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County Hall
Rhadyr
Usk
NP15 1GA

Dydd Mercher, 4 Medi 2019

Notice of meeting

Pwyllgor Archwilio

Dydd Iau, 12fed Medi, 2019 at 2.00 pm,
Neuadd Y Sir, Y Rhadyr, Brynbuga, NP15 1GA

AGENDA

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
	J. Saunders

Public Information

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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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Audit Committee Actions
25th July 2019

Agenda Item:	Subject	Officer	Outcome
5	Performance management	Chief Officer, Resources	Update to be provided at September meeting

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Monmouthshire County Council**

Audit year: 2018-19

Date issued: August 2019

Document reference: **1465A2019-20**

The team who delivered the work comprised of Ann-Marie Harkin, Terry Lewis, Jeremy Saunders, Rhodri Davies, Martin Hall, Jane Davies, Dafydd Parker and Gayle Howard.

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are no some issues to report to you prior to their approval.

Summary report

Introduction

1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Monmouthshire County Council (the Council) at 31 March 2019 and its income and expenditure for the year then ended.

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

3 The quantitative level at which we judge such misstatements to be material for the Council are £2.89 million for income and expenditure items, working capital and other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

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

5 This report sets out for consideration the matters arising from the audit of the financial statements of the Council for 2018-19 that require reporting under ISA 260.

Status of the audit

6 We received the draft financial statements for the year ended 31 March 2019 on 4 June 2019 which was in line with the agreed deadline and we have now substantially completed our audit work.

7 We are reporting to you the issues arising from the audit to date, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Council's Section 151 officer/ Chief Officer Resources and Assistant Head of Finance / Deputy S151.

Proposed audit report

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

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

Significant issues arising from the audit

Uncorrected misstatements

10 We set out below the misstatements we identified in the financial statements, which have been discussed with management but remain uncorrected, and request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons for non-correction.

- **Pension Liability understated by £1,941,000 following the McCloud ruling**

  In December 2018, the Court of Appeal ruled against the Government, holding that changes made to pension schemes discriminated against a group of firefighters and a group of judges on the grounds of age. These cases are referred to as McCloud.

  This judgement has implications for other public sector pension schemes including the Greater Gwent Pension Fund, of which the Council is a member. It is anticipated that the costs of providing a remedy to affected employees will be significant, with the pension scheme actuaries estimating additional potential liabilities to the Council of £1,941,000. The impact on the financial statements is that Long-term Creditors (Liability related to defined benefit pension scheme) and Unusable Reserves (Pension Reserve) is understated by £1,941,000.

- **Non consolidation of related business and operations**

  The Council has consolidated the Cardiff Capital Region City Deal joint committee (see the first correction in Appendix 3) but has chosen not to consolidate the other associates and joint ventures (as detailed in Note 16.6 Related Business and Operations). Consolidating under the equity method, the impact on the financial statements is that Net Assets and Reserves are understated by £800,000.

- **Expenditure overstated by £178,705 as prepayment journal not posted at year-end**

  During interim expenditure testing, three transactions were identified as requiring prepayment adjustments to be made at year-end. Following up at final audit, none of these transactions had been adjusted. The actual error from our sample testing was £28,301.

  Projecting this error across our population of 'Other Service Expenditure' (as per Note 11.2) results in a total estimated error of £178,705. The impact on the financial statements is that Prepayments is understated by £178,705 and Expenditure is overstated by £178,705. It is noted that a similar error was reported in last year's ISA260 (£177,000), and therefore the impact on the CIES is trivial.

Corrected misstatements

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

Other significant issues arising from the audit

12 During the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

- **We have some concerns about the qualitative aspects of your accounting practices and financial reporting.**

  We found the information provided to be relevant, reliable, comparable and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear. However, we note that, as in previous years, the accounts contain a significant number of rounding errors (in excess of 100). This does not reflect well on the Council's quality assurance arrangements. As in previous years, management has decided not to adjust for these errors.

  In addition, we noted a number of high value casting errors (£2.19 million to Note 12.1 and £28.8 million to Note 12.5), note referencing errors and notes where comparatives were missing. Again, management has chosen to adjust the accounts for these errors.
- **We did not encounter any significant difficulties during the audit.**

  We received information in a timely and helpful manner and were not restricted in our work. We met with the Finance Team regularly during the final audit to review progress and clear any issues arising promptly. The working papers provided were of a satisfactory standard. However, we identified some areas for improvement. For example, following completion of last year's audit, we agreed a 'Schedule of Deliverables' with the finance team in order to ensure that appropriate working papers were available to us at the commencement of the audit. Unfortunately, not all of these papers were presented to us with the draft financial statements, which resulted in having to request them again. We will continue to work with the Finance team to see if the audit process can be developed and refined further.
- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls.**

- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

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

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

Appendix 1

Final Letter of Representation

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

12 September 2019

Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements of Monmouthshire County Council for the year ended 31 March 2019 for the purpose of expressing an opinion on their truth and fairness, their proper preparation and the regularity of income and expenditure.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- Preparing the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; in particular the financial statements give a true and fair view in accordance therewith:
  - including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
  - make judgements and estimates on a reasonable basis;
  - state whether applicable accounting standards have been followed and disclosed and explain any material departures from them; and
  - prepare them on a going concern basis on the presumption that the services of Monmouthshire County Council will continue in operation.
- Ensuring the regularity of any expenditure and other transactions incurred.
- The design, implementation and maintenance of internal control to prevent and detect error.

Information provided

We have provided you with:

- Full access to:
  - – all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - – additional information that you have requested from us for the purpose of the audit; and
  - – unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Monmouthshire County Council and involves:
  - – management;
  - – employees who have significant roles in internal control; or
  - – others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.
- Our knowledge of all possible and actual instances of irregular transactions.

Financial statement representations

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

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

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

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

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

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

Representations by the Audit and Risk Assurance Committee

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Monmouthshire County Council Audit Committee on 13 September 2019.

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

P Matthews

Chief Executive

12 September 2019

P White

Audit Committee Chair

12 September 2019

Appendix 2

Proposed audit report of the Auditor General

The independent auditor's report of the Auditor General for Wales to the Members of Monmouthshire County Council

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Monmouthshire County Council for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

Monmouthshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

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 council 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 use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later 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.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with guidance.

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Council'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

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. This description forms part of my auditor’s report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
13 September 2019

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of Members of Monmouthshire County Council

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

Exhibit 1: summary of corrections made to the draft financial statements

Value of correction	Nature of correction	Reason for correction
£2,493,000 (Net Assets)	**Balance Sheet** • Assets under construction increased by £2,183,000 • Long-Term Debtors increased by £305,000 • Short-Term Debtors increased by £25,000 • Cash and Cash Equivalents increased by £2,048,000 • Short-Term Creditors increased by £144,000 • Provisions increased by £55,000 • Long-Term Creditors increased by £1,869,000 • Usable Reserves increased by £250,000 • Unusable Reserves increased by £2,243,000	The Council had chosen not to consolidate their associates and joint ventures (as detailed in Note 16.6 Related Business and Operations), on the grounds that their interests in aggregate were not sufficiently material to consolidate into the financial statements. Per our review (which was based on more recent data), these associates and joint ventures are material in aggregate. The Council has chosen to consolidate the largest joint committee (Cardiff Capital Region City Deal), to ensure the accounts are not materially misstated.
£4,114,000	**Comprehensive Income & Expenditure Statement (CIES)** • Children & Young People decreased by £4,114,000, and • Surplus on revaluation of Property Plant and Equipment Assets increased by £4,114,000. **Unusable Reserves** • Revaluation Reserve decreased by £4,114,000, and • Capital Adjustment Account increased by £4,114,000.	Incorrect accounting entries used to add Voluntary Controlled School back onto balance sheet.

Value of correction	Nature of correction	Reason for correction
£5,261,509	**Note 11.2 Expenditure & Income Analysed by Nature** • Gain/Loss on disposal of non-current assets (Expenditure) increased by £5,261,509, and • Gain/Loss on disposal of non-current assets (Income) increased by £5,261,509.	A consolidation adjustment was incorrect, as it did not take into consideration the deferred capital receipts on sale of investment properties. This did not impact the net gain/loss on disposal, but both the expenditure and income are understated by £5,261,509.
£2,477,000	**Note 11.4 Significant Trading Operations** • Gross Expenditure decreased by £2,477,000, and • Gross Income decreased by £2,477,000. **Please note:** the figures in Note 11.4 feed into Note 11.3 (Financing and investment income and expenditure), which in turn feeds into the CIES. These were also adjusted by the amounts detailed above.	Note 11.4 'Significant Trading Operations' incorrectly included internal Income and Expenditure in respect of Grounds Maintenance. Internal charges should have been removed following an update to the Code, as per CIPFA Bulletin 3.
£14,964,000	**Note 12.12 Leases – Authority as Lessor (Operating Leases)** The future minimum lease payments receivable under non-cancellable leases in future years increased as follows: • Not later than one year increased by £2,069,000, • Later than one year and not later than five years increased by £6,602,000, and • Later than five years increased by £6,293,000.	There were two errors identified as follows: • Regarding lifetime leases, the Council had calculated the future minimum lease payments to year 2099, when these leases have a notice period of one year. Therefore, the minimum future lease payments (as per section 4.2.4.2 of the CIPFA Code 2018-19) would only be one year and therefore was overstated. • The Council did not include the future minimum lease payments for the Investment Properties (Castlegate Business Park and Newport Leisure Park) acquired in the year and therefore the figures were understated.

