactions with related parties arose as follows:

	2019		2018	
	Receipts	Payments	Receipts	Payments
	£	£	£	£
Monmouthshire County Council	<b>3,975</b>	<b>4,785</b>	1,352	4,886

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.

There are outstanding balances for expenditure of £4,785 and income of £3,525 at the year-end with Monmouthshire County Council

## 15 Trustee's Expenses, Remuneration and Benefits

No Expenses, Remuneration or Benefits were incurred during the year of account

**APPENDIX 4**

**Monmouthshire Farm School Endowment  
Trust Fund**

**Annual report  
for the year ended 31 March 2019**

-Registered Charity Number: 525649



## Contents

Trustees, officers and advisor's	1
Report of the Trustees	2
Independent examiner's report	4
Statement of financial activities	5
Balance sheet	6
Notes to the financial statements	7

## Trustees, officers and advisors

R Edwards  
Monmouthshire County Council

R J W Greenland  
Monmouthshire County Council

S B Jones  
Monmouthshire County 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

Matthew Phillips  
Head of Legal Services  
Monmouthshire County Council

### Registered Office

County Hall, The Rhadyr, Usk, NP15 1GA

### Auditors

Wales Audit Office, 24 Cathedral Road, Cardiff, CF11 9LJ

### Solicitors

Matthew Phillips  
Head of Legal Services  
Monmouthshire County Council

### Investment custodian

Monmouthshire County Council

### Bankers

Barclays Bank  
1-5 St David's Way  
St David's Centre  
Cardiff  
CF10 2DP

### Trustees

D Yeowell  
Torfaen County Borough Council

Professor J D Hayes  
University College Wales Aberystwth

K Backhouse  
Director Usk Campus – Coleg Gwent

D Havard  
Caerphilly County Borough Council

## **Annual report for the year ended 31st March 2019**

### **Report of the Trustees for the year ended 31st March 2019**

The Trustees presents its annual report and the independently examined financial statements for the year ended 31 March 2019 of The Monmouthshire Farm School Endowment Trust Fund. The information with respect to the Trustees, officers and advisors set out on page 1 forms part of this report. The 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. The trustees also have regard to the Charity Commission's guidance on public benefit.

#### **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 grants awarded had 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 98 people and the total awards were £81,105.

#### **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 £47,560 (£17,751 increase in 2017/18) over the financial year as a result of incoming resources (including investments and income from the Rodger Edwards Educational Trust) being outweighed by outgoing resources.

Income comprise of interest on investment stock and cash held of £25,429 (£28,072 in 2018/19), and £4,779 (£0 in 2017/18) in respect of the annual payment from the Roger Edwards Educational Trust. Expenditure of £82,858 (£29,597 in 2017/18) primarily comprised of grants payable of £77,605 (£27,514 in 2017/18) in line with the Charity's objects. Unrealised investment gain of £6,670 (£16,226 loss in 2017/18) made in relation to investments held.

The current strategy is to ensure that there are sufficient funds to meet the needs of beneficiaries. 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'.

#### **Investment powers, policy and performance**

Under the terms of the Trust Deed, the Trustees have general powers of investment, subject to the provisions of the Trustee Act 2000. The Trustees has reviewed its investment strategy and produced an investment and fund strategy for 2018/19 which was approved by Monmouthshire County Council in its capacity as Trust administrator on 7<sup>th</sup> March 2018. 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.

## **Annual report for the year ended 31st March 2019**

### **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 has received 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 Trust.

The Trust has reviewed its fund strategy and produced an investment and fund strategy for 2018-19 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 7<sup>th</sup> March 2018.

### **Governance of the Charity**

Representative Trustees appointed by Monmouthshire County Council have a term of office equivalent to the term of a County Council (five years); the other representative Trustees have a term of office of three years and the co-operated 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 processes. The Roger Edwards Educational Trust provides significant income to this trust and form the majority of income that can be used for grants. This income is received after the independent examination of the accounts have been agreed and therefore this is usually late in the financial year. A risk assessment policy was approved by Cabinet on 7<sup>th</sup> March 2018.

### **Auditors**

The Wales Audit Office are the appointed independent examiners to the Charity.

### **Trustee's 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 Trustees confirm 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 2019. The Trustees also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Trustees 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 Trustees**

Trustee:

Date: 21<sup>st</sup> January 2020

**Annual report for the year ended 31st March 2019**  
**Report of the independent examiner to the trustees of Monmouthshire Farm School**  
**Endowment Trust Fund**

I report on the accounts of Monmouthshire Farm School Endowment Trust Fund for the year ended 31<sup>st</sup> March 2019, 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 financial statements 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

## Annual report for the year ended 31st March 2019

### Statement of financial activities (Sofa) for the year ended 31st March 2019

	Notes	2019 Unrestricted Funds £	2018 Unrestricted Funds £
<b>Income &amp; Endowments from:</b>			
Investment income	2	25,429	28,072
Other incoming resources (REET)		4,779	0
<b>Total income &amp; Endowments</b>		<b>30,208</b>	<b>28,072</b>
<b>Resources Expended</b>			
<b>Charitable expenditure</b>			
Costs of activities in furtherance of the Charity's objects			
Expenditure on charitable activities	3	77,605	27,514
Other expenditure	3 & 4	1,753	2,083
Total Resources expended		<b>79,358</b>	29,597
Gains/(losses) on investment assets	5	1,590	(16,226)
<b>Net Income / (Expenditure)</b>		<b>(47,560)</b>	(17,751)
<b>Net movement in funds</b>		<b>(47,560)</b>	(17,751)
Fund balances brought forward 1 April 2018		<b>707,553</b>	725,304
<b>Fund balances carried forward 31 March 2019</b>		<b>659,993</b>	707,553

All incoming resources and resources expended are derived from continuing activities. There are no recognised gains or losses other than those disclosed above.

**Annual report for the year ended 31st March 2019**  
**Balance Sheet as at 31 March 2019**

	Notes	2019 Unrestricted Funds £	2018 Unrestricted Funds £
<b>Fixed assets</b>			
Investments	7	643,160	641,570
		<b>643,160</b>	641,570
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	8,805	6,429
Cash at bank and in hand		11,751	61,825
		<b>20,556</b>	68,254
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	9	3,724	2,271
<b>Net current assets</b>		<b>16,832</b>	65,983
<b>Net assets</b>		<b>659,993</b>	707,553
<b>The Funds of the Charity:</b>			
Unrestricted Funds	10	659,993	707,553
<b>Total Charity funds</b>		<b>659,993</b>	707,553

The financial were approved by the Trustees on 22nd July 2019 and signed on their behalf by:

Trustee:

Date: 21<sup>st</sup> January 2020

## **Annual report for the year ended 31st March 2019**

# **Notes to the financial statements for the year ended 31<sup>st</sup> March 2019**

## **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 from the Rodger Edwards Educational Trust is actual income received for the year.

### **Grants payable**

Grants payable are accounted for in full as liabilities of the Charity when approved by the Trustees and accepted by the beneficiaries.

### **Management and administration**

Monmouthshire County Council administer the Trust Fund on behalf of the Trustees. 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.

### **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 has 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.



## Annual report for the year ended 31st March 2019

### 2 Investment income

	2019	2018
	£	£
Interest on cash balances	255	449
Interest on Investments	25,174	27,623
	<b>25,429</b>	<b>28,072</b>

### 3 Expenditure on Charitable Activities

	2019	2018
	£	£
Grants payable	77,605	27,514
Management & administration	1,753	2,083
	<b>79,358</b>	<b>29,597</b>

Grants payable comprise numerous payments to individual students in respect of full time and part-time courses attended. It is not possible to provide further details due to restrictions of confidentiality.

### 4 Governance Costs

	2019	2018
	£	£
Net incoming resources is stated after charging:		
Auditor's remuneration	1,762	2,270
	<b>1,762</b>	<b>2,270</b>

No indemnity insurance for Trustees 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 Council's fidelity guarantee insurance. Insurance covers financial losses incurred as a result of fraudulent acts conducted by Authority employees but does not cover the Trustees for any wrong decisions that may have been made. Governance costs have decreased 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 2018	ditions (Disposals)	Market Value 2019	Gain/(Loss)
	£	£	£	£
Charibond	234,983	0	234,907	(76)
OEIC	184,735	0	182,392	(2,343)
COIF	221,852	0	225,861	4,009
Total	641,570	0	642,160	1,590

## Annual report for the year ended 31st March 2019

### 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 2018	641,570
Purchase	
Net revaluation gain	1,590
<b>Valuation at 31 March 2019</b>	<b>643,160</b>

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 2019 are as follows:

	£	%
COIF	225,860	35.1%
Charibond	234,907	36.5%
OEIC Fund	182,390	28.4%

The percentage shown above is the percentage of the total portfolio market value as at 31<sup>st</sup> March 2019.

### 8 Debtors

	2019 £	2018 £
<b>Amounts falling due within one year</b>		
Receivable from The Roger Edwards Educational Trust	5,000	5,097
Welsh Church Fund	3,500	0
HM Revenue and Customs	305	1,331
	8,805	6,429

The majority of the debt relates to the payment from the Roger Edwards Educational Trust. This is based on actual cash received after the year end.

### 9 Creditors

	2019 £	2018 £
<b>Amounts falling due within one year</b>		
Accruals and deferred income	3,724	5,766
	3,724	5,766

The amounts owed relate to audit fees and payments to Monmouthshire County Council to administer the trust.

## Annual report for the year ended 31st March 2019

### 10 Unrestricted Funds

	Balance 1 April 2018	Incoming resources	Resources Expended	Investment Gain/(Loss)	Balance 31 March 2019
	£	£	£	£	£
Permanent endowed funds	707,553	30,208	79,358	1,590	659,993

### 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 trustees. Payments have been made to Monmouthshire County Council respect of management and administration expenses.

## APPENDIX 5

Charity Registration No: 523661

### **Llanelly Hill Social Welfare Centre Trust Fund**

### **Statement of financial activities for the year ended 31<sup>st</sup> March 2019**

	2019	2018
	£	£
<i>Incoming resources</i>		
Income Generated By Management Committee	7,500	4,245
Contribution from Monmouthshire County Council	13,092	0
<b>Total incoming resources</b>	<b>20,592</b>	<b>4,245</b>
<b>Charitable expenditure:</b>		
Costs of activities in furtherance of the Charity's objects		
Management and Maintenance	20,592	2,711
<b>Total resources expended</b>	<b>20,592</b>	<b>2,711</b>
<b>Net Gain / (Loss) before transfers</b>	<b>0</b>	<b>1,534</b>
<b>Net incoming resources before fixed asset revaluations</b>	<b>0</b>	<b>0</b>
Gains/(losses) on the revaluation of fixed assets	0	0
<b>Net movement in funds</b>	<b>0</b>	<b>0</b>
Fund balances brought forward 1 April	68,050	66,516
<b>Fund balances carried forward 31 March</b>	<b>68,050</b>	<b>68,050</b>

Charity Registration No: 523661

**Llanelly Hill Social Welfare Centre Trust Fund**

**Balance Sheet at 31st March 2019**

	2019	2018
	£	£
<b>Fixed assets</b>		
Building and Land	65,000	65,000
	<b>65,000</b>	<b>65,000</b>
<b>Current assets</b>		
Debtors: amounts falling due within one year	49,007	28,415
Creditors: amounts falling due within one year	45,958	25,365
<b>Net current Liabilities</b>	3,050	3,050
<b>Total assets less current liabilities</b>	<b>0</b>	<b>0</b>
<b>Net assets</b>	<b>68,050</b>	<b>68,050</b>
<b>Reserves:</b>		
Endowment capital	68,050	68,050
<b>Total funds</b>	<b>68,050</b>	<b>68,050</b>

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<b>SUBJECT</b>	<b>2019-20 RESERVE USAGE FORECAST (to include 2018-19 outturn and period 1 2019-20)</b>
<b>DIRECTORATE</b>	<b>Chief Executive's Unit</b>
<b>MEETING</b>	<b>Audit Committee</b>
<b>DATE</b>	<b>25<sup>th</sup> July 2019</b>
<b>DIVISIONS/WARD AFFECTED</b>	<b>All Authority</b>

## **1 PURPOSE**

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

## **2 REVISED RESERVES PROTOCOL**

- 2.1 The detailed report received by Cabinet in 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

3.1 The Council has unallocated reserves in the form of Council fund balance and school reserves. Realistically the level of surplus/deficit affecting Council Fund will commonly fluctuate before the end of the year, but for estimating purposes we will commonly presume services' activities influenced to avoid material adverse effect.

3.2 Revenue and Capital monitoring reflects an approved use of reserves. A specific analysis is undertaken at every formal periodic monitoring exercise to establish whether reserve cover conveyed to them by members will be fully utilised within the financial year. Where it is apparent this is not the case, both the reserve movement budget in appropriations budget and the expenditure within service directorate is adjusted. This is to prevent any imbalance in the bottom line position for net cost of services. Due to meeting cycles, the 2018-19 outturn activity and 2019-20 period 1 activity coincide in July, and so this report seeks to update Members on latest position rather than necessitating 2 separate reports.