Value of correction	Nature of correction	Reason for correction
£3,680,000	**Note 12.12 Leases - Authority as Lessor (Finance Lease)** The gross carrying amount of the minimum lease payments receivable under finance leases has increased as follows: • not later than one year increased by £160,000; • later than one year and not later than five years increased by £480,000; and • later than five years increased by £3,040,000.	Note had been omitted from the accounts, when it should have been included (as it is a material disclosure).
£72,245,000	**Note 14.2 Pension Fund Stakeholders** The defined benefit obligation for the Authority's share of the Greater Gwen Pension fund has increased as follows: • active increased by £59,299,000; • deferred increased by £11,948,000; and • pensioners increased by £998,000.	The figures presented in the note as 2018/19 figures, were 2017/18 figures. **Please note:** these adjustments only impact Note 14.2 and have no impact on the Liability related to the defined pension scheme in the Balance Sheet.
£76,261	**Note 16.8 Senior Officer Remuneration** • Head of Policy and Governance added to note, • Total Remuneration excluding Pension contributions increased by £62,458, and • Pension Contributions increased by £13,803.	One officer that met the definition of a Senior Officer (as per section 3.4.5.1 of the Code and para I144 to I147 of the Code Guidance Notes) had not been disclosed in Note 16.8 Senior Officer Remuneration.

Value of correction	Nature of correction	Reason for correction
Presentational	**Note 11.2 Expenditure & Income Analysed by Nature** • Depreciation, amortisation and impairment decreased by £4,923,000; • Gain/Loss on disposal of non-current assets (Expenditure) increased by £4,923,000; • Fees, charges and other service income decreased by £7,053,000; • External grants and contributions decreased by £1,789,000; and • Gain/Loss on disposal of non-current assets (Income) increased by £8,842,000.	From review of the working papers, there were a number of ‘consolidation’ adjustments that had been inappropriately classified and were subsequently adjusted to improve clarity. It is noted that these adjustments are purely presentational within Note 11.2 and the net impact is nil.
Presentational	**Note 13.5 Debtors** • Finance Lease increased by £192,000, and • Corporate Sundry Debtors decreased by £192,000.	Incorrect classification within Note 13.5 Debtors.
Presentational	**Note 16.6 Related Business Operations** Dragon Waste Ltd trading results updated to reflect 2018-19 figures.	There were no figures included for Dragon Waste Ltd in 2018-19 financial statements.

Value of correction	Nature of correction	Reason for correction
Presentational	**Note 13.1 Categories of Financial Instruments** • Principle sum borrowed (Short-Term) increased £786,000, and • Principle sum borrowed (Long-Term) decreased £786,000. Note 13.1 feeds into the Balance Sheet and therefore Short-Term and Long-Term Borrowings were also adjusted by the amounts detailed above. **Note 13.4 Nature and extent of risks arising from financial instruments (part b – Liquidity Risk)** Borrowings: • Less than one year increased by £786,000, • Between one and two years increased by £802,000, • Between two and five years increased by £2,501,000, • Between five and ten years decreased by £1,583,000, • Between ten and 20 years increased by £3,232,000, and • More than 20 years decreased by £5,738,000.	This year, six new PWLB Annuity Loans were taken out. Annuity loans have regular repayments which comprise both principal and interest and therefore when a repayment is made there will be a capital repayment each time. In the draft accounts all the new PWLB Annuity capital had been included in Long Term Borrowings with no capital repayment due until maturity. This is incorrect as for each loan an element of capital will be repaid every year.
Narrative	Further detail added to the CIES regarding restatement of Cost of Services (COS) comparatives to ensure the Authority is in line with the CIPFA Code 2018-19.	The COS comparatives for gross income and expenditure have been restated, but the Authority had not disclosed the nature of the reclassification, the amount or the reason for reclassification. This is required in accordance with section 3.4.2.31 of the CIPFA Code 2018-19.

Value of correction	Nature of correction	Reason for correction
Narrative	**Note 13.8 Agency Transactions** • Removal of Home Improvement Loans, Houses to homes and Vibrant and Viable Places Loans from Note 13.8. • Add NNDR to Note 13.8.	The loan schemes detailed in Note 13.8 were not agency transactions, as defined by section P99 to100 of the Code guidance 18-19. Additional disclosure required for National Non-Domestic Rates (NNDR), as it meets the definition of an agency transaction.
Narrative	**National Non-Domestic Rates Note added** to include the total non-domestic rateable value at the year-end and the national non-domestic rate multiplier for the year.	Disclosure required to comply with section 3.4.4.1 of the CIPFA Code 2018-19.
Narrative	**Note 14.1 Participation in Pension Schemes** Various narrative and numerical adjustments to the note. For example, the reported deficiency in the balance of assets less liabilities of the scheme increased from £15 million to £22 million.	Disclosure was not using the most up-to-date information. Figures in this note had been taken from an actuarial valuation of the scheme as at 31 March 2012, when the 31 March 2016 actuarial valuation was issued in May 2018.
Narrative	**16.4 Related Party Transactions** Added and removed various related party relationships to ensure compliance with the CIPFA Code 2018-19.	To ensure disclosure complied with section 3.9.1 of the CIPFA Code 2018-19.

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AGENDA ITEM TBC

SUBJECT:	**STATEMENT OF ACCOUNTS 2018/19**
MEETING:	**Audit Committee**
DATE:	**12th September 2019**
DIVISIONS/WARD AFFECTED:	**All Authority**

1. PURPOSE:

1.1 The purpose of this report is to provide a final draft of the statement of accounts for the Authority for 2018/19, subsequent to the audit process undertaken by Wales Audit Office (WAO).

1.2 This report and the final statement of accounts at Appendix 1 should be read in conjunction with the WAO "ISA260" report which is the auditor's final report on its findings during the audit process. The ISA260 report is presented by the WAO as a separate agenda item at this meeting.

1.3 This report also provides members a copy of the 2018/19 "Joint progress document" at Appendix 2 which outlines the year-end financial reporting refinements agreed between the Authority and the WAO to ensure that the Authority continues to provide high quality year-end financial statements in a timely manner.

1.4 The Statements in relation to the Trust Funds, will be considered at the November Council meeting, once those audits have been completed.

2. RECOMMENDATIONS:

2.1 That the final Monmouthshire County Council Statement of Accounts for 2018/19 (Appendix 1), be accepted as a True and Fair view of the Council's Statement of Accounts and approved for publication by the statutory deadline of 15th September 2019.

2.2 That the year-end financial reporting refinements outlined in the Joint progress document (Appendix 2) are accepted and implemented where agreed by the Authority in preparation for the 2019/20 statement of accounts.

3. KEY ISSUES

3.1 Under current legislation for Wales, the draft statement of accounts are to be produced by the 15th June (30th June in 2017/18). The Council concluded the process on the 4th June 2019 and the draft statements were handed over for audit. An audited statement of accounts (Appendix 1) must be published by the Authority by 15th September (30th 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, Council at its July meeting delegated responsibility for approving the audited statement of accounts to this Audit Committee meeting as a one year trial.

3.4 The audited statement of accounts, shown in Appendix 1 incorporates the corrected misstatements that were highlighted by the WAO during their audit process and a summary of these is listed as an appendix to WAO's ISA260 report.

3.5 It is pleasing to note the auditors intend to provide an unqualified opinion on the Accounts, and management would wish to acknowledge the strength of the working relationship between Council and WAO, and the professional and helpful way that audit colleagues have conducted their activities.

3.6 WAO have highlighted three "uncorrected misstatements" within their ISA260 report which the Authority acknowledges and accepts but is not incorporating within the revised primary statements in the statement of accounts:

- **Pension Liability understated by £1,941,000 following the McCloud ruling**
  In December 2018, the Court of Appeal ruled against the Government, holding that changes made to pension schemes discriminated against a group of firefighters and a group of judges on the grounds of age. These cases are referred to as McCloud.
  This judgement has implications for other public sector pension schemes including the Greater Gwent Pension Fund, of which the Council is a member. It is anticipated that the costs of providing a remedy to affected employees will be significant, with the pension scheme actuaries estimating additional potential liabilities to the Council of £1,941,000. The impact on the financial statements is that Long-term Creditors (Liability related to defined benefit pension scheme) and Unusable Reserves (Pension Reserve) is understated by £1,941,000.

  Management commentary: The background and estimated financial effect is outlined comprehensively in note 13.7(f) to the statement of accounts, but the primary statements have not been altered until it is clearer as to central government's response. The ministerial statement on the matter concluded that the government respects the Court's decision and will engage fully with the Employment Tribunal to agree how the discrimination will be remedied. It is felt premature to alter the pension scheme liabilities figures until it is better understood whether that remedy will result in the review of those original 2015 reforms, or if they remain intact, whether the anticipated additional pension liability clarified through legal challenge will be afforded by central government, or passed on to scheme recipients/employing authorities to afford.

- **Non consolidation of related business and operations**
  The Authority has consolidated the Cardiff Capital Region City Deal joint committee, but has chosen not to consolidate the other associates and joint ventures (as detailed in Note 16.6 Related Business and Operations). Consolidating under the equity method, the impact on the financial statements is that Net Assets and Reserves are understated by £800,000.

  Management commentary: The Authority makes it clear in its accounting policies that consolidation of interests in other entities will only be made where they are sufficiently material when reviewing both quantitative and qualitative information. When reviewing the remaining entities, consolidation is not deemed necessary within the statements and the Authority considers that it would add very little value to the reader of the accounts to do so. In order to ensure compliance with the Code requirements, a range of narrative disclosures have been made within note 16.6.