#### 2018-19 Outturn Position

Account	Authority	2017/18	2018/19					C/F
		C/F	Contr from c/f from 1718 y/e (Rev)	Contributions To	Contribution from	Cont. From Slipped to 2019/20	Contributions From Cap.	
Council Fund (Authority)	Not applicable, informed by year end	-7,111,078						-7,111,078
School Balances	Not applicable, informed by year end	-175,225			407,629			232,404
<b>Sub Total Council Fund</b>		<b>-7,286,303</b>		0	407,629		0	<b>-6,878,674</b>
<b>Earmarked Reserves:</b>								
Sub-Total Invest to Redesign	Reserve balance	-1,302,343	29,000	-68,476	258,652	0	0	-1,083,167
Sub-Total IT Transformation	Reserve balance	-734,881	111,913	0	114,000	-129,675	159,505	-479,139
Sub-Total Insurance and Risk Management	Reserve balance, provision calculated at year end taking account of year's claims activity	-1,046,416	0	0	27,673	0	0	-1,018,744
Sub-Total Capital Receipt Generation	Reserve balance allowing for Valuation Team's cost of disposal	-347,139	72,072	-49,688	81,343	-35,468	0	-278,880
Sub Total Treasury Equalisation	Reserve balance	-990,024	0	0	0	0	0	-990,024
Sub-Total Redundancy and Pensions	Reserve balance, allowing for pension strain costs of redundancy decision made during the year	-496,813	0	0	163,978		0	-332,835
Sub-Total Capital Investment	Reserve balance	-648,336	0	0	0	0	4,999	-643,337
Sub-Total Priority Investment		-686,751	88,000	0	598,752	-405,000	0	-405,000
<b>Other Earmarked Reserves:</b>								
Museums Acquisitions Reserve		-55,885			3,000			-52,885
Elections Reserve	Top up as revenue position allows	-58,183		-25,000				-83,183
Grass Routes Buses Reserve	Cabinet 24/3/10	-146,084		-5,000				-151,084
Youth Offending Team	Trading a/c year end balance	-248,989			98,989			-150,000
Building Control trading reserve	Trading a/c year end balance	-22,254			7,764			-14,490
Outdoor Education Centres Trading Reserve	Cabinet 9/1/19	-129,500			129,500			0
CYP maternity	Trading a/c year end balance	-142		-135,653				-135,795
Plant & Equipment reserve (Highways)	Trading a/c year end balance	-150,000					116,459	-33,541
Homeless Prevention Reserve Fund		-9,536		-40,267				-49,803
Solar Farm Maintenance & Community Fund	Council 28/7/16	-23,000		-18,000				-41,000
Newport Leisure Park Reserve	Decision of Investment Cttee	0		-61,899				-61,899
Castlegate Reserve	Decision of Investment Cttee	0		-79,500				-79,500
Local Resilience Forum Reserve (Gwent PCC Tfr)	Specific WG grant	0		-115,090				-115,090
Rural Development Plan Reserve	Cabinet 16/10/14	-277,665		-135,525	86,471	-86,471		-413,190
<b>Sub-Total Other Earmarked Reserves</b>		<b>-1,121,237</b>	0	<b>-615,934</b>	325,724	<b>-86,471</b>	116,459	<b>-1,381,460</b>
<b>Total Earmarked Reserves</b>		<b>-7,373,942</b>	300,985	<b>-734,098</b>	1,570,121	<b>-656,615</b>	280,963	<b>-6,612,587</b>
<b>Total useable revenue reserves</b>		<b>-14,660,245</b>	<b>300,985</b>	<b>-734,098</b>	<b>1,977,750</b>	<b>-656,615</b>	<b>280,963</b>	<b>-13,491,261</b>



## 2019-20 Period 1 Position

Account	C/F	2019/20					C/F
		Contr from c/f from 1819 y/e	Contributions To	Contributions From	Cont. From Slipped to 2020/21	Contributions From Cap.	
Council Fund (Authority)	-7,111,078			2,414,000		-4,697,078	
School Balances	232,404			618,034		850,438	
<b>Sub Total Council Fund</b>	<b>-6,878,674</b>		0	3,032,034		<b>-3,846,640</b>	
<b>Earmarked Reserves:</b>							
<b>Sub-Total Invest to Redesign</b>	<b>-1,083,167</b>	0	-162,378	38,964	0	<b>-1,206,581</b>	
<b>Sub-Total IT Transformation</b>	<b>-479,139</b>	129,675	0	0	0	<b>-349,464</b>	
<b>Sub-Total Insurance and Risk Management</b>	<b>-1,018,744</b>	0	0	0	0	<b>-1,018,744</b>	
<b>Sub-Total Capital Receipt Generation</b>	<b>-278,880</b>	24,735	0	118,566	0	<b>-135,579</b>	
<b>Sub Total Treasury Equalisation</b>	<b>-990,024</b>	0	0	0	0	<b>-990,024</b>	
<b>Sub-Total Redundancy and Pensions</b>	<b>-332,835</b>	0	0	88,038	0	<b>-244,797</b>	
<b>Sub-Total Capital Investment</b>	<b>-643,337</b>	0	0	0	0	<b>-643,337</b>	
<b>Sub-Total Priority Investment</b>	<b>-405,000</b>	0	0	405,000	0	<b>0</b>	
<b>Other Earmarked Reserves:</b>							
Museums Acquisitions Reserve	-52,885					-52,885	
Elections Reserve	-83,183		-35,000			-118,183	
Grass Routes Buses Reserve	-151,084		-5,000			-156,084	
Youth Offending Team	-150,000					-150,000	
Building Control trading reserve	-14,490					-14,490	
Outdoor Education Centres Trading Reserve	0					0	
CYP maternity	-135,795					-135,795	
Plant & Equipment reserve (Highways)	-33,541					-33,541	
Homeless Prevention Reserve Fund	-49,803					-49,803	
Solar Farm Maintenance & Community Fund	-41,000		-23,000			-64,000	
Newport Leisure Park Reserve	-61,899					-61,899	
Castlegate Reserve	-79,500					-79,500	
Local Resilience Forum Reserve (Gwent PCC Tfr)	-115,090					-115,090	
Rural Development Plan Reserve	-413,190					-413,190	
<b>Sub-Total Other Earmarked Reserves</b>	<b>-1,381,460</b>	0	-63,000	0	0	<b>-1,444,460</b>	
<b>Total Earmarked Reserves</b>	<b>-6,612,587</b>	154,410	-225,378	650,568	0	<b>-6,032,986</b>	
<b>Total useable revenue reserves</b>	<b>-13,491,261</b>	<b>154,410</b>	<b>-225,378</b>	<b>3,682,602</b>	<b>0</b>	<b>-9,879,626</b>	

- 3.3 Appreciating Audit Committee's recent reflection that it would be more helpful if they could see the individual draw on reserves proposed. Such detail has been added to Appendix 1 together with date and approval of report where appropriate to assist Members accessing background to any specific approval they wish.
- 3.4 The outturn surplus allowed capital receipts generation reserve to be replenished by £49k to accommodate in part Valuation team's costs of maximising capital receipt generation. The current predicted use of the Priority investment reserve means that it will likely expire by the end of 2018-19 as a funding source, as the £405k year-end balance is earmarked/allocated to local development plan purposes. The Gwent outdoor education partnership was brought to an end during 2018-19 and the partnership reserve was transferred into Outdoor education rather than distributed back to partners on the proviso that any costs associated with re-engineering the service would sit with MCC.
- 3.5 Given the forecast use of earmarked reserves, Cabinet has previously approved a policy on earmarked reserves to ensure that earmarked reserves are focused on investment in areas where they can achieve most impact hence putting the balance for redistribution into "Invest to Re-design". Earmarked reserves remain at limited

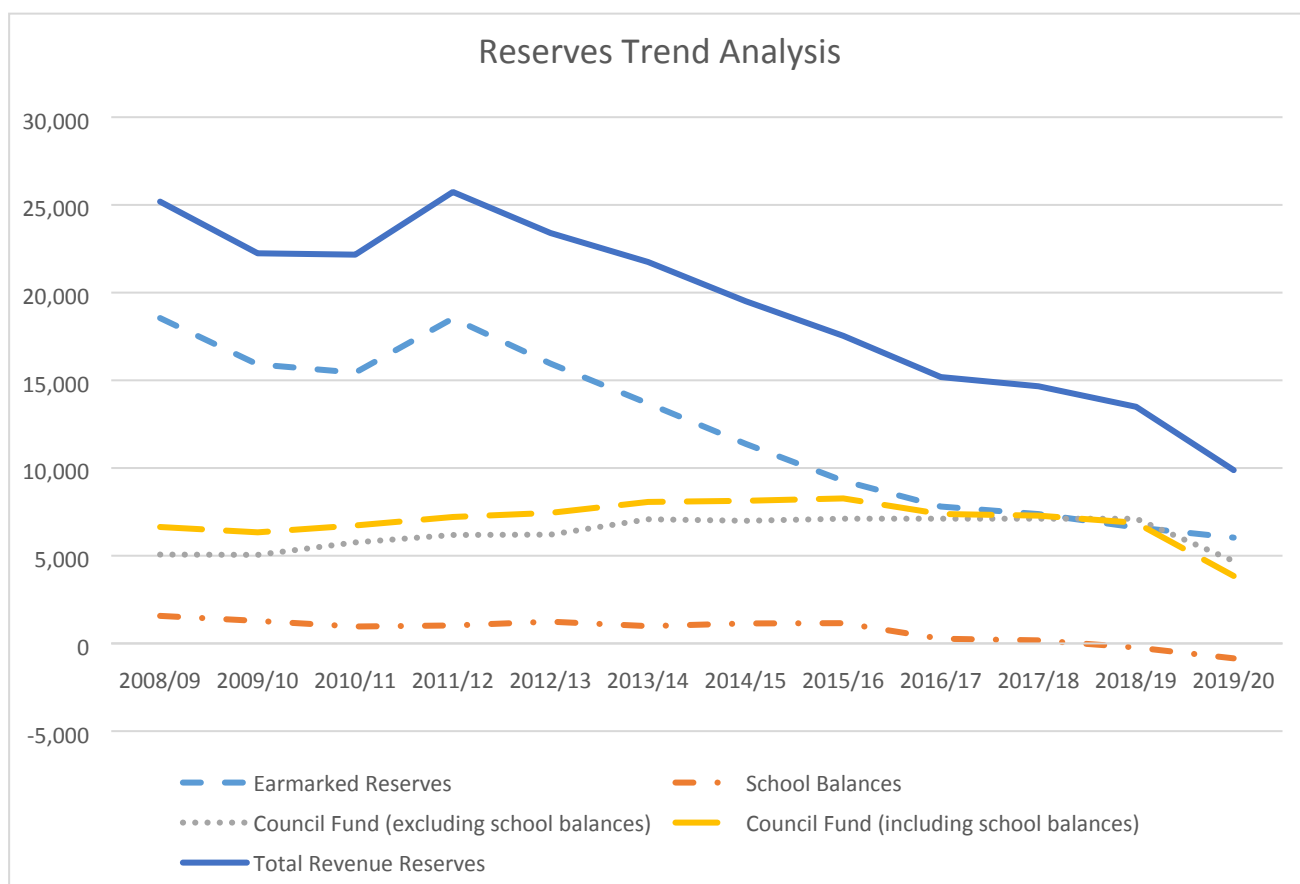
levels unlikely to provide any material capacity/headroom to meet unanticipated volatility or significantly facilitate future service re-engineering and design.

### **Reserves Trend Analysis**

- 3.6 The level of reserves has been in constant decline for many years and the introduction of the reserves protocol in 2015 looked to slow and stabilise reserves at least at prudent levels and noting the ongoing funding challenges faced by the Authority.

Financial Year	Earmarked Reserves	School Balances	Council Fund (excluding school balances)	Council Fund (including school balances)	Total Revenue Reserves
2008/09	18,549	1,571	5,067	6,638	25,187
2009/10	15,907	1,284	5,050	6,334	22,241
2010/11	15,439	965	5,760	6,725	22,164
2011/12	18,528	1,025	6,184	7,209	25,737
2012/13	15,955	1,240	6,203	7,443	23,398
2013/14	13,678	988	7,079	8,067	21,745
2014/15	11,378	1,140	6,992	8,132	19,510
2015/16	9,269	1,156	7,111	8,267	17,536
2016/17	7,804	269	7,112	7,381	15,185
2017/18	7,374	175	7,111	7,286	14,660
2018/19	6,613	-232	7,110	6,878	13,491
2019/20	6,033	-850	4,697	3,847	9,880

- 3.7 The figures above have been taken from year end annual accounts, aside from 2018/19 where these are based on the draft accounts and 2019/20 where they are based on the most recent period 1 forecast. Earmarked reserves include the HRA balance in 2008/09 and 2009/10 and as a result of the balance subsequently being transferred into earmarked reserves following housing stock transfer as part of reserve rationalisation exercise.
- 3.8 The analysis above highlights this decline in reserves. The most notable observations to be taken from this analysis and which have been highlighted in this and previous reports are:
- a) The decline in earmarked reserves over an extended period;
  - b) The more recent decline in school balances and since 2015/16;
  - c) That the Council Fund balance has remained at minimum acceptable and prudent levels, though the most recent period 1 forecast is a cause for concern if not addressed by the end of the financial year.
- 3.9 In terms of earmarked reserves it can be seen that since the introduction of the reserves protocol in 2015 the reduction in earmarked reserves has continued but at a less severe rate. This can be seen in the graphical analysis below. The reserves protocol will now be reviewed as part of the forthcoming budget and MTFP process.



## Schools Reserves

- 3.10 Each of the Authority's Schools is directly governed by a Board of Governors, which is responsible for managing their school's finances. However, the Authority also holds a key responsibility for monitoring the overall financial performance of schools.
- 3.7 The net effect of an individual school's annual surplus or deficit is shown in a ring-fence reserve for the particular school. Details of which for each school are included in Appendix 2 based on their statutory sc52 budget submissions by end May 2019. In supplying such early information, there is no presumption of the Council (local education authority) having signed off on those submissions, and work progresses to evaluate the need, but it is of note that some schools having a previous recovery plan, haven't chosen to keep to such, so those are likely to get revised back to agreed positions.
- 3.8 In summary form the anticipated outturn school balances are predicted to be,

	Opening Reserves 2018-19 (surplus)/deficit	In year net usage 2018-19	Outturn Position 2018-19 (surplus)/deficit	Forecast in year usage 2019-20	Forecast outturn position 2019-20
<b>Combined balance</b>	<b>(£175,225)</b>	<b>£407,629</b>	<b>£232,404</b>	<b>£618,034</b>	<b>£850,438</b>

- 3.9 Whilst any extraordinary funding from WG and beneficial revisions to budgeted draw on reserves will sustain the reserve situation for longer than is often predicted, it remains unlikely that the collective level of reserves will sustain the traditional annual draw by schools on reserves in recent years, which will add additional focus by schools

to address the need to remain within budget going forward rather than passporting the consequences to their reserves, given that collective flexibility is now pretty much exhausted.

- 3.10 15 schools started 2019-20 year in deficit. 14 schools are anticipated to be in deficit by end of financial year, with Our Lady and St Michael's RC Primary, Castle Park Primary, Pembroke Primary and Overmonnow primary schools all anticipated to come out of deficit and Chepstow Comprehensive, Osbaston Primary and pupil referral unit anticipated to go into a deficit reserve position during the year. The deficit position (£1.075m) remains particularly acute and increasing for the 4 secondary schools. Monmouth Comprehensive is particularly significant at forecast £489k deficit, King Henry Comprehensive hasn't kept to recovery plan target agreed for the year with LEA colleagues and Cabinet members, and Chepstow Comprehensive have yo-yoed back into significant deficit without providing associated recovery plan.
- 3.11 Select members are advised to adopt a heightened focus around those schools exhibiting red in the traffic light assessment in Appendix 2. The evaluation criteria reflects whether they are in deficit and the extent of such and whether they are within tolerance of an agreed recovery plan.
- 3.13 Within the reserve balance movements, the most significant and advantageous replenishment within the year relates to Castle Park primary school which has moved from £24k deficit to £54k surplus by year end. Conversely Chepstow Governors are indicating a use of £191k pushing their reserve position back into significant deficit, which is disappointing given the efforts made during their recent recovery exercise to make situation more sustainable.
- 3.14 The local authority has funded teachers' pay award for the last 2 years and recent teachers pensions increases has been afforded by WG grant, so the use of reserves is borne by other factors. The original flexibility to plan for a deficit budget only extended as far as there being a collective schools reserve surplus. That changed again more recently to allow deficit budget planning irrespective of the collective position where an appropriate recovery plan was provided and agreed at same time as deficit budget. Once the recovery plan has been agreed future monitoring will be against that plan. In some cases, for valid reasons a school may be unable to meet the plan agreed in any one year. However schools will be expected to revisit the plan and agree to recover in the same time period. Any amendments will need to be agreed with the relevant cabinet member.

This doesn't feel a sustainable prospect and is one that is not being taken lightly by either schools or the LEA, however it is also one that is mirrored in other authorities in Wales, where schools are facing challenging financial positions. Schools have been reminded of the recovery plan process and the requirement to agree any deficit with the Chief Officer so that the appropriate challenge can be put in place. Further consideration is being given to further changes that need to be made to ensure that robust budget management arrangements are in place.

- 3.15 Irrespective of the actions of officers, Scrutiny functions (CYP Select and Audit Committee) retain an ability to request a senior Governing Body representative to

attend their meeting to discuss failing recovery plans to get a comfort of the extra actions proposed to get the situation back on track.

#### **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 Without address, the Council fund balance would end the financial year at predicted £4.7million, should the month 2 net revenue deficit position not be resolved. As a financial planning assumption, the level of Council Fund reserves should be between 4% - 6% of net expenditure. Based on a budgeted net expenditure (excluding Police and Community Council precepts) and before financing totalling £147.3 million, the anticipated outturn Council fund reserve level would equate to 3.19%, which is below the agreed acceptable and prudent levels. This reduces still further to 2.6% if net year end schools balances position remains as initially predicted above. Such a situation requires explicit address, the situation will also remain under close scrutiny as individual schools forecasting remains of variable quality, and certainly school reserve usage is likely to be more certain by period 2 (month 7).
- 5.2 There is an immaterial level of earmarked reserve replenishment built into the annual budget, and by necessity acting Head of Finance considers the replenishment of specific reserves where year-end surpluses allow.
- 5.3 Earmarked reserves remain at limited levels unlikely to provide any material capacity/headroom to meet unanticipated volatility or significantly facilitate future service re-engineering and design consequential with setting an annual budget that involves generating circa £5million savings annually.

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

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

#### **7 CONSULTEES**

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

#### **8 BACKGROUND PAPERS**

Appendix 1 – Detailed Call upon Earmarked Reserves  
Appendix 2 – Individual School balance forecast

#### **9 AUTHOR**

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Appendix 1 – Detailed Call Upon Earmarked Reserves










Account	Authority	C/F	2019/20		C/F
			Contr from c/f from 1819 y/e	Proposed net movements	
Council Fund (Authority)	Not applicable, informed by year end	-7,111,078		2,414,000	-4,697,078
School Balances	Not applicable, informed by year end	232,404		618,034	850,438
<b>Sub Total Council Fund</b>		<b>-6,878,674</b>		<b>3,032,034</b>	<b>-3,846,640</b>
<b><i>Earmarked Reserves:</i></b>					
Invest to Redesign Reserve MAIN	Reserve balance	-1,345,649		0	-1,345,649
Invest to Save Reserve - Advances (vehicles)	Treasury Decision	70,837		-73,414	-2,577
Developing a new Social Services ICT System	Cabinet 16/7/14	40,000		-40,000	0
Inspire to Work	Cabinet 5/7/17 & Cabinet 5/9/18	61,645		20,000	81,645
Waste & Recycling Review	Cabinet 9/11/17	90,000		-30,000	60,000
<b>Sub-Total Invest to Redesign</b>	<b>Reserve balance</b>	<b>-1,083,167</b>	<b>0</b>	<b>-123,414</b>	<b>-1,206,581</b>
IT Reserve (MAIN)	Reserve balance	-707,854	77,885		-629,969
Cash Receipting System	Cabinet 4/10/17	42,528	24,472		67,000
Document Management System	Cabinet 7/3/18	30,970	23,030		54,000
Schools IT refresh		159,505			159,505
<b>Sub-Total IT Transformation</b>	<b>Reserve balance</b>	<b>-479,139</b>	<b>129,675</b>	<b>0</b>	<b>-349,464</b>
<b>Sub-Total Insurance and Risk Management</b>	<b>Reserve balance, provision calculated at year end taking account of year's claims activity</b>	<b>-1,018,744</b>	<b>0</b>	<b>0</b>	<b>-1,018,744</b>
<b>Sub-Total Capital Receipt Generation</b>	<b>Reserve balance allowing for Valuation Team's cost of disposal</b>	<b>-278,880</b>	<b>24,735</b>	<b>118,566</b>	<b>-135,579</b>
<b>Sub Total Treasury Equalisation</b>	<b>Reserve balance</b>	<b>-990,024</b>	<b>0</b>	<b>0</b>	<b>-990,024</b>
<b>Sub-Total Redundancy and Pensions</b>	<b>Reserve balance, allowing for pension strain costs of redundancy decision made during the year</b>	<b>-332,835</b>	<b>0</b>	<b>88,038</b>	<b>-244,797</b>
<b>Sub-Total Capital Investment</b>	<b>Reserve balance</b>	<b>-643,337</b>	<b>0</b>	<b>0</b>	<b>-643,337</b>
Priority Investment Reserve (Main)	Reserve balance	-558,276		0	-558,276







14/15 EBP - Local Development Plan	Part of annual budget build	-100,000	375,000	275,000
SCH Senior Leadership review	Cabinet 27/7/16	38,751	0	38,751
CIL	Budget setting Cabinet 15/2/17	0	30,000	30,000
Legal costs for revocations	2016/17 budget setting	88,000	0	88,000
Alternate Delivery Model facilitation	Cabinet 15/2/18 & Cabinet 6/6/18	126,525	0	126,525
<b>Sub-Total Priority Investment</b>		<b>-405,000</b>	<b>0</b>	<b>405,000</b>
<b>Other Earmarked Reserves:</b>				
Museums Acquisitions Reserve		-52,885	0	-52,885
Elections Reserve	Top up as revenue position allows	-83,183	-35,000	-118,183
Grass Routes Buses Reserve	Cabinet 24/3/10	-151,084	-5,000	-156,084
Youth Offending Team	Trading a/c year end balance	-150,000	0	-150,000
Building Control trading reserve	Trading a/c year end balance	-14,490	0	-14,490
Outdoor Education Centres Trading Reserve	Cabinet 9/1/19	0	0	0
CYP maternity	Trading a/c year end balance	-135,795	0	-135,795
Plant & Equipment reserve (Highways)	Trading a/c year end balance	-33,541	0	-33,541
Homeless Prevention Reserve Fund		-49,803	0	-49,803
Solar Farm Maintenance & Community Fund	Council 28/7/16	-41,000	-23,000	-64,000
Newport Leisure Park Reserve	Decision of Investment Cttee	-61,899	0	-61,899
Castlegate Reserve	Decision of Investment Cttee	-79,500	0	-79,500
Local Resilience Forum Reserve (Gwent PCC Tfr)	Specific WG grant	-115,090	0	-115,090
Rural Development Plan Reserve	Cabinet 16/10/14	-413,190	0	-413,190
<b>Sub-Total Other Earmarked Reserves</b>		<b>-1,381,460</b>	<b>0</b>	<b>-1,444,460</b>
<b>Total Earmarked Reserves</b>		<b>-6,612,587</b>	<b>154,410</b>	<b>425,190</b>
<b>Total useable revenue reserves</b>		<b>-13,491,261</b>	<b>154,410</b>	<b>3,457,224</b>
			<b>-9,879,626</b>	



## Appendix 2 – Individual School Balance Forecast

Outturn movement on reserves									
	Opening Reserves 2019-20 (Surplus)/Deficit	In Year position at Month 2 (Surplus)/Deficit	Projected carry forward at year end 2019-20 (Surplus)/Deficit	Notes	Traffic Light Risk against recovery plan	Recovery Plan Y/E target balance 2019- 20 (in 18-19)	Recovery Plan Y/E target balance 2020- 21	Recovery Plan Y/E target balance 2021- 22	Recovery Plan Y/E target balance 2022- 23
<b>Abergavenny cluster</b>									
E003 King Henry VIII Comprehensive	82,797	141,199	223,996	Additional income for Leadership Team pension increase plus savings on a Support Staff Maternity Leave absence.		71,901	(7,045)	(77,960)	
E073 Cantref Primary School	(88,391)	57,656	(30,736)			N/A			
E072 Deri View Primary School	(80,000)	30,667	(49,333)	Savings on supply compensation premium.		(30,402)	(7,690)		
E035 Gilwern Primary School	(55,251)	(26,318)	(81,569)	A senior teacher is on maternity Leave in the new academic year, the School has generated additional income due to its Pioneer status and is in receipt of Additional Learning Needs Funding with support costs already in place.		N/A			
E037 Goytre Fawr Primary School	(2,737)	(14,505)	(17,242)			N/A			
E093 Llanfoist Fawr Primary School	(14,342)	(961)	(15,302)			N/A			
E044 Llantillio Pertholey CiW Primary School (VC)	9,643	15,759	25,402	Leadership staff absence covered by a secondment from another Local Authority.		(2,866)	(17,755)		
E045 Llanvihangel Crucorney Primary School	(34,341)	(12,192)	(46,533)			N/A			
E090 Our Lady and St Michael's RC Primary School (VA)	14,170	(36,435)	(22,265)	Member of staff leaving and being replaced at a lower point on the scale, from 1/9/19.		10,182	(1)		
E067 Ysgol Gymraeg Y Fenni	(51,306)	45,481	(5,826)	Teacher remaining on a part time basis from 1/9/19		N/A			

	Opening Reserves 2019-20 (Surplus)/Deficit	In Year position at Month 2 (Surplus)/Deficit	Projected carry forward at year end 2019-20 (Surplus)/Deficit	Notes	Traffic Light Risk against recovery plan	Recovery Plan Y/E target balance 2019- 20 (in 18-19)	Recovery Plan Y/E target balance 2020- 21	Recovery Plan Y/E target balance 2021- 22	Recovery Plan Y/E target balance 2022- 23
<b>Caldicot cluster</b>									
E001 Caldicot School	65,013	155,964	220,977	Saving on ICT		30,645			
E068 Archbishop Rowan Williams CiW Primary School (VA)	(73,406)	(11,212)	(84,618)	Additional Income: Lettings, NAPL, LNS and Local Authority Funding (Teachers Pensions for Leadership and Support Staff Assimilation). Executive Head arrangement continues to reduce Leadership costs. Deputy head secondment also increases savings.		N/A			
E094 Castle Park Primary School	23,772	(77,660)	(53,888)	Additional Income: NAPL, ALN and Local Authority Funding (Teachers Pensions for Leadership and Support Staff Assimilation). Leadership saving due to new headship in September 2019. Staff savings via the use of supply rather than contracts.		(1,422)	(19,802)	(25,229)	
E075 Dewstow Primary School	(108,642)	50,976	(57,666)	Conservative estimate of Additional Learning Needs Band Funding made at budget build. This funding has now been confirmed.		N/A			
E034 Durand Primary School	(29,087)	12,401	(16,686)	Additional Income: Lettings, NAPL, Student Teacher Placements, ALN and Local Authority Funding (Teachers Pensions for Leadership and Support Staff Assimilation). Increase in support staff including covering illness		N/A			
E048 Magor CiW Primary School (VA)	54,651	(18,647)	36,003	Staff costs included for pupil support but awaiting confirmation of Additional Learning Needs Band Funding.		13,348			
E056 Rogiet Primary School	(20,015)	19,466	(549)	Appointment of substantive Head teacher from 1/9/19 not 1/1/20 as originally budgeted has meant that savings linked to internal cover sends four months earlier.		N/A			
E063 Undy Primary School	129,534	(42,661)	86,872	Unbudgeted Teacher costs from 1/9/19, two Teaching Assistants employed due to Additional Learning Needs support requirements, plus 3 new Lunchtime Supervisors to keep within the 60:1 ratio		55,358	39,123	9,808	
E069 Ysgol Gymraeg Y Ffin	32,979	48,256	81,235	Savings due to staffing related costs		N/A			

	Opening Reserves 2019-20 (Surplus)/Deficit	In Year position at Month 2 (Surplus)/Deficit	Projected carry forward at year end 2019-20 (Surplus)/Deficit	Notes	Traffic Light Risk against recovery plan	Recovery Plan Y/E target balance 2019- 20 (in 18-19)	Recovery Plan Y/E target balance 2020- 21	Recovery Plan Y/E target balance 2021- 22	Recovery Plan Y/E target balance 2022- 23
<b>Chepstow cluster</b>									
E002 Chepstow School	(50,661)	191,596	140,934	Staffing changes has resulted in a saving		N/A			
E091 Pembroke Primary School	13,239 (132,093)	(20,364)	(7,125) (142,519)	Additional income anticipated in relation to pension increases		(209)	(3,760)		
E057 Shirenewton Primary School		(10,426)	(142,519)						
E058 St Mary's Chepstow RC Primary School (VA)	63,593	(21,175)	42,417	Interim Head teacher from 1/9/19 will be employed at 80%		N/A			
E060 The Dell Primary School	(16,389)	8,679	(7,710)	Staffing changes has resulted in a saving		N/A			
E061 Thornwell Primary School	53,722	(41,302)	12,421	Revised Additional Learning Needs Band Funding		(645)	(24,372)	(25,417)	

	Opening Reserves 2019-20 (Surplus/Deficit)	In Year position at Month 2 (Surplus/Deficit)	Projected carry forward at year end 2019-20 (Surplus/Deficit)	Notes	Traffic Light Risk against recovery plan	Recovery Plan Y/E target balance 2019- 20 (in 18-19)	Recovery Plan Y/E target balance 2020- 21	Recovery Plan Y/E target balance 2021- 22	Recovery Plan Y/E target balance 2022- 23
<b>Monmouth cluster</b>									
E004 Monmouth Comprehensive	538,326	(48,893)	489,433	Additional income anticipated in relation to pension increases, as well as receiving more funding than expected for ALN		487,767	324,012	193,172	24,949
E032 Cross Ash Primary School	(54,150)	17,737	(36,413)	Two job share teachers retiring on 31/8/19 plus a teacher on Maternity Leave from 1/9/19		N/A			
E092 Kymin View Primary School	(5,607)	(39,556)	(45,164)	Additional Income: Lettings, Supply Compensation, NAPL, EWC and Local Authority Funding (Teachers Pensions for Leadership and Support Staff Assimilation), Reduction in ALN total, however large saving due to associated costs.		N/A			
E039 Llandogo Primary School	83,516	76,870	160,386	Additional supply compensation received		(1,141)			
E074 Osbaston CiW Primary School (VC)	(6)	10,970	10,964	Additional staffing to cover maternity and sickness		N/A			
E051 Overmonnow Primary School	18,473	(23,519)	(5,046)	Additional Education Achievement Service and Local Authority (Teachers Pensions for Leadership and Support Staff Assimilation) Income. Also reductions in support staff hours to reflect required provision.		N/A			
E055 Raglan CiW Primary School (VC)	108,451	(46,565)	61,887	£15.6k Residential Trip income relates to 2018/19. £3.2k journalled out of cost centre, as charges were incorrectly posted to cost centre in 2018/19 for the Village Hall. Staffing changes has resulted in a saving of £3.7k		62,644	35,366	17,177	(24,921)
E062 Trellech Primary School	(71,983)	29,353	(42,629)	A member of staff was overpaid in 2018/19 and this has been paid back		N/A			
E064 Usk CiW Primary School (VC)	(9,911)	(9,868)	(19,779)	Member of SLT leaving and will be backfilled by a member of staff on a lower point on the scale		N/A			
	393,562	410,769	804,331						
<b>Special Schools</b>									
E020 Mounth House Special School	(141,505)	126,988	(14,518)			4,947	(39,683)		
E095 Pupil referral unit	(19,652)	80,277	60,625	Overspend re EOTAS staff		N/A			
	(161,157)	207,265	46,107						
	232,404	618,034	850,438						



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WALES **AUDIT** OFFICE  
SWYDDFA **ARCHWILIO** CYMRU

## Annual Improvement Report: 2018-19 – **Monmouthshire County Council**

Audit year: 2018-19

Date issued: June 2019

Document reference: 1340A2019-20

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Dave Wilson and Non Jenkins under the direction of Huw Rees.