- **Expenditure overstated by £178,705 as prepayment journal not posted at year-end**

During interim expenditure testing, three transactions were identified as requiring prepayment adjustments to be made at year end. Following up at final audit, none of these transactions had been adjusted. The actual error from our sample testing was £28,301.

Projecting this error across our population of “Other Service Expenditure” (as per Note 11.2) results in a total estimated error of £178,705. The impact on the financial statements is that Prepayments is understated by £178,705 and Expenditure is overstated by £178,705. It is noted that a similar error was reported in last year’s ISA260 (£177,000), and therefore the impact on the CIES is trivial.

Management commentary: The reality is the Accounts reasonably reflect 12 months’ worth of service and expenditure, and to correct would introduce artificial variance in any comparison between years. Audit colleagues calculate the effect as being £178,705, but ignore the adjustments that would be made in bringing forward expenditure from previous financial year such that the net effect of the adjustment is anticipated to have a trivial effect on bottom line of Accounts. With statutory deadlines for the production of the statement of accounts being brought forward further in future years it is accepted that more estimation will be required in order to meet these timescales and that despite best efforts trivial errors such as these may become more numerous.

3.7 The Joint progress document (Appendix 2) outlines the year-end financial reporting refinements agreed between the WAO and the finance section. In a change of procedure from previous years, this report is being provided alongside the final statement of accounts and ISA260 report to ensure that the findings are considered in a timely manner and that work towards implementing these refinements can be started as soon as possible.

4. REASONS

4.1 To review the audited statement of accounts, noting conclusion of the external audit process and endorsing the Statement of Accounts as a “true and fair” view to Council in readiness for publication by the statutory deadline.

4.2 To consider and accept the findings of the WAO audit process, in particular those highlighted as “uncorrected” and “corrected” misstatements within the ISA260 report.

4.3 To consider and accept the year-end financial reporting refinements outlined in the Joint progress document and ensure the Authority works towards implementation of these refinements in preparation for the 2019/20 statement of accounts.

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 Legal Service

7. BACKGROUND PAPERS

Appendix 1: Statement of Accounts 2018/19
Appendix 2: Joint progress document 2018/19

8. AUTHORS:

Jonathan Davies	Finance Manager
Mark Howcroft	Assistant Head of Finance

9. CONTACT DETAILS

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MONMOUTHSHIRE COUNTY COUNCIL

ANNUAL ACCOUNTS

2018/19

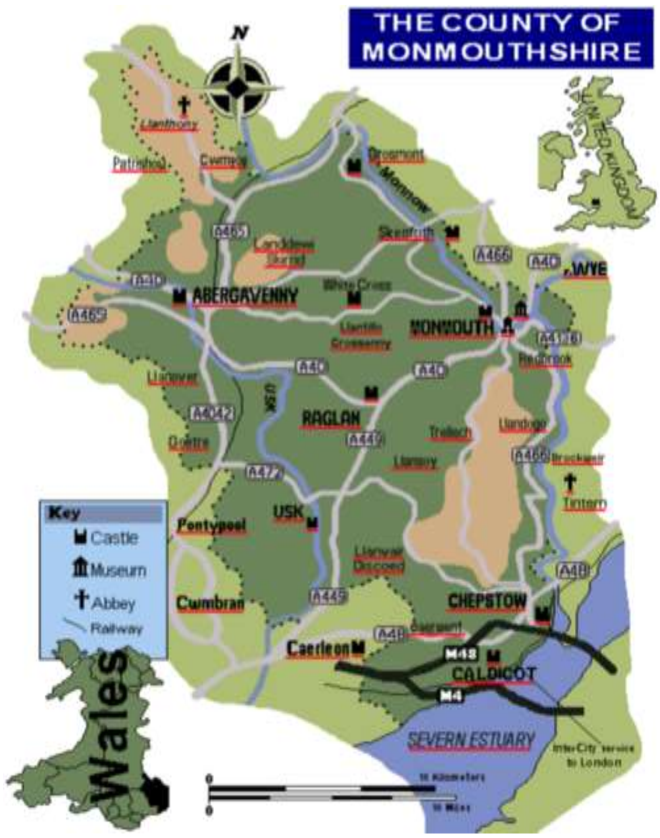
CONTENTS PAGE

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 Non-Financial Performance for the Year

A six month progress update was presented to Cabinet in December 2018 to provide an overview of progress being made in 2018/19 to deliver the commitments set out in the Corporate Plan. A summary of performance at six months 2018/19 on the commitments made under the five goals of the corporate plan is provided below. Each of the five goals was scored based on the council's self-evaluation framework. At the six month stage of 2018/19 all five goals were evaluated as making good progress with important strengths and some areas for improvement. A full year update of 2018/19 performance is being completed and a detailed evaluation of performance for the whole of 2018/19 against the commitments set out in the Corporate Plan and wider arrangements will be presented to Council in September 2019.

Corporate plan six month 2018/19 performance summary:

Goal A. Best possible start in life:
Monmouth school and phase 1 of the leisure centre were opened earlier this year, with phase 2 of the leisure facilities due for completion in early 2019. The EAS is supporting schools to implement the new statutory regulations. Attainment at Key stage 2 & 3 in the Core Subject Indicator showing a slight increase.

The ALN review is nearing completion, and an interim objection report was considered by Cabinet in December, alongside a recommendation as to whether the proposals should be accepted and implemented.

There has been a real focus in the last year in Children's Services to implement an approach to early intervention and prevention, which means children and families getting the right support at the right time.

There has been a continuing focus on attracting more foster carers to Monmouthshire, five new foster carers have been recruited. MyST a Therapeutic Fostering service was endorsed in November.

Goal B. Thriving and well-connected county:
The current Business Growth and Enterprise strategy is progressing, with advice provided to 40 pre-starts and businesses so far in 2018/19. The Cardiff Capital Region five-year strategic business plan has been agreed by all ten local authorities.

Monmouthshire is one of three locations to benefit from the learning of a 5G technology trial. 57 applications have been received for the GovTech challenge. Applications have been assessed via an Innovate UK panel.

Several key Local Development Plan policy targets regarding housing provisions are not being met. Work on the replacement Local Development Plan is underway and allows the Council and our communities to review future growth options.

A Destination Management Plan has been created to establish a framework for delivering sustainable tourism growth. Latest data shows the total economic impact of tourism in Monmouthshire was £204.43 million.

A new Procurement Strategy has been prepared and approved by Cabinet in July 2018. Work is underway to facilitate a deeper analysis of our procurement expenditure which will then enable opportunities to be explored using circular economy principles.

Goal C. Maximise the Potential of the natural and built environment
The My Monmouthshire App now allows reports of fly tipping. Officers are now able to issue fixed penalty notices for small scale incidents.

The recycling review sets the Council's long term recycling strategy in Monmouthshire. Changes, planned from March 2019, include each household will receive a new recycling box for glass and new vehicles have been purchased with three separate compartments for red and purple bags as well as food waste.

With the support of the Council, Riversimple are preparing to run a 12 month trial of 20 hydrogen fuel cell cars in Monmouthshire. We are also part of a joint commission to undertake an electric vehicle feasibility study with work underway to determine the potential infrastructure for charging points.

The Green Infrastructure (GI) Capital grant from Welsh Government has supported practical work at Caldicot Castle Country Park and is enabling GI corridor improvements in Caldicot and the production of a countywide GI Strategy.

Specific regeneration proposals for South East Severnside are being taken forward.

Goal D. Lifelong well-being
The Care at Home service is being completely remodelled; instead of concentrating on completing tasks in short time periods, home carers focus on relationship based care working more flexibly with people based on what matters to them. Work is underway to tackle social isolation and loneliness in the area; views are currently being sought on what people think is important and what should be done. We are working with Swansea University using the most significant change methodology to review and understand what makes the most difference in people's lives.

A Social Justice Strategy has been developed and demonstrates the Council's commitment to address inequalities and improve outcomes for the county's people and communities.

A new volunteering policy position has been approved. Monmouthshire, A County That Serves (ACTS) volunteering programme is helping to highlight and support volunteering opportunities available within the county.

The first key decisions have been taken by Council to conclude the Alternative Delivery Model (ADM) examination for Tourism, Leisure, Culture and Leisure services, in favour of the service being retained by the Council. The Monmouthshire Games continue to take place in each of the county's four leisure centres during school holidays for children aged 5 to 12. As well as physical exercise, among the benefits offered are an appreciation of teamwork, healthy eating and the impact of role models.

Goal E. Future-focused Council
A new Digital strategy has been produced and is based on 7 key themes that together aim to improve the digital maturity of the organisation and realise significant business efficiencies and economies through digitisation. A 'Chat Bot' is being developed that will enable residents to receive simple information quickly and easily about our services.

The Democratic Services Committee have been engaged in work to improve the democratic character of the organisation and have made a number of recommendations. These are being enacted including increasing public involvement and participation in decision-making.

Following approval of the Corporate Plan, the Council's enabling strategies have been revised to align to the delivery of the Corporate Plan. These include the Digital Strategy, People Strategy and Asset Management Strategy.

A Commercial Strategy has been developed. The Council has acquired Castlegate Business Park in Caldicot as part of its commercial portfolio, and subsequently Newport Leisure Park.

There remains a significant focus on the financial sustainability of the Council. There is still a need to think differently about the even greater challenges of the medium term and this work and engagement will continue in the coming months as part of our Future Monmouthshire programme to develop the Medium Term Financial Plan.