**Adrian Crompton**  
**Auditor General for Wales**  
**Wales Audit Office**  
**24 Cathedral Road**  
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The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office Board, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.



# Contents

## Summary report

2018-19 performance audit work	4
The Council is meeting its statutory requirements in relation to continuous improvement	4
Recommendations and proposals for improvement	4
Audit, regulatory and inspection work reported during 2018-19	6

## Appendices

Status of this report	11
Annual Audit Letter	12
National report recommendations 2018-19	15

# Summary report

## 2018-19 performance audit work

- 1 To decide the range and nature of the work we would undertake during the year, we considered how much we already know from all previous audit and inspection work and from other sources of information including Monmouthshire County Council's (the Council) own mechanisms for review and evaluation. For 2018-19, we undertook improvement assessment work; an assurance and risk assessment project and work in relation to the Well-being of Future Generations Act at all councils. At some councils, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2018-19.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the relevant regulators, is set out in [Exhibit 2](#).

## The Council is meeting its statutory requirements in relation to continuous improvement

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2019-20.

## Recommendations and proposals for improvement

- 4 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
  - make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
  - make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
  - conduct a special inspection, publish a report and make recommendations; and
  - recommend to ministers of the Welsh Government that they intervene in some way.

- 5 During the course of the year, the Auditor General did not make any formal recommendations. However, we have made a number of proposals for improvement and these are repeated in this report. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

## Audit, regulatory and inspection work reported during 2018-19

### Exhibit 1: audit, regulatory and inspection work reported during 2018-19

Description of the work carried out since the last AIR, including that of the relevant regulators, where relevant

Issue date	Brief description	Conclusions	Proposals for improvement
March 2019	<p><b>Assurance and Risk Assessment</b> Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council:</p> <ul style="list-style-type: none"> <li>• putting in place proper arrangements to secure value for money in the use of resources;</li> <li>• putting in place arrangements to secure continuous improvement; and</li> <li>• acting in accordance with the sustainable development principle in setting wellbeing objectives and taking steps to meet them.</li> </ul>	<p><b>Arising from this project we identified the following topics for inclusion in our Audit Plan at the Council for 2019-20:</b></p> <ul style="list-style-type: none"> <li>• Procurement and contracting – a review of the robustness and sustainability of the Council’s procurement and contracting arrangements in meeting recent, current and future needs.</li> <li>• Financial Sustainability – A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.</li> <li>• Shared Resource Service (SRS) – This review will follow up on the recommendations made by the Auditor General in his 2015 report reviewing the SRS. The review will be carried out across the four local councils that are members of the SRS.</li> </ul>	Not applicable.

Issue date	Brief description	Conclusions	Proposals for improvement
May 2019	<p><b>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</b></p> <p>Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking the step <b>to develop a range of options to improve rural transport</b> to meet the following wellbeing objective:</p> <p><b>The Council delivers better infrastructure connectivity and opportunity</b></p> <p><a href="#"><u>Full report</u></a></p>	<p><b>The Council has acted in accordance with the sustainable development principle in setting the step ‘to develop a range of options to improve rural transport’ but there are opportunities to further embed the five ways of working</b></p> <ul style="list-style-type: none"> <li>• The Council is at an early stage of understanding long-term needs and solutions.</li> <li>• The Council has identified some of the problems caused by the lack of rural transport but has not yet identified potential solutions.</li> <li>• The Council is committed to integrated solutions but rural transport is not well recognised within Council and partner plans.</li> <li>• The Council has started to collaborate in the planning and scoping of some solutions and would benefit from engaging with more partners to identify root causes and additional sustainable solutions.</li> <li>• Whilst there are positive examples of stakeholder involvement, the Council could benefit from involving the public at an earlier stage and producing comprehensive equality impact assessments for all policy decisions on major service change.</li> </ul>	<p>We did not make any proposals for improvement in the Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations report but did highlight some areas of development which the Council plans to act on.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
December 2018	<p><b>Annual Audit Letter 2017-18</b> Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in <a href="#">Appendix 2</a> of this report.</p>	<ul style="list-style-type: none"> <li>• The Council complied with its responsibilities relating to financial reporting and use of resources.</li> <li>• Local authorities in Wales face significant financial challenges.</li> <li>• I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.</li> <li>• My work to date on certification of grant claims and returns has not identified significant issues that would impact on the annual accounts or key financial systems.</li> </ul>	None.

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Local risk-based performance audit</b>			
May 2019	<p><b>Thematic Review – Service user perspective</b></p> <p>A review on the ways that members of the public can enquire about local services and compliment, complain or provide comments on council services.</p>	<p>Citizens are mostly satisfied with the access and quality of customer contact arrangements, but the Council could do more to take users' needs into account in their design and effectiveness:</p> <ul style="list-style-type: none"> <li>• local people are mostly happy with the ease of contacting the Council although there are ways that the access could be improved;</li> <li>• service users are mostly satisfied with the quality of service they receive at the Community Hubs but are less satisfied with the Council's handling of complaints; and</li> <li>• the Council has arrangements in place to engage with local residents but this does not always result in effective two-way communication or lead to changes in contact arrangements that better meet users' needs.</li> </ul>	<p>P1 Improve customer contact arrangements taking into account user feedback.</p> <p>P2 Routinely seek feedback from people who use the Community Hubs, My Monmouthshire App and the Compliments, Comments and Complaints arrangements to identify improvements to customer contact arrangements.</p> <p>P3 Seek feedback from people who do not currently use the Community Hubs, My Monmouthshire App or Compliments, Comments and Complaints arrangements to understand why.</p> <p>P4 Ensure that the Council meets the standards it sets such as in complaints.</p> <p>P5 Share learning about improvements made to individual Community Hubs with other Community Hub staff.</p> <p>P6 Improve customer care in the customer contact arrangements to ensure citizens' views are genuinely acknowledged and addressed.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Improvement planning and reporting</b>			
April 2018	<b>Wales Audit Office annual improvement plan audit</b> Review of the Council's published plans for delivering on improvement objectives.	The Council has complied with its statutory improvement planning duties.	None.
November 2018	<b>Wales Audit Office annual assessment of performance audit</b> Review of the Council's published performance assessment.	The Council has complied with its statutory improvement reporting duties.	None.
<b>Reviews by inspection and regulation bodies</b>			
No reviews by inspection and regulation bodies have taken place during the time period covered in this report.			



# Appendix 1

## Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement. The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General's duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

# Appendix 2

## Annual Audit Letter

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Please contact us in Welsh or English.

Cysylltwch â ni'n Gymraeg neu'n Saesneg.

Councillor Peter Fox  
Council Leader  
Monmouthshire County Council  
County Hall  
Rhadyr  
Usk  
Monmouthshire  
NP15 1GA

**Reference:** 942A2018-19

**Date issued:** 4 December 2018

Dear Councillor Fox

### Annual Audit Letter – Monmouthshire County Council 2017-18

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

#### The Council complied with its responsibilities relating to financial reporting and use of resources

It is Monmouthshire County Council's (the Council's) responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a statement of accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their statement of accounts in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is based on International Financial Reporting Standards.

On 25 September 2018 I issued an unqualified audit opinion on the statement of accounts confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the statement of accounts. The key matters arising from the audit were reported to members of the Audit Committee in my 'Audit of Financial Statements' report on 13 September 2018. In this report I confirmed that the quality of the draft accounts and associated records presented for audit had been prepared to a generally high standard, reflecting the Council's continued improvement over recent years.

The Council provided its accounts for audit, together with the majority of the working papers, on 4 June 2018 which was well ahead of 30 June deadline and five days earlier than last year. This suggests the Council will be well placed to meet the earlier accounts submission date of 31 May and the audit completion date of 31 July which will come into effect from the 2020/21 financial year. However, there is still scope to make further improvements to the accounts preparation and audit processes. This will be discussed further with officers in the coming months when planning for our 2018-19 audit.

### **Local authorities in Wales face significant financial challenges**

Austerity funding remains the most significant challenge facing all local government bodies in Wales and these financial pressures are likely to continue for the medium term. The recent provisional local government funding settlement for 2019-20 will see the Council's settlement decrease by 0.5%. This percentage decrease is larger than the all-Wales figure of 0.3% and the Council shares the highest percentage reduction with four other Welsh local authorities.

At the end of 2017-18 the Council was able to balance its budget and, at the same time, maintained the overall level of its reserves. As at 31 March 2018, the Council had useable reserves of £14.6 million split between earmarked reserves of £7.3 million and a general fund balance of £7.3 million. The Council has traditionally had a policy of maintaining its level of general reserves and there are no plans to reduce them any further in the future as they are felt to be at a minimum level.

For the current 2018-19 financial year, the Council forecasts within its latest management accounts that it will again deliver a balanced position. However, the Council's 'Medium

Term Financial Strategy' covering the period 2018-19 to 2022-23 sets out requirements to reduce budgets by some £13.88 million. Within this figure £4.6 million of the reductions relate to 2018-19, for which the Council is currently identifying proposals for savings.

### **I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources**

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, although in September 2018 I set out in my 'Annual Improvement Report' the areas where improvements could be made.

On 26 September 2018 I issued a certificate confirming that the audit of the 2017-18 accounts was completed.

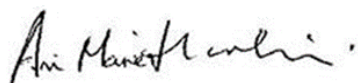
### **My work to date on certification of grant claims and returns has not identified significant issues that would impact on the annual accounts or key financial systems**

This audit work is ongoing with no significant issues thus far. In early 2019 I will issue my grant report on the audit of the Council's 2017-18 grant claims and returns. This report is considered each year by the Council's Audit Committee.

### **Financial audit fees**

The financial audit fee for 2017-18 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan. The final fee for my audit of the Council's 2017-18 grant claims and returns will be set out in my annual report on grant claims.

Yours sincerely



**Ann-Marie Harkin**  
**For and on behalf of the Auditor General for Wales**

cc: Paul Matthews, Chief Executive Officer  
Joy Robson, Head of Finance

# Appendix 3

## National report recommendations 2018-19

### Exhibit 2: national report recommendations 2018-19

Summary of recommendations relevant to local government, included in national reports published by the Wales Audit Office, since publication of the last AIR.

Date of report	Title of review	Recommendation
October 2018	<u><a href="#">Procuring Residual and Food Waste Treatment Capacity</a></u>	<p><b>R1</b> The projections for the three residual waste projects in the Programme assume that, across the 14 councils involved, the overall amount of residual waste will increase through the lifetime of the contracts. If these projections are accurate then something significant would have to occur beyond 2040 to reach zero waste across these council areas by 2050. If the projections are not accurate then there is the risk that councils will pay for capacity they do not need. <b>We recommend that the Welsh Government:</b></p> <ul style="list-style-type: none"> <li>• <b>in reviewing the Towards Zero Waste strategy, considers how its ambition of there being no residual waste by 2050 aligns with current projections for residual waste treatment; and</b></li> <li>• <b>works with councils to consider the impact of changes in projections on the likely cost of residual waste projects and any mitigating action needed to manage these costs.</b></li> </ul>

Date of report	Title of review	Recommendation
October 2018	<u><a href="#">Procuring Residual and Food Waste Treatment Capacity</a></u>	<p><b>R2</b> The Welsh Government's programme support to date has mainly focused on project development and procurement. Now that most of the projects are operational, the focus has shifted to contract management. <b>We recommend that the Welsh Government continue its oversight of projects during the operational phase by:</b></p> <ul style="list-style-type: none"> <li>• <b>building on its existing model of providing experienced individuals to assist with project development and procurement and making sure input is available to assist with contract management if required;</b></li> <li>• <b>setting out its expectations of councils regarding contract management;</b></li> <li>• <b>ensuring partnerships revisit their waste projections and associated risks periodically, for example to reflect updated population projections or economic forecasts; and</b></li> <li>• <b>obtaining from partnerships basic management information on gate fees paid, amount of waste sent to facilities and quality of contractor service.</b></li> </ul>

Date of report	Title of review	Recommendation
November 2018	<u><a href="#">Local Government Services to Rural Communities</a></u>	<p><b>R1</b> Socio economic change, poor infrastructure and shifts in provision of key services and facilities have resulted in the residualisation of communities in rural Wales. <b>We recommend that Welsh Government support public bodies to deliver a more integrated approach to service delivery in rural areas by:</b></p> <ul style="list-style-type: none"> <li>• <b>refreshing rural grant programmes to create sustainable financial structures, with multi-year allocations; and</b></li> <li>• <b>helping people and businesses make the most of digital connectivity through targeted and more effective business and adult education support programmes.</b></li> </ul> <p><b>R2</b> The role of Public Service Boards is evolving but there are opportunities to articulate a clearer and more ambitious shared vision for rural Wales (see paragraphs 2.2 to 2.9 and 2.28 to 2.31). <b>We recommend that PSB public service partners respond more effectively to the challenges faced by rural communities by:</b></p> <ul style="list-style-type: none"> <li>• <b>assessing the strengths and weaknesses of their different rural communities using the Welsh Government’s Rural Proofing Tool and identify and agree the local and strategic actions needed to support community sustainability; and</b></li> <li>• <b>ensuring the Local Well-Being Plan sets out a more optimistic and ambitious vision for ‘place’ with joint priorities co-produced by partners and with citizens to address agreed challenges.</b></li> </ul>

Date of report	Title of review	Recommendation
November 2018	<u><b>Local Government Services to Rural Communities</b></u>	<p><b>R3</b> To help sustain rural communities, public services need to think differently in the future (see paragraphs 3.1 to 3.12). <b>We recommend councils provide a more effective response to the challenges faced by rural communities by:</b></p> <ul style="list-style-type: none"> <li>• <b>ensuring service commissioners have cost data and qualitative information on the full range of service options available; and</b></li> <li>• <b>using citizens' views on the availability, affordability, accessibility, adequacy and acceptability of council services to shape the delivery and integration of services.</b></li> </ul>



Date of report	Title of review	Recommendation
November 2018	<b><u>Local Government Services to Rural Communities</u></b>	<p><b>R4</b> To help sustain rural communities, public services need to act differently in the future (see paragraphs 3.1 to 3.12). <b>We recommend councils do more to develop community resilience and self-help by:</b></p> <ul style="list-style-type: none"> <li>• <b>working with relevant bodies such as the Wales Co-operative Centre to support social enterprise and more collaborative business models;</b></li> <li>• <b>providing tailored community outreach for those who face multiple barriers to accessing public services and work;</b></li> <li>• <b>enhancing and recognising the role of town and community councils by capitalising on their local knowledge and supporting them to do more;</b></li> <li>• <b>encouraging a more integrated approach to service delivery in rural areas by establishing pan-public service community hubs, networks of expertise, and clusters of advice and prevention services;</b></li> <li>• <b>enabling local action by supporting community asset transfer identifying which assets are suitable to transfer, and having the right systems in place to make things happen; and</b></li> <li>• <b>improving community-based leadership by developing networks of interest, training and coaching, and encouraging volunteering.</b></li> </ul>

Date of report	Title of review	Recommendation
November 2018	<u><a href="#">Waste Management in Wales: Municipal Recycling</a></u>	<p><b>R1</b> Benchmarking work has found that the cost of certain waste management services shows surprising variation (paragraphs 1.31-1.39). <b>The Welsh Government should work with councils to understand better the basis of the variation in spending on waste management services that are fundamentally the same and ensure that waste management costs are accounted for in a consistent way.</b></p> <p><b>R2</b> The Welsh Government believes that, if applied optimally, its Collections Blueprint offers the most cost-effective overall means of collecting recyclable resources but is planning further analysis (paragraphs 1.40-1.51). <b>When undertaking its further analysis to understand better the reasons for differences in councils' reported costs, and the impact on costs where councils have adopted the Collections Blueprint, we recommend that the Welsh Government:</b></p> <ul style="list-style-type: none"> <li>• explores how the cost of collecting dry recyclables may affect the overall cost of providing kerbside waste management services to households; and</li> <li>• compares the actual costs with the costs modelled previously as part of the Welsh Government-commissioned review of the Collections Blueprint for councils that now operate the Collections Blueprint.</li> </ul>

Date of report	Title of review	Recommendation
November 2018	<u><a href="#">Waste Management in Wales: Municipal Recycling</a></u>	<p><b>R3</b> The Welsh Government has undertaken to consider alternatives to the current weight-based recycling targets which can better demonstrate the delivery of its ecological footprint and carbon reduction goals (paragraphs 2.38-2.45). <b>We recommend that the Welsh Government replace or complement the current target to recycle, compost and reuse wastes with performance measures to refocus recycling on the waste resources that have the largest impact on carbon reduction, and/or are scarce. We recognise that the Welsh Government may need to consider the affordability of data collection for any alternative means of measurement.</b></p> <p><b>R4</b> In refreshing Towards Zero Waste, the Welsh Government needs to show that wider sustainability benefits sought through municipal recycling offer value and cannot be more readily attained in other ways and at lower cost including, but not necessarily limited to, other waste management interventions (paragraphs 2.52-2.53). <b>The Welsh Government should demonstrate in the revised waste strategy that not only is it possible to recycle a greater proportion of municipal waste, but how doing so maximises its contribution to achieving its sustainable development objectives.</b></p>

Date of report	Title of review	Recommendation
November 2018	<u><a href="#">Provision of Local Government Services to Rural Communities: Community Asset Transfer</a></u>	<p><b>R1</b> Local authorities need to do more to make CATs (Community Asset Transfers) simpler and more appealing, help build the capacity of community and town councils, give them more guidance in raising finance, and look to support other community development models such as social enterprises that support social value and citizen involvement. <b>In addition, we recommend that local authorities monitor and publish CAT numbers and measure the social impact of CATs.</b></p> <p><b>R2</b> Local authorities have significant scope to provide better and more visible help and support before, during, and after the community asset transfer process. <b>We conclude that there is considerable scope to improve the business planning, preparation, and aftercare for community asset transfer. We recommend that local authorities:</b></p> <ul style="list-style-type: none"> <li>• <b>identify community assets transfer’s role in establishing community hubs, networks of expertise and clusters of advice and prevention services;</b></li> <li>• <b>work with town and community councils to develop their ability to take on more CATs;</b></li> <li>• <b>identify which assets are suitable to transfer, and clarify what the authority needs to do to enable their transfer;</b></li> <li>• <b>ensure their CAT policy adequately covers aftercare, long term support, post transfer support, signposting access to finance, and sharing the learning about what works well; and</b></li> <li>• <b>support community-based leadership by developing networks of interest, training and coaching, and encouraging volunteering.</b></li> </ul>

Date of report	Title of review	Recommendation
December 2018	<u><a href="#">The maturity of local government in use of data</a></u>	<p><b>R1 Part 1 of the report highlights the importance of creating a strong data culture and clear leadership to make better use of data. We recommend that local authorities:</b></p> <ul style="list-style-type: none"> <li>• have a clear vision that treats data as a key resource;</li> <li>• establish corporate data standards and coding that all services use for their core data;</li> <li>• undertake an audit to determine what data is held by services and identify any duplicated records and information requests; and</li> <li>• create a central integrated customer account as a gateway to services.</li> </ul> <p><b>R2 Part 2 of the report notes that whilst it is important that authorities comply with relevant data protection legislation, they also need to share data with partners to ensure citizens receive efficient and effective services. Whilst these two things are not mutually exclusive, uncertainty on data protection responsibilities is resulting in some officers not sharing data, even where there is agreement to provide partners with information. We recommend that authorities:</b></p> <ul style="list-style-type: none"> <li>• provide refresher training to service managers to ensure they know when and what data they can and cannot share; and</li> <li>• review and update data sharing protocols to ensure they support services to deliver their data sharing responsibilities.</li> </ul>

Date of report	Title of review	Recommendation
December 2018	<u><a href="#">The maturity of local government in use of data</a></u>	<p><b>R3</b> In Part 3 of our report, we conclude that adequate resources and sufficient capacity are ongoing challenges. However, without upskilling staff to make better use of data, authorities are missing opportunities to improve their efficiency and effectiveness. We recommend that authorities:</p> <ul style="list-style-type: none"> <li>• identify staff who have a role in analysing and managing data to remove duplication and free up resources to build and develop capacity in data usage; and</li> <li>• invest and support the development of staff data analytical, mining and segmentation skills.</li> </ul> <p><b>R4</b> Part 4 of our report highlights that authorities have more to do to create a data-driven decision-making culture and to unlock the potential of the data they hold. We recommend that local authorities:</p> <ul style="list-style-type: none"> <li>• set data reporting standards to ensure minimum data standards underpin decision making; and</li> <li>• make more open data available.</li> </ul>

Date of report	Title of review	Recommendation
March 2019	<a href="#"><u>Waste Management in Wales - Preventing waste</u></a>	<p><b>R1 Increasing the focus on waste prevention to reflect the overall aims of Towards Zero Waste</b></p> <p>Available data on the amount of waste produced suggests mixed progress to deliver the Welsh Government’s waste prevention targets. We recommend that the Welsh Government:</p> <ul style="list-style-type: none"> <li>a) revisits the relative priority it gives to recycling and waste prevention as part of its review of Towards Zero Waste;</li> <li>b) sets out clearly the expectations on different organisations and sectors for waste prevention; and</li> <li>c) revisits its overall waste prevention targets and the approach it has taken to monitor them in light of progress to date, examples from other countries and in the context of current projections about waste arising through to 2050.</li> </ul> <p><b>R2 Improving data on commercial, industrial, construction and demolition waste</b></p> <p>The Welsh Government is a partner in initial work to assess the feasibility of developing a new digital solution to track all waste. If this preferred option does not succeed, we recommend that the Welsh Government works with Natural Resources Wales to explore the costs and benefits of other options to improve non-municipal waste data in Wales, including additional powers to require waste data from businesses.</p>

Date of report	Title of review	Recommendation
March 2019	<u>Waste Management in Wales - Preventing waste</u>	<p><b>R3 Enhancing producer responsibility and using more legal, financial and fiscal levers</b></p> <p>The Welsh Government has opportunities to influence waste prevention through legislation and financial incentives. It can also influence changes at the UK level where fiscal matters are not devolved. We recommend that the Welsh Government consider whether provisions to extend producer responsibility and the use of financial powers such as grant conditions, fiscal measures and customer charges and incentives, are needed to promote and to prioritise waste prevention.</p>



Date of report	Title of review	Recommendation
June 2019	<u><a href="#">The Effectiveness of Local Planning Authorities in Wales</a></u>	<p>R1 Part 1 of the report sets out the complexities of the planning system showing how challenging it is for local planning authorities to effectively engage with and involve stakeholders in choices and decisions. <b>To improve involvement with stakeholders and ownership of decisions we recommend that:</b></p> <ul style="list-style-type: none"> <li>• local planning authorities: <ul style="list-style-type: none"> <li>– test current engagement and involvement practices and consider the full range of other options available to ensure involvement activities are fit for purpose;</li> <li>– use ‘Place Plans’ as a vehicle to engage and involve communities and citizens in planning choices and decision making; and</li> <li>– improve transparency and accountability by holding planning meetings at appropriate times, rotating meetings to take place in areas which are subject to proposed development, webcasting meetings and providing opportunities for stakeholders to address committee meetings.</li> </ul> </li> <li>• Welsh Government: <ul style="list-style-type: none"> <li>– review the Development Management Procedure Order 2012 and update the engagement and involvement standards for local planning authorities.</li> </ul> </li> </ul>

Date of report	Title of review	Recommendation
June 2019	<u><a href="#">The Effectiveness of Local Planning Authorities in Wales</a></u>	<p>R2 Part 2 of the report highlights that local planning authorities have been subject to significant reductions in funding and struggle to deliver their statutory responsibilities. <b>To improve resilience, we recommend that local planning authorities:</b></p> <ul style="list-style-type: none"> <li>• review their building control fee regimes to ensure the levels set better reflect the actual cost of providing these services and make the service self-funding; and</li> <li>• improve capacity by working regionally to: <ul style="list-style-type: none"> <li>– integrate services to address specialism gaps;</li> <li>– develop joint supplementary planning guidance; and</li> <li>– develop future local development plans regionally and in partnership with other local planning authorities.</li> </ul> </li> </ul> <p>R3 Part 2 of the report highlights that the cost of development control services is not reflected in the charges set for these services and progress in developing regional responses to strengthen resilience has been slow. <b>We recommend that the Welsh Government:</b></p> <ul style="list-style-type: none"> <li>• reviews development control fees to ensure the levels set better reflect the actual cost of providing these services; and</li> <li>• consider how to use the powers in the Planning (Wales) Act to support and improve local planning authority capacity and resilience.</li> </ul>

Date of report	Title of review	Recommendation
June 2019	<u><a href="#">The Effectiveness of Local Planning Authorities in Wales</a></u>	<p>R4 Part 3 of the report summarises the effectiveness and impact of local planning authorities decision making and how well they are performing against national measures. <b>We recommend that local planning authorities improve the effectiveness of planning committees by:</b></p> <ul style="list-style-type: none"> <li>• reviewing their scheme of delegation to ensure planning committees are focussed on the most important strategic issues relevant to their authority;</li> <li>• revising reporting templates to ensure they are clear and unambiguous to help guide decision making and reduce the level of officer recommendations overturned; and</li> <li>• enforcing the local planning authorities' standards of conduct for meetings.</li> </ul> <p>R5 Part 4 of the report identifies the central role of planning to delivering the ambitions of the Well-being of Future Generations Act. <b>We recommend that local planning authorities:</b></p> <ul style="list-style-type: none"> <li>• set a clear ambitious vision that shows how planning contributes to improving wellbeing;</li> <li>• provide planning committee members with regular and appropriate wellbeing training and support to help deliver their wider responsibilities;</li> <li>• set appropriate measures for their administration of the planning system and the impact of their planning decisions on wellbeing; and</li> <li>• annually publish these performance measures to judge planning authorities' impact on wellbeing.</li> </ul>

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**SUBJECT: IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS – 2017/18**

**DIRECTORATE: Resources**  
**MEETING: Audit Committee**  
**DATE: 25<sup>th</sup> July 2019**

**DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To receive and consider the progress operational managers have made against implementing Internal Audit Recommendations made in reports issued during 2017/18.

## 2. RECOMMENDATION(S)

That the Audit Committee consider this report, identify any concerns of non-implementation of audit recommendations and where appropriate consider calling-in any managers for further explanation as to why the implementation of actions has not been as productive as expected. Overall, non-implementation of audit recommendations has not led to a significant risk to the Council.

## 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. This is based on the opinions given on individual audit jobs undertaken as per the agreed annual audit plan.
- 3.2 Each audit opinion is based on the strengths and weaknesses identified during the course of each audit; definitions of which are shown at Appendix A. Where weaknesses in control have been identified an audit recommendation is made in order to improve the internal control environment which should lead to an overall improvement of service provision or the financial stewardship of the area audited.

- 3.3 Generally operational management agree with the audit recommendations made and agree to implement the action required to make the improvements. In 2016/17 96% of audit recommendations were agreed by operational managers. In 2017/18 96% were agreed.
- 3.4 In order to verify that improvements have been made in the financial stewardship within service areas that have been audited, the Internal Audit team has to check that the agreed actions have actually been implemented by service / operational managers. The Team therefore undertake follow up audit reviews to ensure this is done within 6 to 12 months after the final audit report has been issued.
- 3.5 In 2018/19 all 2017/18 audit reports which were finalised were followed up.
- 3.6 Due to limited resources within the Internal Audit Team not all audit recommendations could be physically followed up. Although some audits were followed up by the Internal Audit team and evidence tested to ensure that agreed actions had been implemented, for the majority there was significant reliance on the operational managers' honesty in providing an update on the progress of the implementation of agreed actions back to the Internal Audit Team.
- 3.7 For the finalised audits relating to this period, 2017/18 there were 33 audit jobs which included 355 audit recommendations. 66% of audit recommendations had been implemented or partially implemented, 19% had not been implemented, with 5% ongoing. 5% were considered no longer relevant and for 2%, managers had accepted the risk of non implementation. A comparison of the output for 2016/17 is shown at Appendix B, but overall there was a decrease in the number audit recommendations implemented or partially implemented between the two years.
- 3.8 The 33 individual audit jobs are shown at Appendix C which identifies the number of implemented audit recommendations along with the status of those that weren't.
- 3.9 Appendix D shows the recommendations implemented per categorisation. Where the Audit team identify a weakness, the significance of it is categorised by a rating. These were rated as significant (red), moderate (amber) or minor (yellow) and are colour coded within reports.
- 3.10 Within the 2017/18 audit reports, of the 79 significant weaknesses identified, only 39 (49%) were confirmed as implemented; 47% were only partially or not implemented at all. This is quite concerning from an internal control / governance point of view.

- 3.11 Appendix D also shows how well audit recommendations were implemented across each Business Unit within the Council.

#### **4. REASONS**

- 4.1 Part of Internal Audit's responsibility is to provide assurances to senior management that there are sound processes in place across all service areas to ensure effective, efficient and economic use of public money and to safeguard the assets of the Council. Audit reviews are undertaken to check what controls are actually in place to ensure this against what are expected to be in place.
- 4.2 The Internal Audit Team's work helps to ensure appropriate internal controls, governance arrangements and risk management processes are in place.
- 4.3 Where weaknesses in process or procedure are identified an audit recommendation is made in order to improve the financial stewardship of public money or governance arrangements to enable the Council to better meet its objectives and service delivery.

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

None.

#### **6. CONSULTEES**

Head of Finance

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

Annual Outturn 2015/16 & 2016/17  
Public Sector Internal Auditing Standards  
Internal Audit Management Information System

#### **8. AUTHOR AND CONTACT DETAILS**

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**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.