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 £000	Actual £000	Variance £000
Net Expenditure:			
Net cost of services (internal management reporting)	150,271	150,391	120
Attributable costs – Fixed Asset Disposal	118	118	0
Interest and Investment Income	(56)	(243)	(187)
Interest Payable and Similar Charges	3,448	3,531	83
Charges Required Under Regulation	4,562	4,533	(29)
Earmarked Contributions to/(from) Reserves	(531)	(480)	51

Financed by:			
General government grants	(63,091)	(63,091)	-
Non-domestic rates	(30,177)	(30,177)	-
Council tax	(70,838)	(70,740)	98
Council Tax Benefit Support (included in NCS)	6,294	6,158	(136)
Council Fund (surplus)/deficit - Non-Schools	**0**	**0**	**0**
Council Fund (surplus)/deficit - Schools	**643**	**408**	**(235)**
Council Fund (surplus)/deficit - Total	**643**	**408**	**(235)**

The net cost of services in the table above of £150.39m is reported on a management accounting basis, i.e. the same basis as the budget reports used for internal reporting during the year. The figure for the net cost of services in the Comprehensive Income and Expenditure (CIES) of £169.56m is different because it is prepared on a financial accounting basis, which is specified by accounting guidelines.

Note 11.1 to the accounts shows how the figures reconcile.

Level of general and specific reserves/balances

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

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

Capital expenditure & financing

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

2017/18 £000		2018/19 £000
	Expenditure	
35,306	Schools modernisation programme	21,522
4,471	Infrastructure	6,550
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	4,261
48,132	**Total Expenditure**	**70,311**
	Financing	
(17,325)	Capital receipts	(8,510)
(15,445)	Borrowing and Finance Lease Commitments	(44,625)
(15,099)	Grants and Contributions	(16,895)
(264)	Revenue and Reserve Contributions	(281)
(48,132)	**Total Financing**	**(70,311)**

Significant capital receipts

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

Revaluation and disposals of non-current assets

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

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

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

During the year the value of our non-current assets has increased from £363.8m to £394.5m, arising from recognising the in-year asset enhancing spend of £68.9m; the rolling programme of revaluations decreasing their held value by £16.9m; depreciation of £11m and the sale of assets valued at £10.3m.

Borrowing arrangements and sources of funds

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

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

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

Collection of Council Tax and Non-Domestic Rates

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

Pension Liabilities

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

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

1.4 The Financial Outlook

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

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

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

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

Cardiff Capital Region City Deal (CCRCD)

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 CCRCD 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.

Peter Davies
Chief Officer - Resources (Acting S151 Officer)

Date

2 STATEMENT OF RESPONSIBILITIES

2.1 The Authority's Responsibilities

The Authority is required to:

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

2.2 The Section 151 Officer's Responsibilities

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

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

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

The Section 151 Officer has also:

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

APPROVAL OF STATEMENT OF ACCOUNTS

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

Peter Davies
Chief Officer - Resources (Acting S151 Officer)

Date

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

Cllr Peter Fox
Leader of the Council

Date

ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Monmouthshire CC

Annual Governance Statement 2018-19

May 2019

Executive Summary

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

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

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

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

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

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

1 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) and the Society of Local Authority Chief Executives and Senior Managers (S.O.L.A.C.E.), the 'Delivering Good Governance in Local Government Framework 2016' and Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

2 The Statement itself demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving, but also recognise that there is further work to do. Progress against the 2017/18 action plan is shown at Appendix 1. The main areas for improvement in 2018/19 identified by the Council are shown in the action plan shown at Appendix 2.

Scope of Responsibility

3 Monmouthshire County Council (the Council) (MCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This has been updated in recent years through the Wales Programme for Improvement 2005 and even more recently through the Local Government (Wales) Measure 2009 to encompass responsibility for securing continuous improvement based on the needs of and in engagement with communities. Further changes to national frameworks are anticipated as a result of Welsh Government's White Paper which is consulting on proposals to repeal the 2009 Measure.

4 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

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

The Purpose of the Governance Framework

6 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its population outcomes, priorities and objectives and to consider whether those objectives have met the outcomes and led to the delivery of appropriate, cost effective services.

7 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, outcomes and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

8 The governance framework has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

The Governance Framework

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

Overarching requirements for acting in the public interest:

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

B. Ensuring openness and comprehensive stakeholder engagement

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

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

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

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

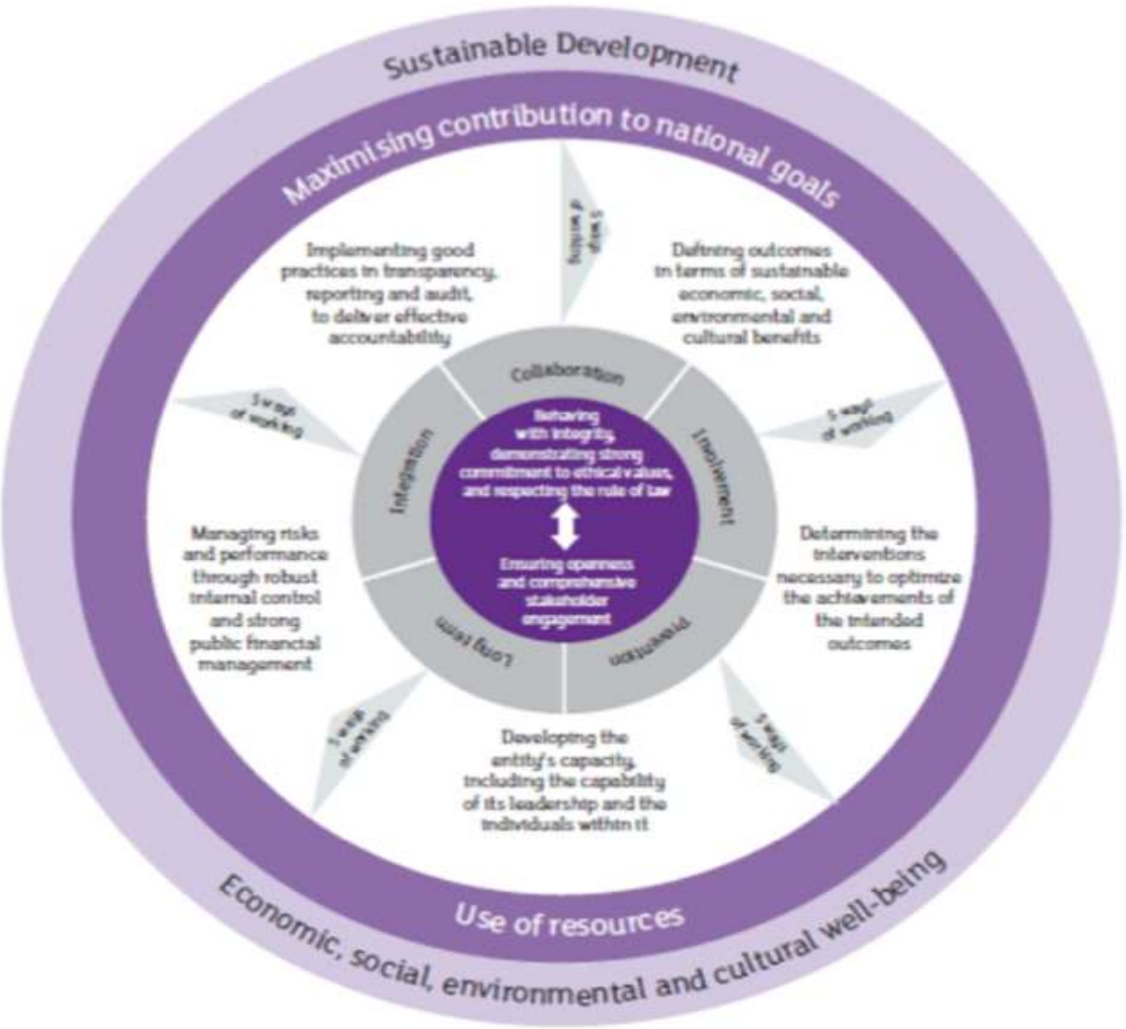
F. Managing risks and performance through robust internal control and strong public financial management

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

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

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

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



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

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

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

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

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

14 In April 2016 the Local Service Board became the Public Service Board or PSB. As part of the requirements of the Well-being of Future Generations (Wales) Act 2015 the Public Service Board are focused on improving social, economic, environmental and cultural wellbeing, in accordance with the sustainable development principle. Public Service Boards have a planning responsibility to prepare and publish an assessment of local well-being, produce a local well-being plan and report annually on its progress.

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

Review of Effectiveness

16 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team within the Authority which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

17 The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

18 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:

i) The Monitoring Officer reviewed the Council's Constitution and ethical governance arrangements with the Constitution being revised and approved by Council in December 2017;
ii) periodic reviews of the financial controls including the financial procedure rules by the Chief Finance Officer (Head of Finance); financial procedure rules were approved by Council in September 2014;
iii) Whole Authority Strategic Risk Management Assessment and amendments to the Policy were approved by Cabinet in March 2019;
iv) Formal risk management and regular ongoing review of the processes involved reported through Audit Committee
v) Scrutiny conducted a self-evaluation and Peer Review with several other councils during Spring 2017 as part of its ongoing commitment to continuous improvement;
vi) Scrutiny reports its annual appraisal and Scrutiny Service Plan to Audit Committee to satisfy them that the Council's arrangements are working effectively;
vii) the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems, establishments and major projects in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that agreed recommendations are implemented;
viii) the work of the Council's Select and other Committees, including its Audit and Standards committees;
ix) the opinions and recommendations of the Council's external auditors, following both financial audit work and per the Local Government Measure in regard to matters, including governance issues, which are considered for action and implementation and reported to Council, Cabinet and Audit Committee, as appropriate;
x) The opinions and recommendations of other inspection, regulation and review agencies which are reported to Council, Cabinet and Audit Committee as appropriate.