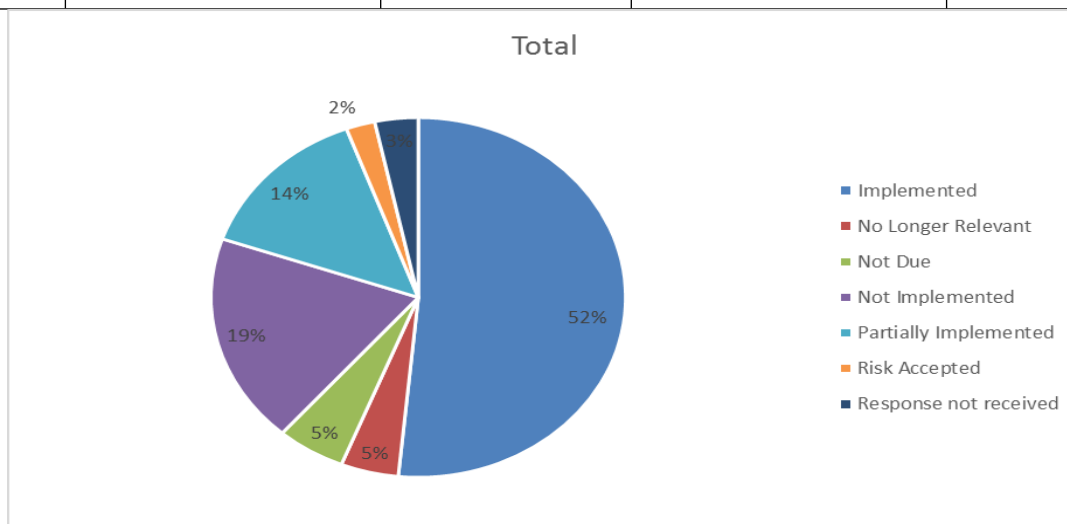
The tables below summarise the ratings used during the review

RATING	RISK DESCRIPTION	IMPACT	TOTAL IDENTIFIED DURING REVIEW
1	Significant	(Significant) – Major / unacceptable risk identified. Risk exist which could impact on the key business objectives. Immediate action required to address risks.	
2	Moderate	(Important) – Risk identified that requires attention. Risk identified which are not business critical but which require management as soon as possible.	
3.	Minor	(Minimal) - Low risk partially mitigated but should still be addressed Audit comments highlight a suggestion or idea that management may want to consider.	
4.	Strength	(No risk) – Good operational practices confirmed. Well controlled processes delivering a sound internal control framework.	

Status of Internal Audit Recommendations

	2016/17		2017/18	
	No' of Audit Recommendations	%	No' of Audit Recommendations	%
Implemented	87	68	183	52
Partially implemented	7	5	50	14
Not implemented	25	20	67	19
Ongoing	2	2	19	5
No longer relevant	6	5	16	5
Risk accepted	-	-	8	2
Response not received	-	-	12	3
	<b>127</b>	<b>100</b>	<b>355</b>	<b>100</b>

Page 204



## Recommendation Status per Report

Audits	Implemented	No Longer Relevant	Not Due	Not Implemented	Partially Implemented	Risk Accepted	Response not Received	Grand Total
Bribery Act	3	1	2	8	2			16
Capital Programme	3	4	3	2				12
Capital Receipts	1							1
Chepstow School	5		1	2	1			9
Community Hubs	8	2			1			11
Control, Suspense & Holding	1				1			2
Council Tax and NNDR	4			1	1	1		7
Cross Ash Primary School	6							6
Events Follow-up	6		12		4			22
Fixed assets	1							1
Homelessness	10			6		1		17
HR Policies	7			3	2			12
Insurances					1			1
Kerbcraft	12					1		13
Magor CiW School	14	2		4	5			25
Markets Follow-up	11	2		4	8			25
Mobile phones	6	1		12				19
Mounton House Special School	11			2	2			15
NFI	4							4
Osbaston Primary School	1			4				5
Pembroke Primary School	7							7
Procurement Cards Follow Up	4	2			2			8
Procurement Follow-up			1		2	1		4
Raglan	16			5	10			31
Registrars	3							3
Risk Management	5				3			8
S106	3			3	1			7
School Admissions	2							2
Special Educational Needs							12	12
Sports Development	8					2		10
SWTRA	4	1		4	1	2		12
The Dell Primary School	4			1				5
Volunteering	13	1		6	3			23
<b>Grand Total</b>	<b>183</b>	<b>16</b>	<b>19</b>	<b>67</b>	<b>50</b>	<b>8</b>	<b>12</b>	<b>355</b>

## Recommendations Status by Categorisation

Row Labels	Implemented	No Longer Relevant	Not Due	Not Implemented	Partially Implemented	Risk Accepted	Response not Received	Grand Total
Moderate	134	14	6	48	23	6	11	242
Significant	39	1	1	15	22		1	79
N/A	10	1	12	4	5	2		34
<b>Grand Total</b>	<b>183</b>	<b>16</b>	<b>19</b>	<b>67</b>	<b>50</b>	<b>8</b>	<b>12</b>	<b>355</b>

## Recommendations Status by Business Unit

Business Unit	Implemented	No Longer Relevant	Not Due	Not Implemented	Partially Implemented	Risk Accepted	Response not Received	Grand Total
Achievement & Attainment							12	12
Community-led Delivery	8	2				2		12
Corporate	37	7	5	31	10			90
CYP Resources	2							2
Finance	9	2				3		14
Operations	17	1	1	4	2	4		29
Planning	13			9	1	1		24
Policy and Performance	11	2		4	8			25
Resources	5			1	2	1		9
Revenues	3							3
Schools	64	2	1	18	18			103
Tourism, Leisure & Culture	14		12		4	2		32
<b>Grand Total</b>	<b>183</b>	<b>16</b>	<b>19</b>	<b>67</b>	<b>50</b>	<b>8</b>	<b>12</b>	<b>355</b>



**SUBJECT: INTERNAL AUDIT SECTION  
CONTRACT PROCEDURE RULES -  
EXEMPTIONS**

**DIRECTORATE: Resources**  
**MEETING: Audit Committee**  
**DATE: 25<sup>th</sup> July 2019**  
**DIVISION/WARDS AFFECTED: All**

## **1. PURPOSE**

- 1.1 To consider the adequacy and appropriateness of the exemption process from the Authority's Contract Procedure Rules since the last report in November 2018.
- 1.2 To inform the Audit Committee of the number of exemptions requested by operational managers and to identify any non compliance with the process or adverse trends.

## **2. RECOMMENDATION(S)**

- 2.1 That the Audit Committee accepts and acknowledges the justifications for the exemptions provided by operational officers.
- 2.2 If the justifications are not accepted, then consideration should be given to calling in the respective operational officer and their respective Head of Service to further account for the reasons why they could not comply with the Council's Contract Procedure Rules at the time of the procurement.
- 2.3 That the Audit Committee receive an updated report in 6 months time to include any further responses obtained by the Chief Internal Auditor.

## **3. KEY ISSUES**

- 3.1 To ensure compliance with the Council's Contract Procedure Rules in the way goods, works and services are procured on behalf of the Authority.
- 3.2 Reassurance that the exemption process from Contract Procedure Rules is operating as intended by managers procuring goods, works or services on behalf of the Authority.

- 3.3 Some operational managers procuring goods, works and services on behalf of the Authority may not be as familiar with Contract Procedure Rules and the exemption process as they should be.

#### **4. REASONS**

- 4.1 Council approved the revised Contract Procedure Rules for Monmouthshire County Council in April 2009. This was as a result of a major update of the Council's former Contract Standing Orders which incorporated compliance with the Procurement Strategy.
- 4.2 The previous report was presented to Audit Committee in November 2018. This report covers the period June 2018 to October 2018 and the period November 2018 to May 2019. Following the previous report, two managers were invited to Audit Committee to explain to Members their reasons for seeking an exemption rather than complying with the Council's Contract Procedure Rules.

#### **5. EXEMPTIONS - Background**

- 5.1 Although the Contract Procedure Rules were written to ensure a consistent and fair approach to how officers procure works, goods and services on behalf of the Council, there will be occasions where full compliance may not be appropriate. Provided there is sufficient justification and appropriate approval for not following these rules then that is permissible within the agreed policy.
- 5.2 Management need to ensure that the use of exemptions is proper and they are not being used for convenience or to avoid following CPRs. Exemptions from CPRs are therefore administered by Internal Audit, although approvals are given by Heads of Service, Chief Officers and or Cabinet Members.
- 5.3 Since the revised CPRs were approved by Council, 259 exemptions have been requested (up to May 2019) as shown at Appendix 1.
- 5.4 The majority of exemption forms have been returned to Internal Audit although there are some which are still outstanding so it is not possible to determine whether or not the correct procedures have been followed in all cases.
- 5.5 An exercise was undertaken to capture the missing information on previously non returned exemption forms as shown at Appendix 2. The majority of forms had subsequently been returned to Internal Audit or were no longer required. From those which were returned, the majority were appropriately authorised; those that were not correctly authorised were highlighted in the table in the Appendix.

5.6 This process will only capture the exemptions which have been requested via and returned to Internal Audit.

5.7 The process is as follows:

- Obtain a sequentially numbered exemption form from Internal Audit
- Record the reason for requesting the exemption on the form
- Obtain the appropriate level of approval
- Return the fully signed off and approved form to Internal Audit

6. EXEMPTIONS – June 2018 to October 2018 [260 - 272] [Appendix 3]

6.1 Of the 13 requested exemptions, 8 were returned to Internal Audit as required and were correctly authorised; 3 were no longer required; 2 were not returned to Internal Audit which means that it cannot be verified that they have been correctly authorised; these are highlighted in the table.

EXEMPTIONS – November 2018 to May 2019 [273 - 280] [Appendix 4]

6.2 Of the 8 requested exemptions, 4 were returned to Internal Audit as required and were correctly authorised; 2 were returned to Internal Audit but had not been correctly authorised; 2 were no longer required.

7 GENERAL

7.1 All officers who request an exemption will be reminded to return the form to Internal Audit by the Chief Internal Auditor.

7.2 Some managers are still sending Exemption Forms to Internal Audit which have not been formally issued which indicates a weakness in the control environment as the correct process is not being followed.

7.3 Although Heads of Service and operational managers were made aware of the revised Contract Procedure Rules at the time, the main concern is that current operational managers may be non compliant because they are not seeking the appropriate exemptions.

7.4 A list of all requests for CPR exemptions which have not been returned to Internal Audit will be sent to Heads of Service to chase up a return to the Chief Internal Auditor who will then verify that they have been correctly authorised. The Chief Internal Auditor will then also remind all Heads of Service of the correct procedure to follow when seeking an exemption from the Council's procurement rules.

**8. RESOURCE IMPLICATIONS**

None.

**9. CONSULTEES**

Chief Officer Resources

**Results of Consultation:**

**10. BACKGROUND PAPERS**

Report to Council 2<sup>nd</sup> April 2009 – Contract Procedure Rules

**11. AUTHOR AND CONTACT DETAILS**

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**AUDIT COMMITTEE JULY 2019**

**CONTRACT PROCEDURE RULES - EXEMPTIONS**

**APPENDIX 1**

**Contract Procedure Rules  
Exemption Forms Log**

		Period	Exemption Ref	No' of exemption requests	Cumulative
Report 1	January 2011	April 2009 to 31 Aug 2010	1 – 41	41	41
Report 2	November 2012	September 2010 to August 2011	42 – 60	19	60
		September 2011 to August 2012	61 – 92	32	92
Report 3	May 2013	September 2012 to March 2013	93 – 102	10	102
Report 4	December 2013	April 2013 to October 2013	103 - 117	16	117
Report 5	July 2014	November 2103 to May 2014	118 - 132	15	132
Report 6	December 2014	June 2014 to October 2014	133 - 141	9	141
Report 7	July 2015	November 2014 to May 2015	142 - 174	33	174
Report 8	December 2015	June 2015 to October 2015	174 - 179	5	179
Report 9	June 2016	November 2015 to May 2016	180 - 194	15	194
Report 10	December 2016	June 2016 to October 2016	195 - 207	13	207
Report 11	November 2017	November 2016 to May 2017	208 - 222	15	222
Report 12	November 2018	June 2017 to October 2017	223 - 246	24	246
		November 2017 to May 2018	247 - 259	15	259
Report 13	July 2019	June 2018 to October 2018	260 - 272	13	272
		November 2018 to May 2019	273 - 280	8	280

## Appendix 2

Follow up of previously requested exemption forms which were not returned to IA identified in the November 2018 report

Number	Requester	Details / comment	Estimated Contract Value £	Directorate	Date	Correctly authorised	Date Returned to Internal Audit	Reason for exemption
224	Becky Pritchard	Contractor for home to school transport went into liquidation overnight, leaving 29 contracts undelivered. PTU looking to award these contracts on emergency basis for 6 weeks until end of school year to temporary providers, with a view to formal re-tendering over the summer school holiday period.	tbc	Operations	14/06/2017			Unforeseeable emergency causing serious disruption to Council services
Exemption form subsequently returned to Internal Audit; not correctly authorised, not signed by the Head of Service. Value of contract was £35,309								
227	Nicola Needle	Relating to WG Intermediate Care Funding, the team need to provide proof of concept to WG prior to taking this to Market	120,000 - 130,000	Adult Services	31/07/2017			Specialist provider
"We did not complete and return the exemption form (number 227) as upon reflection, the ICF funding allocation was awarded on the basis of a partnership bid with MCC as Lead Local Authority and Bridges Centre the other organisation/partner involved in delivery"								

229	Sandra Travers	Commissioning for adult services	Over £25k	Adult Services	21/08/2017			Extension of existing contract, specialist provider
230	Sandra Travers	Commissioning for adult services	Over £25k	Adult Services	21/08/2017			Extension of existing contract, specialist provider
231	Sandra Travers	Commissioning for adult services	Over £25k	Adult Services	21/08/2017			Extension of existing contract, specialist provider
232	Sandra Travers	Commissioning for adult services	Over £25k	Adult Services	21/08/2017			Extension of existing contract, specialist provider
234	Sandra Travers	Commissioning for adult services	Over £25k	Adult Services	21/08/2017			Extension of existing contract, specialist provider
235	Sandra Travers	Commissioning for adult services	Over £25k	Adult Services	21/08/2017			Extension of existing contract, specialist provider

236	Sandra Travers	Commissioning for adult services	Over £25k	Adult Services	21/08/2017			Extension of existing contract, specialist provider
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“The original request in 2017 was a result of a miscommunication/understanding on our part and the exemptions weren’t needed.”

238	Rob O Dwyer	£600k of fire protection works, paid for by MCC on behalf of CSC Foundry Limited	600,000	RER	14/09/2017			Avoid future delays and cost increase, refurb of LG site
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“Although a form was originally requested (ref 238), an exemption was not eventually required for the Steelwork. I have discussed the matter with the CSC Foundry Project Manager and she has confirmed that IQE undertook this work directly with CMB via their separate contract and prior to the involvement of CCR.”