Audit Committee receives a regular report on the progress made with recommendations and proposals issued by Wales Audit Office

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

xii) Audit Committee annual report (Council July 2018);

xiii) Corporate Safeguarding Policy taken through Council May 2018;

xiv) Annual appraisal of the effectiveness of the authority's performance management arrangements reported annually to Audit Committee.

xv) Chief Officer for Children and Young People's Annual Report presented to Council April 2018; Director of Social Services Annual Report presented to Council July 2018; Wellbeing Objectives and Statement Annual Report presented to Council September 2018.

xvi) Updated polices 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 steamed on YouTube except where exempt or confidential matters are being discussed, and (ii) a scheme of delegation to committees and officers as set out in the Constitution: Five select committees (including the statutory PSB Select Committee) and a separate Audit Committee review, scrutinise and hold to account the performance of the Cabinet, decision-making committees and officers. A Scrutiny "Call-In" process for decisions which have been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness.

27 A Scrutiny and Executive Protocol is in place which is aligned to the updated constitution of December 2017 and provides parameters for effective executive and scrutiny relationships.

28 The Constitution is updated periodically by the Monitoring Officer; it was reviewed and updated during 2017/18, and approved by Council in December 2017; it continues to be reviewed. It can be found on the Council's website and sets out:

- how the Council operates and makes decisions,
- the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders,
- the key roles of all members and chief officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated chief officers,
- a scheme of delegated powers for decision-taking
- responsibilities for reviewing and agreeing the Council's corporate governance arrangements,
- arrangements for ensuring it is regularly reviewed and updated
- its related codes and protocols.

29 To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; to ensure sound financial management is a key factor in decisions, the Head of Finance attends SLT, Cabinet and Council meetings.

30 The ethical governance framework includes:

- codes of conduct for officers and members
- a protocol governing Member/Officer relations,
- a whistle-blowing policy widely communicated within the Council and which is regularly reviewed [reviewed and approved by Cabinet June 2017]
- registers of personal and business interests for Members
- an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied.
- equalities awareness training

31 In accordance with the Local Government and Housing Act, 1989, the Monitoring Officer ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman Investigation resulting in a finding of maladministration

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

33 The Audit Committee called in several senior managers during the year and challenged them on why a procurement process went outside the Council's normal tendering processes.

34 32 Internal Audit opinions were issued in 2018/19; 6 audit jobs resulted in **Limited** assurance.

35 The overall opinion on the adequacy of the internal control environment for 2018/19 was **REASONABLE**. Management agreed to implement the recommendations made in audit reports in order to address the weaknesses identified. The Internal Audit opinions issued in 2018/19 were as follows:

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

36 Reasons why the outcome of the audit reviews which were deemed to provide Limited assurance were presented in a separate report to Audit Committee which has sought assurances from respective operational managers that action will be taken to make the necessary improvements in control.

37 The Internal Audit team had a full complement of staff for the full year; 84% of the 2018/19 plan was achieved, which was an improvement on the previous year (82%). The Chief Internal Auditor's overall audit opinion is based on the number of audits undertaken and their individual opinions; he was able to give an overall opinion on the adequacy of the control environment.

38 The Internal Audit team continued to ensure its compliance with the Public Sector Internal Audit Standards (PSIAS). This was validated through a peer review process at the end of 2017/18 undertaken by the Chief Internal Auditor for Neath Port Talbot Council; the outcome of which was that the team are generally compliant, the highest level of compliance.

39 An Improvement Framework is in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement. This is supported by a range of mechanisms including collaborative working initiatives and reviews undertaken both internally and by the external auditors and inspectors. This framework works in conjunction with the Local Government Wales Measure 2009. Performance is reported through Select Committees and Cabinet.

40 The strategies which support this Framework include the Asset Management Plan, People Strategy, Local Development Plan, Financial Plan, Digital & Customer Strategy, Economy & Enterprise Strategy which are delivered through service business plans and employee aims & objectives, evaluated and risk assessed.

41 Chief Officers and Heads of Service are accountable for ensuring that the Council Priorities are delivered and performance against key targets is regularly monitored via the performance management framework and is regularly reported to members via Select Committees.

Principle B: Ensuring openness and comprehensive stakeholder engagement

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

43 The scrutiny reports on recommendations/outcomes from scrutiny activity are presented to Cabinet quarterly. The scrutiny function has a 'Scrutiny Service Improvement Plan'. The plan is built into the Council's improvement framework. The plan is also scrutinised by the Council's Audit Committee annually to ensure they are satisfied that the Council has appropriate and effective scrutiny arrangements in place.

44 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles. The Scrutiny Handbook provides a guide for Members, officers and the public on the role and value of scrutiny and the website displays the Scrutiny Forward Work Programme and invites public submissions. Development of Customer Insight to better understand our communities. Dissemination of ward meeting minutes.

45 Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message. The Council has partnered with an IT supplier to develop

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

46 Public engagement events continued in 2018/19 for the budget proposals. MCC's model of engagement in understanding its communities' views and the way it now operates as an organisation was shared with many delegates at a Welsh sustainability conference as exemplar. The Council has encouraged the community within Monmouthshire to actively contribute to making stepped changes to improve the way in which services are provided and is a key workstream of the Future Monmouthshire programme established by the Council in May 2016; the intention is to transform public service delivery. This links back to the principles of the Well-being of Future Generations Act which sets out five ways of working including involvement.

47 Monmouthshire Public Service Board updated its Well-being Assessment for the county 2018/19 and reported progress into the Board regularly in the year. This will help to shape the future of the area and its communities by informing the Public Service Board's Well- being plan which sought the views of Monmouthshire residents. The assessment draws together findings from data, academic research and policy papers and the views of local people.

48 Our Monmouthshire, updated October 2018**,** is about all of us addressing the needs of the future as well as current generations. People in Monmouthshire were asked *what's good about your community* and *what would make it better, now and in the future*. These views help MCC make sure it addresses some of the really big challenges that Monmouthshire faces in coming years.

49 Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Audit Committee process before being endorsed by Council. All Council decisions, reports and questions asked by Members are available on the website. Financial information, Corporate Plan progress, Council activities, achievements, developments, updates and events were included on the Council's intranet and website, with all Council, Cabinet, Audit Committee and Select Committees now live streamed on You Tube. All public meetings of the Council are live streamed on YouTube and are available to view on the Council's YouTube channel at any time after the meeting, which provides greater transparency of the Council's business.

50 Individual Cabinet Members can make decisions under the scheme of delegation; agendas and decisions for all Cabinet Members are published on the Council's website.

51 The Council's website contains links to the following areas in the interests of openness.

Data published by Monmouthshire County Council

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

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

53 During 2018/19 the Public Service Board (PSB) agendas and minutes were published online on the MCC website to ensure transparency.

54 Public engagement and consultation is key to the WFG Act. One of the five ways of working is Involvement - *the importance of involving people with an interest in achieving the well-being goals, and ensuring that those people reflect the diversity of the area which the body serves.* This along with the other ways of working is now considered in all relevant decision making reports for Cabinet and Council through a Future Generations Evaluation which includes Equalities and Sustainability Impact Assessments. The progress of implementing the WFG Act was reported through the PSB and Cabinet in 2018/19.

55 Implementing Open Government standards which enable us to effectively engage with our citizens and open up our data for anyone who needs to use it. Making the most of digitisation and digital inclusion to enable us to engage with people across our County.

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

56 The Council's previous Improvement Plan and its improvement objectives were incorporated into the Corporate Plan for 2018/19. The Corporate Plan also references and links to the Well-being Plan.

57 Monmouthshire County Council has a strong sense of character and purpose. It shapes this in line with the goals and ambitions of its partners in other public services such as the NHS, Police, Public Health, housing associations and the Fire and Rescue Service. These and many more organisations are part of the Monmouthshire Public Service Board (PSB). Combining the ingenuity and initiative of all partners is key to finding new solutions to pressing, social, economic and environmental problems. This sense of 'power of the collective' is central to its core purpose, reflected in its values and embodied in its culture.

58 The Well-being Plan sets out the vision of the Public Service Board – a partnership of the key public service providers in Monmouthshire which includes the Council. The four identified objectives are:

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

59 Under the Well-being of Future Generations (Wales) Act 2015 The Council has a responsibility to:

- Set and publish well-being objectives
- Take all reasonable steps to meet those objectives
- Publish a statement about well-being objectives
- Detail arrangements to publish an annual report of progress

60 In March 2018 Council approved the Council's Well-being Plan and endorsed the Area plan.. The well-being objectives set bring together the latest evidence from the well-being assessment, policy and legislation and show how the Council will strive to deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs. The Well-being Objectives and Statement Annual Report (2017/18) was approved by Council in September 2018.

61 The Corporate Plan Objectives for 2017 to 2022 are supported by service plans to operationally deliver these objectives. Service plans were developed in 2018/19 covering all service areas and were updated quarterly and made available on the Council's Hub intranet site. These were quality assessed as part of the service planning process. All service plans include a direct link to the Council's Well-being objectives.

62 In February 2019 Council received the report to approve the continuation of the five goals set in the Corporate Plan in 2018 as the Council's objectives for 2019-20 to comply with the Local Government (Wales) Measure 2009.

63 Wales Audit Office presented its Annual Improvement Report to Audit Committee in September 2018. WAO has carried out work with all councils on improvement assessment, the Wellbeing of Future Generations Act, the service user and scrutiny as well as some local work. Wales Audit Officers have reported to Audit Committee on work completed from previous years at Monmouthshire. It concluded that the Council meets its statutory requirements for continuous improvement and there are no formal recommendations

64 Reports were taken through the scrutiny Select process during the year which linked service plans to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents are available through the Council's website.