241	Richard Cope - PTU	Looking to award a de-minimus bus service contract which we are not required to tender but does require an exemption form be signed	tbc	OPS	27/09/2017			Exempt contract under the de minimus provisions of the Transport Act 1985
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Exemption form subsequently returned to Internal Audit; correctly authorised, signed off by line manager and Head of Service

243	Paul Keeble	Develop plans for an active travel crossing over River Usk between Llanfoist & Abergavenny - to appoint directly to WSP (previously Parsond & Brinkerhoff)	299,000	OPS	05/10/2017			WSP's experience & unique knowledge of the site; previously undertaken significant work at the site.
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Exemption form was previously returned to Internal Audit but was not correctly authorised or signed off by the Head of Service

247	Huw Jones Senior Passenger Transport Unit officer	Contract for maintenance of PTU fleet (larger vehicles & those that cannot be serviced by Transport Unit)	tbc	Operations	18/12/2017			
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HJ no longer with the Authority, both RH and RC do not recall being asked to sign this.

248	Chris Price, Highways	Extension of up to 6 months of current contract for Highways waste disposal pending re-tender	£80k	Operations	21/12/2017			
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Exemption form subsequently returned to Internal Audit; correctly authorised, signed off by line manager and Head of Service

249	Chris Price, Highways	Extension of up to 6 months of current contract for safety fencing for SWTRA agency, pending re-tender	£125k	Operations	21/12/2017			
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Exemption form subsequently returned to Internal Audit; correctly authorised, signed off by line manager and Head of Service

250	Colin Richings, Abergavenny Integrated Services	Detailed design for new Care Home	<£25k	SCH	04/01/2018			Specialist providers
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Exemption form subsequently returned to Internal Audit; not authorised or signed off by line manager or Head of Service. There was email correspondence from the former Chief Officer Social Care and Housing agreeing the process and stating she would need to sign off the exemption.

## APPENDIX 3

### June 2018 to October 2018 [Exemptions 260 - 272]

Number	Requester	Details / comment	Estimated Contract Value £	Directorate	Date	Correctly authorised	Date Returned to Internal Audit	Reason for exemption
260	Ross Price Project Engineer (Highways & Flood Management)	Purchase of Sustainable drainage Systems (SuDS) module for existing IDOX planning software system. Contract is £3k for software itself but with additional set-up integration, training & licences budget of £10k has been allowed.	approx 10,000	Operations	04/07/2018	Y	13/07/2018	Specialist supplier - purchase of additional module to bolt on to an existing software system plus related costs of maintenance, licenses, training etc.
261	Mark Howcroft, Assistant Head of Finance	Provision of expert Corporation Tax for the CSC Foundry company, as part of the Cardiff City Region	20,000	Resources	20/07/2018	Y	18/09/2018	Specialist tax advice.
262	Steve Lane, County Highways	Specialist weather forecasts/early warnings for severe winter weather. An All Wales tender was being prepared but there are concerns this will not be completed in time for Winter 2018/19, so Steve is arranging an extension of the exiting contract at current prices with current supplier MeteoGroup. MCC would then join All Wales contract from 2019/20.	<10,000	Operations	20/07/2018	<b>Not needed</b>		

Number	Requester	Details / comment	Estimated Contract Value £	Directorate	Date	Correctly authorised	Date Returned to Internal Audit	Reason for exemption
263	Chris Robinson, Commissioning							No Response from service area
264	Ian Brain, Project Engineer	Purchase of specialist paving and kerbing for redevelopment in Monmouth Town centre. Contract has been entered into with Marshalls, specialist supplier to guarantee consistency, quality and quantity of product throughout the contract lifetime	21,021	Operations	06/08/2018	Y	13/08/2018	Specialist supplier
265	Mark Lloyd, Rural Programme Co-ordinator	We wish to retain the services of a consultancy to carry out further work on a recently completed contract. They were competitively selected at the time and the opportunity was advertised on Sell2Wales. It makes sense for them to continue especially as their work was an excellent standard and they've built up an in-depth knowledge of the area	<25,000	ENT	08/08/2018			It was a more speculative enquiry as to the process involved in being exempt from the contract procedures rules and it turned out that there was an unsuccessful grant bid therefore project did not go ahead.

Number	Requester	Details / comment	Estimated Contract Value £	Directorate	Date	Correctly authorised	Date Returned to Internal Audit	Reason for exemption
266	Chris Robinson, Commissioning	To research and experiment with assistive technology solutions to improve the well-being of people with dementia who are living in their own homes in the Usk area. We will be utilising equipment to an approximate value of £25k during the pilot from the contractor below (SigFox) and other potential suppliers. Equipment to be purchased from SigFox (but could be subject to change). The Usk area has been chosen (for the dementia project), because of its designation as rural within the RDF and also because it has significant digital connectivity problems across the area. So our proposal utilises the offer of communication and network services via the SigFox base station concept from an organisation called WaveReach. We would be seeking exemption from CPR as they have offered these services free of charge for the pilot.	25,000	SCH	12/09/2018			No response from service area



Number	Requester	Details / comment	Estimated Contract Value £	Directorate	Date	Correctly authorised	Date Returned to Internal Audit	Reason for exemption
267	Deb Jackson	<p>PTU now have additional school contracts (they lost some coaches contracts, but gained 3 smaller minibus contracts) DJ had to hire in 3 vehicles from Days rental, £836 per mth, per vehicle, so £10,032. per vehicle, per yr. The school contract is for 5 years. Vehicles are likely to cost about £18K on a vehicle a few years old and have the asset at the end of the contract, rather than £50K per vehicle and no asset at the end.</p> <p>(Fords have stopped production of their minibuses until April next year, then it's a 26 week wait.) This form was used only for one vehicle in the end, additional forms will be required.</p>	17,250	OPS	02/10/2018	Y	11/10/2018	Awarded directly to the supplier as there is no second hand vehicle framework.
268	Rachel Lewis / Jill Edge	Footfall survey - planning -	6,000		03/10/2018	Y	08/10/2018	Specialist provider; owner of previous data

Number	Requester	Details / comment	Estimated Contract Value £	Directorate	Date	Correctly authorised	Date Returned to Internal Audit	Reason for exemption
269	Chris Robinson, Commissioning	Extension of SP contracts that were due for renewal/retendering 1 April 19. The extension would be issued once SP's actual funding for 2019/20 has been announced.	£1.69m	SCH	09/10/2018	Y	11/10/2018	Stability when the Authority is moving towards a two separate grants - Housing (which SP is included within) and Children and Communities
270	Ian Brain, Project Engineer	Extension of contract for improvements to public realm in Abergavenny Town Centre to extend and complement existing work in Lion Street and surrounding areas	330,000	OPS	18/10/2018 (DW)	Y	12/07/2019	Extension of existing contract, specialist provider

Number	Requester	Details / comment	Estimated Contract Value £	Directorate	Date	Correctly authorised	Date Returned to Internal Audit	Reason for exemption
271	Steve Baldwin, Project Engineer (Structures),	Single quotation for vegetation removal works required to be undertaken on the A466 near Livox Quarry. The site is currently under traffic light control for safety reasons and the works involve aggressive de-vegetation to facilitate a proposed remediation design for an unstable bank/cliff face which is proposed to commence in March next year. The works will be undertaken from specialist roped access in an area of Site of Special Scientific Interest and Special Area of Conservation	12,812	OPS	23/10/2018	Y	23/01/2019	The works will be undertaken from specialist roped access in an area of Site of Special Scientific Interest and Special Area of Conservation
272	Steve Baldwin, Project Engineer (Structures),	A single quotation for the supply of 'bespoke' retaining wall materials. Due to the confines of the site and the close proximity of Welsh Water apparatus we are proposing to use specific material. These materials are manufactured by the company.	15,026	OPS	23/10/2018			<b>The scheme/order has not currently been progressed yet and may need amendments to the value depending on final design. Hopefully will be shortly.</b>

**Appendix 4  
November 2018 to May 2019 [Exemptions 273 - 280]**

Number	Requester	Details / comment	Estimated Contract Value £	Direct-orate	Date	Correctly authorised	Date Returned to Internal Audit	Reason for exemption
273	Paul Keeble (Highways)	Looking to get 3 alternative quotations for new road signage and line painting needed to prepare for Council taking control of civil parking enforcement	c.100k	OPS	12/12/2018 (DW)	Y (DW)	28/02/2019	Urgency to prevent potential disruption due to lack of control of parking following move to civil enforcement and loss of income
274	Deb Jackson	Replacement minibus for PTU Section. 2 minibuses have suffered engine failure. Due to their age it is not worth investing in replacement engines, having reviewed the workload, it has been decided to just replace one minibus for now	15,500	OPS	18/12/18 (DW)	Y	17/01/2019	Awarded direct to supplier as no available framework vehicles due to recent change in regulations re: braking systems.
275	Steve Baldwin	M031 Gilwern Viaduct Inspection & Monitoring - Geotechnical & Structural Services		OPS	29/03/2019	N	05/07/2019	Continuity of works  [officer has agreed to obtain Head of Service authorisation]

276	Steve Baldwin	M065 A466 Scaling Works Nr St Arvans - Geotechnical & Structural Services		OPS	29/03/2019			This scheme is related to 2 sites in the Wye Valley A466. This relates to Site 1 Wyndcliffe which is currently on the 'back burner' until Site 2 Livox which is currently onsite is resolved. All resources are currently focused on site 2. This scheme will be resurrected shortly.
277	Steve Baldwin	M073 A466 Scaling Works Nr Livox - Geotechnical & Structural Services		OPS	29/03/2019	N	05/07/2019	Continuity of works  [officer has agreed to obtain Head of Service authorisation]
278	Steve Baldwin	M117 A466 Treehouse Retaining Wall - Geotechnical & Structural Services		OPS	29/03/2019			Since the request we have had to undertake emergency works to provide temporary support to an unstable bank. The scope has changed quite significantly and will be speaking to Paul and Roger early next week about this scheme.

279	Rachel Lewis	In line with Welsh Government Practice Guidance on Building an Economic Development Evidence Base, we are required to produce an Employment Land Review (ELR). We do not have the expertise in house to undertake this work and therefore need to appoint consultants. The reason we require an exemption is that we would like to appoint BE Group specifically to undertake the work due to their previous involvement in the Adopted Local Development Plan (LDP) and more recently the Economies of the Future Evidence Base.	17,609	ENT	01/05/2019	Y	08/05/2019	Specialist supplier
280	Rachel Lewis	Planning are in the process of preparing a replacement Local Development Plan (LDP) and as part of this process we'll need to update the Retail Study Update that was prepared in 2016 by JW Planning consultancy services. We are proposing to appoint JW Planning to undertake the Retail Study Update 2019 as an exemption contract on the basis that JW prepared the 2016 Retail Study and has specialist knowledge of retail planning policy issues in Monmouthshire. JW also	7,300	ENT	24/05/2019	Y	29/05/2019	Specialist supplier (because of previous work done for MCC)

	<p>prepared the 2010 Monmouthshire Retail and Leisure Study, which informed the adopted LDP, and has been (and continues to be) the Council's retail planning policy consultant on retail planning applications for many years. It is therefore difficult to see how any other consultant could do this work more effectively given JW's extensive knowledge of such matters in the County.</p>						
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## REPORT

**SUBJECT:** ICT Risk Arrangements

**MEETING:** AUDIT COMMITTEE

**DATE:** 25<sup>th</sup> July 2019

**DIVISION/WARDS AFFECTED:** none

### 1. PURPOSE:

The purpose of this report is to outline the arrangements for addressing ICT, Cyber and digital security risks.

### 2. KEY ISSUES:

2.1 At Audit committee on a question was raised about the arrangements for monitoring ICT risks, This report details the key areas for recording, reporting and mitigating risks.

### 3. RISK ARRANGEMENTS:

3.1 MCC operates a comprehensive set of arrangements to mitigate any risks surrounding ICT. The risks are recorded in separate progressive registers feeding up into the strategic corporate risk register.

3.2 The key ICT, digital, cyber and information risks are assessed, recorded and mitigated in the following ways:

3.2.1 The independent Security Advice service – MCC, Torfaen and Blaenau Gwent have commissioned an independent security advice and audit service that mitigates our security risks by:

- Assessing the operational ICT security risks inside Monmouthshire and maintains an operational risk register
- Assesses network risks at the SRS
- Assists us with the completion of PCI, PSN and cyber security plus accreditation

3.2.2 Internal Monmouthshire risk assessment registers – MCC maintains 3 risk registers as follows:

- Independent security service risk register – Detailed operational risks are identified through normal operations and recorded in a risk register that is assessed by the Head of Digital and the independent security service advisor on a monthly basis. The operational risks identified can be from within MCC itself or within the SRS. This risk register isn't publicly available for security reasons. The independent security service liaises direct with the SRS in order to ensure they mitigate any risks falling under their responsibility.
- Digital Business Plan [risk register](#) pages 13-16
- Corporate [risk register](#) item 10a

3.2.3 External accreditation – MCC is required to comply with several external accreditation procedures in order to ensure continued connection to network services and mitigate the risks associated with cybercrime as well as unauthorised access to information.

- IT Health check – This is an annual health check undertaken within the SRS by an independent security service procured and commissioned by the SRS.

- The Public Services Network (PSN) is a network that provides a trusted, reliable, cost-effective solution to departments, agencies, local authorities and other bodies that work in the public sector and need to share information between themselves.

MCC needs to complete an application showing how it complies with stringent security conditions in order to use PSN connectivity services. We must receive a PSN compliance certificate before we provide PSN services. MCC's application has been refused for the last 3 years as it has fallen short in a small number of elements. All outstanding issues have now been addressed and our PSN submission is currently being prepared by the independent security service.

- Public Sector Broadband Aggregation (PSBA) – The PSBA provides network connectivity for all 22 local authorities in Wales. Teams from different councils can work efficiently across Wales thanks to secure, fast and convenient network access at any council building. It is a managed service that provides secure roaming services, resilient web filtering services to determine if content should be blocked and robust firewalls. It mitigates the risk of network penetration by unauthorised personnel.
- Cyber Security Plus – This is an accreditation service undertaken by Welsh Government. It assesses our security arrangements within MCC as well as the SRS.
- Payment card Industry Data Security standard. (PCI)- The PCI Security Standards Council is constantly working to monitor threats and improve the industry's means of dealing with them, through enhancements to PCI Security Standards and by the training of security professionals. MCC has to prove compliance with PCI standards for both network security as well as internal processes relating to record keeping and the knowledge and skills of our staff.

3.2.4 Information security legislation compliance – MCC is required to appoint a SIRO and a DPA officer with responsibilities relating to legislation.

- Senior Information Risk Owner (SIRO) – This is a mandatory role that each authority has to put in place. The nominated person is responsible and accountable for ensuring that we comply with the legislative requirements of

the General Data Protection Regulation (GDPR), Data Protection Act (DPA), Freedom of Information (FOI) and Subject Access Requests (SAR'S). Though some of our information storage is in a manual format the majority of our information is digital and it must be protected from unauthorised access. This links in with the mitigation of any risks associated with our networks and data storage systems.

3.2.5 Cyber awareness training and monitoring – MCC provides training and monitoring to mitigate the risks surrounding data security and cyber fraud.