65 The Council was an early adopter of the Wellbeing of Future Generations Act which came into effect in April 2016. Preparation included increased awareness raising with Council members and officers. Extensive work was undertaken in 2016/17 to implement the act including training sessions and developing the Well-being assessment in partnership with PSB partners this was endorsed by Council and approved by the Public Service Board (PSB) in March 2017. Well-being and Future Generations continued to be a key theme and foundation through the reporting processes in 2018/19.

66 The Council is embracing the benefits of digital communications including social media use. It is also developing additional digital channels by introducing a Customer Services app, enabling people to interact and transact with the Council using mobile devices. The Council's website was further developed to make it easier to navigate and includes more transactional functions. Social media continued to thrive during 2018/19 through Twitter, Facebook and You Tube to raise awareness of forthcoming events, to provide live streaming of Cabinet, Council and other political meetings, to promote the activities and services provided and to show support and encouragement for community groups.

67 Enhancing the digital services with economic (effective and efficient processes aiding business interaction), environmental (less travel and print consumables) and social (digital customer centric services) continued to be a key aspect of improving services throughout 2018/19. Outcomes are measured via the Digital Programme Office Service plan and performance planning process.

68 To ensure the best use is made of resources and that taxpayers and service users receive excellent value for money, there are a number of mechanisms within the Council to support this. The option appraisals for the 21st Century Schools considered cost and quality to determine the best outcome for the service; budget mandates were in place to monitor and capture the savings assessments; the IT Board reviewed business cases for future IT investment.

69 Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year, and the budget management actions of Cabinet and senior officers are scrutinized by 4 of the Select committees quarterly. The budget monitoring reporting cycle periodically contains some output measures and unit cost data, so that economic comparison of costs with other Councils can be made. Previously the Council has compared very favourably to others.

70 The MTFP process for 2019/20 to 2022/23 was reviewed and approved by Cabinet in November 2018. The Capital Strategy Assessment 2018/19 and Draft Capital Budget Proposals 2019/20 to 2022/23 were taken to Cabinet in December 2018. Draft Revenue Budget Proposals 2019/20 also went to Cabinet in December 2018. Final Proposals went to Cabinet in February 2019. The budget was set in January 2018 by Council for 2018/19. Ongoing scrutiny of the Council's budget position in line with the MTFP has provided members with a greater understanding of the budget setting process and the pressures within individual directorates.

71 An authority-wide performance measurement system for the Council, the "data hub", hosted on the Council's intranet site continues to be used and further developed. This is available within 3 clicks of the homepage that opens up on all laptops and enables members and officers to track and monitor key data at any point in time from key strategic plans to directorate level "dashboards". This also allows performance to be compared against other council areas, where applicable. A Cabinet level dashboard contains a number of key performance measures and is discussed quarterly by SLT and Cabinet.

72 An Overview of Performance Management Arrangements was reported to Audit Committee in November 2018. This was an update on the current effectiveness of the Authority's performance management arrangements. It provides an appraisal of the arrangements that make up the performance framework to ensure that Audit Committee are able to take an overview of their effectiveness. Each arrangement has been scored based on the council's self evaluation framework; the key elements were all scored *adequate* or *good*, no measure was scored *weak* or *unsatisfactory*.

73 The Council utilises 'Buy For Wales' contracts to ensure value for money is obtained in procuring the many goods and services required to run the Council. A nationwide analysis found that MCC had the highest proportion of spend with SMEs of any local authority in the UK (Source:http://www.spendsmall.org/)

74 The Equality Impact Assessment and Sustainable Development checklist have been revised and combined to align with the Future Generations Act. The "Future Generations Evaluation " ensures the decisions the Council makes are carefully considered to take equality and sustainable development into account, this includes legislation that Monmouthshire County Council is subject to the Equality Act 2010, Wellbeing of Future Generations Act and Welsh Language (Wales) Measure 2011. A range of these were undertaken during 2018/19 which have been published on the website accompanying decision making reports.

75 The WAO reported on their follow on review of Good Governance when determining significant service changes, through Audit Committee in July 2017. They concluded that the Council has a clear strategic approach for significant changes, although, better information would help Members when deciding the future shape of the Council.

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

76 The Local Authority is a partner in the South East Wales Consortium Schools Causing Concern protocol. This Policy forms a part of, and is aligned with, the National Model for School Improvement in relation to the informal support and challenge provided by the Local Authority (LA) to a school prior to any issuing of a warning notice or invocation of formal powers of intervention based on the six grounds for intervention. It also aligns with the Welsh Government (WG) Guidance on Schools Causing Concern (March 2016).

77 Contract Procedure Rules exemptions are reported to the Audit Committee 6 monthly; managers have been challenged in year to justify their procurement outside the Council agreed procedures. Several managers were called in to Audit Committee to give an account of why accepted procedures were not followed.

78 Regular reporting into Cabinet, Scrutiny and Audit Committee enables the achievement of the Council's objectives to be challenged and appropriate action plans put in place to address any identified issues so that the intended outcomes can be achieved. The Improvement Objectives and Performance indicators – 2018/19 were taken through Select Committees six monthly. The Strategic Risk Assessment 2018 was also taken through Select Committee, Audit Committee and signed off by Cabinet during the year.

79 Dealing with customer complaints helps Monmouthshire to identify and deal with failures in service delivery. The Council's complaint / compliment procedure is available on the web site. Out of 87 complaints received in 2017/18, 74 were resolved informally although 1 complaint was referred to the Ombudsman, who decided not to investigate. 13 formal complaints were received, 2 of which were escalated. 123 comments were received along with 189 compliments.

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

80 The Council's recruitment procedures provide equality of employment opportunities. The equality-assessed pay structure meets the requirements of the Single Status Agreement of 1997. The Single Status Collective Agreement was approved by Cabinet in September 2010. This is complemented by the People Strategy, endorsed by Cabinet July 2018 having gone through scrutiny select consultation.

81 Developing the digital capabilities of people and systems to enable effectiveness, efficiency and enhanced customer services (measured via the Digital Programme SIP)

82 There is continued support for Members' development through briefing sessions and other learning opportunities. A comprehensive training programme was developed for the intake of new members following Council elections in May 2017 including:

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

83 There is also ongoing training and development which meets the needs of officers and members through the corporate programme. Coaching and leadership skills training will be rolled out to all managers in due course. Check in, Check Out provides a value-based performance assessment approach between staff and line managers and aims to ensure employees have clear and effective understanding of their contribution to the objectives of their teams and subsequently the Council.

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

85 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance.

Partnerships/collaboration working

86 There is Council policy on information sharing along with numerous information sharing protocols with our partners; this is included within the Data Protection Policy. Information sharing is key to joined-up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Monmouthshire signed up to this in January 2011. The Authority is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 1998 and more recently, the General Data Protection Regulation 2018. The Information Sharing protocol has been developed to ensure information is only shared appropriately, safely and compliantly.

87 The Council ensures that it has appropriate governance arrangements around its collaborations with other public agencies and other third parties. These can take a range of forms, from informal arrangements to those where governance arrangements are determined through legislation. The governance arrangements form a key part of the decision making processes that the Cabinet or Council follow when deciding to enter a collaborative arrangement, transparent local accountability is a key area of focus.

88 As a key example of our commitment to effective governance, arrangements have been developed for the PSB Select Committee.

89 A Partnership Audit was undertaken and reported into the Audit Committee in May 2014; 100 partnership / collaboration arrangements were identified. Governance arrangements have been put in place around all key partnerships the Council is involved with. Monmouthshire's Partnership Structure is now shown on The Hub and was reported through Strong Communities Select in April 2016.

90 The Community & Partnership Development Team was developed in order to help build sustainable and resilient communities that support the wellbeing of current and future generations in Monmouthshire which is a shared purpose with the public service board partners. The Team work with communities

and partners to help bring about social change and improve the quality of life in the county. The team act as enablers, unlocking potential and supporting sustainability through collective impact; providing a resource and tangible link between local communities and a wide range of partners; enabling the delivery of 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	• The Council complied with its responsibilities relating to financial reporting and use of resources • the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources • our work to date on certification of grant claims and returns had not identified any significant issues that would impact on the 2015-16 accounts or key financial systems.
May 2017 Wales Audit Office annual improvement plan audit	The Council has complied with its statutory improvement planning duties.
October 2017 Wales Audit Office annual assessment of performance audit	The Council has complied with its statutory improvement reporting duties.

96 The anti-fraud, bribery and corruption strategy was revised and updated during 2017/18. It was approved by Cabinet July 2017 and provides a deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention. The Council's Council Tax Reduction Anti-Fraud Policy was approved by Cabinet in June 2015. A training package is being developed to roll out to all managers and raise awareness of anti-fraud, bribery and corruption issues.

97 The Audit Committee considers the effectiveness of the Council's arrangements for securing continuous improvement including risk management arrangements. The Audit Committee also considers corporate governance, monitors the work of auditors and inspectors, and monitors the relationships between auditors and staff and the responses to audit and inspection recommendations. It also has responsibility for reviewing the Annual Statement of Accounts and its associated reports (which include this statement) before approval by Council. The Audit Committee has an independent, non-political, Chairman who prepares an annual report of the work of the Audit Committee.

98 Internal Audit operate to the standards set out in the 'Public Sector Internal Auditing Standards' which have been developed from the Institute of Internal Auditors (IIA) International Internal Auditing Standards which came into effect in April 2013. The team's role and status is set out in the Council's Internal Audit Charter. The Chief Internal Auditor reports to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's control environment.

99 The Chief Internal Auditor continues to ensure Internal Audit complies with the Public Sector Internal Audit Standards. A self assessment was undertaken during 2017/18 to assess compliance with the Standards which was validated in March 2018 by an external assessor, the Chief Internal Auditor of Neath Port Talbot Council. The outcome of which was that the Internal Audit team is generally complaint, 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 2019/20 2020/21	Medium Medium Medium	Low Low Low
2	Without appropriate and effective governance infrastructure the Council may not deliver its objectives.	2018/19 2019/20 2020/21	Medium Medium Low	Low Low Low
3	The Council and partners do not make sufficient progress to improve well-being through regional and partnership working.	2018/19 2019/20 2020/21	Medium Medium Medium	Medium 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 2019/20 2020/21	Medium Medium Medium	Low Low 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 2019/20 2020/21	Medium Medium High	Medium Medium 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 2019/20 2020/21	Medium Medium Medium	Medium Medium Low
7	Significant harm to vulnerable children or adults due to failure of safeguarding arrangements	2018/19 2019/20 2020/21	Medium Medium Medium	Medium 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 2019/20 2020/21	Medium Medium Medium	Medium 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 2019/20 2020/21	Medium Medium Medium	Medium 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 2019/20 2020/21	Medium Medium Medium	Medium 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 2019/20 2020/21	Medium Medium Medium	Medium 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 2019/20 2020/21	Medium Medium Medium	Medium Low 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 2019/20 2020/21	Medium High High	Medium Medium Low
11b	Insufficient ICT infrastructure and skills in the county have the potential to lead to social and economic disadvantages	2018/19 2019/20 2020/21	Medium Medium Medium	Medium 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 2019/20 2020/21	High High High	High 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 2019/20 2020/21	Medium Medium Medium	Medium Medium Medium

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

104 The South East Wales Education Achievement Service (EAS) Business Plan 2018-2020 was presented to Cabinet in March 2018. The plan sets out the priorities, programmes and outcomes to be achieved by the EAS on behalf of the South East Wales Consortium.

105 The updated People Strategy was endorsed by Cabinet in July 2018; this is the overarching framework for People and Organisational Development which supports its role in ensuring the organisation is equipped with the collective capacity, capability and mindset to meet financial and improvement challenges and respond to opportunities that present

106 The Council's first Commercial Strategy was endorsed by Cabinet in July 2018; The purpose of this report was to present for approval the Council's first Commercial Strategy and accompanying action plan. The strategy builds upon aspects of the Procurement, Digital and Asset Management Strategies and is a key means through which the Council can play a role in the self-determination of its future viability and sustainability.

107 In July 2018, the updated Digital Strategy was approved by Cabinet. MCC's first digital strategy, iCounty, was implemented in July 2014 and was based on three pillars of:

a) Improving internal services, data delivery and infrastructure
b) Digitally enabled, inclusive and connected communities
c) Creating products and commercial assets

108 There have been significant developments in technology in the last 4 years, and the experience, data and evidence we have collected from our customers about the way they wish to engage and transact with us has informed this new strategy. Our workforce needs to have the digital knowledge and skills to build in end to-end automated customer services and business processes. We need to reduce demand through self-service facilities and provision of accurate, relevant data and information that people can use with confidence to make decisions.

109 Also in July 2018, the Council's latest iteration of its Procurement Strategy was approved by Cabinet. The Strategy builds upon workshop sessions undertaken with the Economy and Development Select Committee and the aims, aspirations and priorities for procurement, identified throughout the participative process.

110 Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Audit Committee process before being endorsed by Council. All public meetings of the Council, including Council, Cabinet, Select, Audit Committee, Planning Committee are live streamed on YouTube and are available to view on the Council's YouTube channel at any time after the meeting, which provides greater transparency of the Council's business.

111 The Corporate Plan also aligns with the People, Asset Management, MTFP and SRS strategies as well as linking in with MCC's Service Plans.

112 The Audit Committee continues to support the Internal Audit team and endorses its annual report and plan. The plan details the work and service areas the team will cover based on a risk assessment in order to provide assurance on the adequacy of the internal controls, governance arrangements and risk management process.

113 The Whole Authority Report complaints, comments and compliments 2017/18 was presented to Audit Committee in January 2019 which identified the number and types of feedback received and dealt with from 1 April 2017 until 31 March 2018. The report also provided a summary of the number of Freedom of Information Act (FOI) requests received and dealt with by the Council during this period.

Information Governance

114 Monmouthshire County Council (MCC) worked through a "Dripping tap campaign" to raise awareness of and comply with the General Data Protection Regulation 25th May 2018- specifically following the "12 Steps to Compliance" as recommended by the Information Commissioner's Office (ICO). The Information Governance Group chaired by Senior Information Risk Officer (SIRO), meet regularly to ensure that MCC is on track. GDPR Operational Leads have been established, along with Digital Champions linking in with teams, individuals and volunteers to ensure compliance and messages are communicated. Elected Members are data controllers in their own right and must register with the ICO.

115 Activity undertaken included: workshops, conference, focus groups, drop-in sessions including legal and procurement advice, HUB articles, online Quiz (186+ participated) all staff emails and face to face training (450+staff to date). MCC has also produced a short video introducing the key principles of GDPR A-F (200+ views), signposting where to find further information about compliance, all staff had to watch before 25th May 2018. GDPR is now introduced at Corporate and local inductions, to become embedded as a culture.

116 To provide tools to do the job, MCC have a dedicated GDPR website (over 2k visits to date) with templates (e.g. for privacy notices), charts (e.g. for establishing individual rights) and general advice/ updates on the regulation. There are 24 open and transparent service plans published internally on specific work stream actions being undertaken in following the brackets: Data collection and use, retention and disposal, systems and technology, security, governance, training/ awareness and staff data.

117 To keep the public informed, MCC has now published its online privacy notices for relevant service areas. Services also where appropriate, pro-actively promote notices by way of email, newsletter, app notification, letter, printed display or web link. Privacy notices are to be reviewed by Services on a regular basis for accuracy along with other GDPR related documents (Such as Information Audit- "Systems List" and Data Protection Impact Assessments).

118 The Corporate GDPR Policy is on the public website for clarity. Related policies will be updated accordingly by relevant lead officers, so that they satisfy GDPR requirement. Links are in place to work with the South East Wales Information Forum (SWIF) on a regular basis to share best practice. Good housekeeping is encouraged as is continuous improvement to mitigating against the risk of harm to individuals, although it is recognised further work is required to back date data cleansing tasks which require considerable capacity.

Main areas for Improvement

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

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

Action Plan 2017/18

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

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

Monitoring & Evaluation

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

Signed: **2019**
Leader

Signed: **2019**
Chief Executive

Appendix 1

Progress against 2017/18 AGS Action Plan

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

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

Appendix 2

Action Plan 2018/19

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

Governance Principle	Area for Improvement	Progress
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;	
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	The Code of Corporate Governance was last approved by Council in July 2011. This will need to be updated and approved in line with Delivering Good Governance in Local Government Framework 2016'	
Principle F: Managing risks and performance through robust internal control and strong public financial management	The Council will work through the WAO Proposals for improvement in the following areas: ▪ Scrutiny: Fit for the Future? ▪ Review of Asset Management ▪ Information Management ▪ Whole Authority review of children's safeguarding	

4 The independent auditor's report of the Auditor General for Wales to the members of Monmouthshire County Council

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Monmouthshire County Council for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

Monmouthshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

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 council 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 use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later 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.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with guidance.

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Council'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

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. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
13 September 2019

24 Cathedral Road
Cardiff
CF11 9LJ

Movement In Reserves Statement for the Year Ended 31st March 2019

	Note	Council Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Joint Arrangement - CCRCD	Total Reserves (Restated - See Note 16.6) £000
Balance at 1st April 2017		7,380	7,804	19,152	34,336	(16,660)	14	17,690
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure		(17,210)	-	-	(17,210)	15,117	1,568	(524)
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	1,568	(524)
Transfers to/(from) Earmarked Reserves	10.4	430	(430)		-			-
Increase/(Decrease) in 2017/18		(95)	(430)	(15,598)	(16,122)	14,030	1,568	(524)
Balance at 31st March 2018 carried forward		7,286	7,374	3,554	18,214	(2,630)	1,582	17,166
Movement in reserves during 2018/19								
Total Comprehensive Income and Expenditure		(12,875)	-	-	(12,875)	(42,280)	911	(54,244)
Adjustments between accounting basis & funding basis under regulations	10.2	11,706	-	1,027	12,733	(12,733)		(0)
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(1,169)	-	1,027	(142)	(55,013)	911	(54,244)
Transfers to/(from) Earmarked Reserves	10.4	761	(761)	-	-	-	-	0
Increase/(Decrease) in 2018/19		(408)	(761)	1,027	(142)	(55,013)	911	(54,244)
Balance at 31st March 2019 carried forward		6,878	6,613	4,582	18,072	(57,643)	2,493	(37,077)