- Mandatory GDPR/ DPA and cyber security training – MCC provides mandatory training for both legislation compliance purposes and to mitigate against the risks of cyber fraud and error arising from staff behaviour and knowledge.
- Induction training and ICT checklists – All new employees are provided with information governance and cyber fraud training on their mandatory induction sessions. Managers have ICT induction checklists to complete for new employees as well as ensuring they have ICT training by the ICT trainer.
- System penetration tests – All of our ICT systems are independently tested to ensure there is no risk of unauthorised access.
- Testing of physical and digital security arrangements – The independent security service undertakes security tests, e.g. phishing exercises, to identify the risks associated with employees' lack of cyber awareness.

3.2.6 SRS security services – The SRS has its own security arrangements to mitigate against security risks -

- ISO accreditation
- SRS security advisor

**5.1 CONSULTEES:**

Digital Programme Office  
Chief Officer Resources

**5. BACKGROUND PAPERS:**  
**Digital Business Plan**  
**Corporate Plan**

**AUTHOR:** Sian Hayward – Head of Digital

**CONTACT DETAILS:**

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Email: [sianhayward@monmouthshire.gov.uk](mailto:sianhayward@monmouthshire.gov.uk)



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<b>AUDIT COMMITTEE WORKPLAN 2019/20</b>	
<b>2ND MAY 2019 - CANCELLED</b>	
Deadline for finalised reports to Cheryl – end of day Monday 22nd April 2019	
Finalised reports to Committee Section - 9 am - Tuesday 23rd April	
<b>13TH JUNE 2019</b>	
Deadline for finalised reports to Cheryl – 3rd June	
Finalised reports to Committee Section - 3rd June - end of day	
Draft Annual Governance Statement 2018/19	Andrew Wathan
Internal Audit Section Outturn Report 2018/19	Andrew Wathan
Internal Audit Section Operational Plan 2019/20	Andrew Wathan
2019-20 Improvement Plan	Richard Jones
Service User Perspective Review, Customer contact - plus managers response	WAO/Emma Davies
to improve rural transport - plus managers response	WAO/Emma Davies
<b>25TH JULY 2019</b>	
Deadline for finalised reports to Cheryl – 15th July	
Finalised reports to Committee Section - 15th July - end of day	
Draft Statement of Accounts - report, including Annual Governance Statement. Appendices include 1. Summary of accounts information 2. Statement of Accounts (prior to Audit), 3. MCC Welsh Church Fund Accounts	Mark Howcroft/Jon Davies
2019-20 Reserves Useage Forecast (to include 2018-19 Outturn and period 1 2019-20)	Mark Howcroft
Annual Improvement Report 2018/19	WAO/Emma Davies
Implementation of Audit Recommendations	Andrew Wathan
CPR Exemptions 6 monthly	Andrew Wathan
IT Risk Register	Sian Hayward
<b>12TH SEPTEMBER 2019</b>	
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
Joint Progress report - Statement of Accounts Refinements	Mark Howcroft/WAO

Treasury Outturn report	Mark Howcroft
Annual Performance Review of investment committee	Deb Hill-Howells
Anti bribery Risk Assessment	Peter Davies

### 17TH OCTOBER 2019

**Deadline for finalised reports to Cheryl –**

**Finalised reports to Committee Section -**


### 28TH NOVEMBER 2019

**Deadline for finalised reports to Cheryl –**

**Finalised reports to Committee Section -**

Half Yearly Treasury Compliance Monitoring	Jon Davies/Lesley Russell
Audited Trust Funds Accounts (Welsh Church Funds & Mon Farms)	Dave Jarrett/Nikki Wellington
ISA 260 or equivalent for Trust funds	WAO
Treasury Strategy	Jon Davies/Lesley Russell

### 9TH JANUARY 2020

**Deadline for finalised reports to Cheryl –**

**Finalised reports to Committee Section -**


### 13TH FEBRUARY 2020

**Deadline for finalised reports to Cheryl –**

**Finalised reports to Committee Section -**





<b>19TH MARCH 2020</b>
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<b>Deadline for finalised reports to Cheryl –</b>	
<b>Finalised reports to Committee Section -</b>	


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# Public Document Pack Agenda Item 12

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held  
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th June, 2019 at 2.00 pm

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

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

### **OFFICERS IN ATTENDANCE:**

Andrew Wathan	Chief Internal Auditor
Annette Evans	Customer Relations Manager
Peter Davies	Chief Officer, Resources
Tracey Harry	Head of People Services and Information Governance
Wendy Barnard	Democratic Services Officer
Richard Jones	Performance Manager
David Walton	Audit Manager

### **ALSO IN ATTENDANCE:**

David Wilson	Wales Audit Office
Terry Lewis	Wales Audit Office

### **APOLOGIES:**

County Councillor P. Clarke

#### **1. Election of Chair**

Mr. P. White was elected as Chairman.

#### **2. Appointment of Vice Chair**

County Councillor J. Higginson was appointed as Vice Chair.

#### **3. Declarations of Interest**

No declarations of interest were made.

#### **4. Public Open Forum**

No members of the public were present.

#### **5. To note the action list from the last meeting.**

The Action List from the last meeting was noted, and updates provided as follows:

- Performance Management: The Chief Officer, Resources updated the Committee regarding annual staff appraisals. It was explained that there are difficulties collating the data on annual appraisals corporately. The ability to add details of staff appraisals to a

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th June, 2019 at 2.00 pm**

module of the MyView payroll system has been deployed but currently, there are some issues with the full functionality of the system. Feedback from Managers suggests that there is no standard approach to appraisal owing to the diverse nature of the workforce.

Steps have been taken to add a record of completion of staff appraisal to the established business planning process, reinforcing the need for every member of staff to have an annual appraisal. Quarter 1 data including action points for areas of performance requiring improvement will be reported at a future meeting.

Members requested a positive response for the next meeting. The Officer explained that it had been hoped that the module within MyView would have provided the complete information to provide an accurate report and the move to the business planning process should facilitate this. It was commented that an appraisal is an opportunity to build empowerment.

Reassurance was provided that SLT and DMT have assured that appraisals are being held and staff members are being met with regularly. A further report will be provided in September.

- Anti-Bribery Compliance: The Chief Officer, Resources confirmed that the annual risk register will be presented at the July meeting.
- Forward Work Plan: The Chair encouraged full population of the plan.
- IT Risk register: The Chief Officer explained that a composite risk register is being finalised within the Digital Officer's business plan and this will be presented at the July meeting.

#### **6. Audit Committee Annual Report 2018/19**

The Chair's report of the business of the Audit Committee last year was approved and will be presented to County Council on 18<sup>th</sup> July 2019. The Committee Chair will attend the meeting to answer any questions that may arise.

It was agreed that there is value in the Audit Committee holding Officers to account. Members noted the comprehensive range of work covered during the year.

#### **7. Draft Annual Governance Statement 2018/19**

The Chief Internal Auditor presented the draft Annual Governance Statement that sits alongside the Statement of Accounts and is based on the seven principles of good governance. It covers how the council carries out its governance.

A Member commented that it was a lengthy and repetitive document, and requested that it is condensed in future. A commitment to improve these aspects was given.

A question was asked about the evaluation of safeguarding in the various establishments that provide care for residents that are under the responsibility of Care Inspectorate Wales, are situated within Monmouthshire but are outside the remit of the authority to ensure there are adequate standards of care. It was responded that the governance statement provides reassurance on governance and control arrangements for the services run by the authority and that are commissioned. For those establishments outside the authority's control, other bodies are accountable. Concerns about establishments within the authority's remit could be raised with the Adults or Children and Young People Select Committees.

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th June, 2019 at 2.00 pm

A Member commented that the purpose of the statement is to ensure public money is safeguarded, properly accounted and used economically, efficiently and effectively. Therefore it should be reaffirmed and strengthened.

It was noted that the Internal Audit Team has a full complement of staff and that 84% of the Internal Audit work programme has been achieved (similar to previous years). It was queried how to plan to ensure that work is not left undone. The Chief Internal Auditor explained that intention is to achieve 100% of the plan according to the resources available and there are multiple reasons for achieving less than 100% such as overruns on individual jobs due to unforeseen complexities, and other changes during the year. Assurance was provided that any work not completed is prioritised in the following year. Further, it was also explained that some jobs will be ongoing at year end and also the amount of time allocated for special investigations is estimated only.

The Audit Committee endorsed the draft report.

#### **8. Internal Audit Annual Report 2018/19**

The Chief Internal Auditor presented the Annual Report for Internal Audit for 2018/19 which considers the work undertaken during the year and the opinions issued to enable an overall opinion to be given on the adequacy of internal control arrangements as required by the Public Sector Internal Audit Standards. The overall opinion was Reasonable. Of 32 audit opinion jobs, 6 reviews were given Limited assurance. A 6 monthly update of the 6 limited opinions will be provided.

Secondly, it reports on the accountability of the Chief Internal Auditor and the performance of the team. The Internal Audit team achieved 84% of the agreed 2018/19 audit plan against a target of 82%.

A Member referred to the 98% of recommendations accepted by managers and was informed that circumstances why recommendations wouldn't be accepted may include the manager disagreeing with the risk identified and being comfortable to manage it or the need for a new system where the necessary resources outweigh the benefit of the reduced risk. An additional audit comment would be added in such circumstances. The final report goes to the Head of Service to ensure they are aware of the recommendation.

The Committee endorsed the report.

#### **9. Internal Audit Final Plan 2019/20**

The Chief Internal Auditor presented the Internal Audit Final Plan for 2019/20 and invited questions from the Committee:

- It was confirmed that the Chief Internal Auditor role is a shared role with Newport City Council in the proportion of 50:50 from 2019/20.

The Chair, on behalf of the Committee, stated that the report had been reviewed and approved.

#### **10. Wales Audit Office Certificate of Compliance for the Audit of Monmouthshire County Council's 2019/20 Improvement Plan**

The Committee welcomed the Wales Audit Officer to the meeting to present the report on the Certificate of Compliance for the Council's 2019/20 Improvement Plan.

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th June, 2019 at 2.00 pm

The certificate was noted by the Committee and the Wales Audit Officer thanked for attending.

#### **11. Service User Perspective Review, Customer contact - plus managers response**

The Wales Audit Officer provided a presentation on the Service User Perspective Review of Customer Contact. The review concentrated on user perspectives of Community Hubs, the MyMon App and the Compliments, Comments and Complaints Procedure.

The outcomes overall were that citizens were mostly satisfied with the access and quality of customer contact arrangements, but that the Council could do more to take users' needs into account in their design and effectiveness.

There was positive feedback regarding the Hubs and MyMon app, and the Compliments, Comments and Complaints process is well set out.

Regarding complaints, it was commented that it can be difficult to find the right person to contact and some users were less satisfied with complaint handling. There were concerns that service user perception might be swayed by the complaint outcome and it was clarified that the review dealt with process and not the outcome. It was felt to be important that the Council takes these messages on board.

It was found that the Council has arrangements to engage with residents but this does not always result in effective two-way conversation. It was recommended that the Council could proactively seek service user experiences.

The Head of Policy and Governance presented the management response noting that a comprehensive analysis of compliments, comments and complaints is provided to Audit Committee on an annual basis. The Customer Relations Manager provided context that for the review period of 2017/18, 89 complaints were received. 77 complaints were considered in the review and the Wales Audit Office spoke to 24 of the complainants which was felt to be a small representation. 12 of the 24 complainants were dissatisfied and 12 satisfied or partly satisfied. 8 were dealt with at stage 1 of the complaints process (within timescales) and 16 at stage 2, of which 7 went over the required 30 days.

The aim is that complainants are contacted within 5 days, but noted that investigations start later and this may lead to some misinterpretation; this could be made clearer.

It was noted that there are opportunities for complainants to express dissatisfaction but it may be beneficial to send out a user satisfaction form about the process at the end of Stage 1 and Stage 2. It was suggested that complainants don't differentiate between process and outcome and where a complaint is not upheld, complainants are unlikely to be satisfied.

It was confirmed that the standard complaints policy format (as provided by the Ombudsman) is followed but that the policy will also be reviewed shortly.

The Performance Manager provided the management response noting that arrangements will be strengthened where necessary together with other improvements having reflected on the service users' feedback.

In response to a question, it was explained that only 2 complaints had proceeded to the Ombudsman in the review period and no further referrals were made from the 10 not completed at the time of the review.

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th June, 2019 at 2.00 pm

A Member agreed that understanding the outcome was an important part of the context of the review and commented that unfavourable outcomes would naturally provoke negative feedback and balance is required. It was added that the report could be more meaningful with more contextual information e.g. differentiation between complaints and gripes, and identifying where multiple complaints are made. It was accepted that the 24 responses was a low number but even if complainants were dissatisfied, it is valid feedback for the council to take into account when reviewing its processes.

A Member reminded the Committee that there is instantly available information on the Chatbot and Facebook.

A Member asked how the authority compares with other authorities but this information was not available as each review has a different focus. It was agreed that timing is key and complaints easily escalate if not dealt with in a timely way.

It was confirmed that there is a 6 monthly report that includes progress against proposals for improvement.

The Committee noted the report.

#### **12. Well-being of Future Generations: An examination of developing a range of options to improve rural transport - plus managers response**

The Wales Audit Office representative explained that this is a different type of report that considers the progress being made to improve rural transport as one of the steps being developed under the Wellbeing of Future Generations Act 2015. It was found:

- The Council has acted in accordance with the sustainable development principle in setting the step 'to develop a range of options to improve rural transport' but there are opportunities to further embed the five ways of working.
- The Council has identified some of the problems caused by the lack of rural transport but has not yet identified potential solutions
- Whilst there are positive examples of stakeholder involvement, the Council could benefit from involving the public at an earlier stage and producing comprehensive equality impact assessments for all policy decisions on major service change.
- The Council is committed to integrated solutions but rural transport is not well recognised within Council and partner plans
- The Council has started to collaborate in the planning and scoping of some solutions and would benefit from engaging with more partners to identify root causes and additional sustainable solutions.

The management response is contained within the report and was explained by the Head of Governance, and information was provided about the GovTech scheme.

A Member asked where and when £3 million had been spent for Active Travel and requested a written response. It was remarked that this funding was earmarked for spending by March 2019 and a written response will be provided. It was clarified that the Strategic Transport Group has not been involved in the GovTech scheme.

## MONMOUTHSHIRE COUNTY COUNCIL

### **Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th June, 2019 at 2.00 pm**

A Member asked how the improvements would be brought about commenting that the Council was unclear about partners' willingness to participate. An examples was provided where there was an opportunity to provide non-emergency health transport in Mon CC and there are other gaps that could be provided in other ways for consideration. Analysis is in progress to assess the true demand for transport in the area. The data can be used to bring new suppliers into the area. Work with partners can be activated by the Public Service Board. A Member supported more input from residents.

The Wales Audit Officer clarified that areas for development are not areas for improvement.

The Committee noted the presentation.

#### **13. Forward Work Plan**

The Forward Work Plan was noted.

#### **14. To confirm minutes of the previous meeting**

The minutes of the previous meeting were confirmed and signed as a true record.

#### **15. To confirm the date of the next meeting as 25th July 2019**

**The meeting ended at 3.46 pm**