Page 63

Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2019

2017/18					2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(Restated - See footnote 1 below & note 16.6)							
68,843	(10,715)	58,127	Children & Young People		72,914	(10,963)	61,951
63,297	(16,174)	47,123	Social Care & Health		65,623	(16,231)	49,392
19,301	(4,141)	15,160	Enterprise		58,005	(23,534)	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
77	(178)	(102)	Cardiff Capital Region City Deal (CCRCD)	16.6	77	(259)	(182)
237,421	**(75,670)**	**161,751**	**Cost of Services**	11.1	**243,451**	**(73,893)**	**169,557**
			Other operating expenditure:				
			Precepts & Levies:				
10,421	0	10,421	Gwent Police Authority		10,960	0	10,960
4,301	0	4,301	South Wales Fire & Rescue Authority		4,351	0	4,351
2,480	0	2,480	Community and Town Councils		2,676	0	2,676
106	0	106	National Parks		100	0	100
94	0	94	Internal Drainage Boards		94	0	94
1,263	(722)	541	Gains/losses on the disposal of non-current assets		115	(593)	(478)
		17,941	**Total Other operating expenditure**				**17,703**
15,622	(6,039)	9,583	Financing and investment income and expenditure	11.3	28,547	(22,894)	5,653
			Taxation & non-specific grant income:				
0	(67,051)	(67,051)	Council Tax	11.5	0	(70,741)	(70,741)
0	(30,419)	(30,419)	Non-domestic rates redistribution	11.5	0	(30,177)	(30,177)
0	(74,698)	(74,698)	General government grants	11.6	0	(79,309)	(79,309)
0	(1,487)	(1,487)	Recognised Capital Grants & Contributions: CCRCD		0	(756)	(756)
22	0	22	Tax Expenses: CCRCD		34		34
		15,642	**(Surplus) or Deficit on Provision of Services**				**11,964**
			Other Comprehensive Income and Expenditure:				
		(886)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	12.1			5,857
		0	Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income				(46)
		(14,231)	(Gains)/losses on remeasurement of pension assets / liabilities	14.3			36,469
		(15,117)	**Total Other Comprehensive Income and Expenditure**				**42,280**
		524	**Total Comprehensive Income and Expenditure**				**54,244**

Footnote 1 - New code requirements for 2018/19 explicitly prohibits transactions between segments from being presented in the Comprehensive Income and Expenditure Statement. To ensure meaningful comparability with prior year figures, the 2017/18 Income & Expenditure amounts within the Cost of services section have been restated to ensure any such transactions are extinguished. There is no impact on total net expenditure.

Balance Sheet as at 31st March 2019

31st March 2018 £000s (Restated - See note 16.6)		Note	31st March 2019 £000s
204,599	Other land and buildings	12.1	238,607
5,245	Vehicles, plant, furniture and equipment	12.1	10,403
62,663	Infrastructure	12.1	66,086
4,235	Community assets	12.1	4,319
34,366	Assets under construction	12.1	3,019
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
3,265	Long Term Debtors	13.5	5,847
365,608	**Long term assets**		**398,258**
10,038	Short Term Investments	13.1	11,101
242	Inventories		430
21,950	Short Term Debtors	13.5	26,693
8,902	Cash and Cash Equivalents	15.3	13,362
1,450	Assets Held for Sale	12.6	2,100
42,582	**Current Assets**		**53,686**
(774)	Cash and Cash Equivalents	15.3	(103)
(54,958)	Short Term Borrowing	13.1	(73,588)
(32,148)	Short Term Creditors	13.6	(27,811)
(3,987)	Provisions	13.7	(3,560)
(91,867)	**Current Liabilities**		**(105,063)**
(217,645)	Liability related to defined benefit pension scheme	10.9	(268,213)
(407)	Provisions	13.7	(591)
(74,912)	Long Term Borrowing	13.1	(105,810)
(1,246)	Long Term Creditors: CCRCD		(1,870)
(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)
(299,156)	**Long Term Liabilities**		**(383,958)**
17,166	**Net Assets**		**(37,077)**
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
95	Usable Reserves: CCRCD		250
18,309	**Usable Reserves**		**18,322**
46,299	Revaluation Reserve	10.7	38,948
(217,645)	Pensions Reserve	10.9	(268,213)
170,061	Capital Adjustment Account	10.8	166,977
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)
1,487	Unusable Reserves: CCRCD		2,243
(1,143)	**Unusable Reserves**		**(55,400)**
17,166	**Total Reserves**		**(37,077)**

Cash Flow Statement for the Year Ended 31st March 2019

31st March 2018 £000 (Restated - See note 16.6)		Note	31st March 2019 £000
15,642	Net (surplus) or deficit on the provision of services	15.1	11,964
(30,838)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	15.1	(36,426)
4,787	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15.1	18,933
(10,408)	**Net cash flows from Operating Activities**	15.1	(5,529)
45,801	Purchase of property, plant and equipment, investment property and intangible assets		70,287
12,038	Purchase of short-term and long-term investments		11,096
1,703	Other payments for investing activities		0
(1,727)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,321)
(3,058)	Proceeds from short-term and long-term investments		(4,871)
(6,352)	Other receipts from investing activities		(17,295)
48,405	**Net Cash (Inflow)/Outflow from Investing Activities**		49,895
	Financing Activities		
923	Repayments of short and long-term borrowing		2,065
31	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		32
(40,570)	Cash receipts of short and long-term borrowing		(51,592)
0	Other receipts from financing activities		0
(39,615)	**Net Cash (Inflow)/Outflow from Financing Activities**		(49,496)
(1,618)	**Net (increase) / decrease in cash and cash equivalents**		(5,130)
6,510	Cash and cash equivalents at the beginning of the reporting period		8,128
8,128	**Cash and cash equivalents at the end of the reporting period**	15.3	**13,258**

Page 66

Notes to the Accounts

for the Year Ended

31st March 2019

10 MOVEMENT IN RESERVES STATEMENT NOTES

10.1 Movement in Reserves

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

	Note	Balance at 1st April 2017 £000	Movement in Reserve £000	Balance at 31st March 2018 £000	Movement in Reserve £000	Balance at 31st March 2019 £000
Usable Reserves:						
Council Fund balance: Authority	10.3	7,111	(1)	7,110	0	7,111
Council Fund balance: LMS School Balances	10.5	269	(94)	175	(408)	(232)
Earmarked reserves	10.4	7,804	(430)	7,374	(761)	6,613
Capital Receipts Reserve	10.6	19,152	(15,598)	3,554	1,027	4,582
Usable Reserves: CCRCD		14	81	95	155	250
Total Usable Reserves		**34,350**	**(16,041)**	**18,309**	**13**	**18,322**
Unusable Reserves:						
Revaluation Reserve	10.7	48,771	(2,472)	46,299	(7,351)	38,948
Capital Adjustment Account	10.8	151,889	18,172	170,061	(3,084)	166,977
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	10.11	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)
Unusable Reserves: CCRCD		0	1,487	1,487	756	2,243
Total Unusable Reserves		**(16,659)**	**15,517**	**(1,143)**	**(54,257)**	**(55,400)**
Total Authority Reserves		**17,690**	**(524)**	**17,165**	**(54,244)**	**(37,077)**

10.2 Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

Movements in 2018/19:	Council Fund Balance £000	Usable Reserves £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of Property, Plant and Equipment assets	7,617	-	(7,617)
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
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)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment (MRP)	(4,421)	-	4,421
Capital expenditure charged against the Council Fund	(281)	-	281
Adjustments involving the Capital Receipts Reserve:			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(14,706)	9,537	5,168
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(8,510)	8,510
Adjustments involving the Financial Instruments Adjustment Account:			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(113)	-	113
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the CIES	26,143	-	(26,143)
Employer’s pensions contributions and direct payments to pensioners payable in the year	(12,044)	-	12,044
Adjustment involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(662)	-	662
Adjustment between the Capital Adjustment Account and the Revaluation Reserve:			
Depreciation of non-current asset revaluation gains	-	-	-
Total adjustments between accounting basis & funding basis under regulations	**11,706**	**1,027**	**(12,733)**

Movements in 2017/18:	**Council Fund Balance £000**	**Usable Reserves £000**	**Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of Property, Plant and Equipment assets	13,691	-	(13,691)
Charges for impairment of Heritage Assets	25	-	(25)
Revaluation movements on Heritage Assets	251	-	(251)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	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)

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment (MRP)	(3,895)	0	3,895
Capital expenditure charged against the Council Fund	(264)	-	264
Adjustments involving the Capital Receipts Reserve:			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(727)	1,727	(1,000)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(17,324)	17,324
Adjustments involving the Financial Instruments Adjustment Account:			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(95)	-	95
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the CIES	25,568	-	(25,568)
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,928)	-	10,928
Adjustment involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	356	-	(356)
Adjustment between the Capital Adjustment Account and the Revaluation Reserve:			
Depreciation of non-current asset revaluation gains	-	-	-
Total adjustments between accounting basis & funding basis under regulations	**16,685**	**(15,598)**	**(1,088)**

10.3 Usable Reserves available for Revenue Purposes

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

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

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

10.4 Transfers to/from Earmarked Reserves

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

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

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

	At 1st April 2017 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2018 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2019 £000
Invest to Redesign	**961**	567	(225)	**1,302**	68	(288)	**1,083**
Priority Investment	**1,000**	155	(468)	**687**		(282)	**405**
Insurance and risk management	**1,083**		(37)	**1,046**		(28)	**1,019**
IT Transformation	**728**	55	(48)	**735**		(256)	**479**
Treasury equalisation	**990**			**990**			**990**
Capital Investment	**776**		(127)	**648**		(5)	**643**
Redundancy and Pensions	**795**		(298)	**497**		(164)	**333**
Capital Receipt Generation	**348**	70	(70)	**347**	50	(118)	**279**
Other reserves							
Elections	**133**	25	(100)	**58**	25		**83**
Museums acquisition	**57**		(1)	**56**		(3)	**53**
Solar Farm Maintenance & Community Fund	**0**	23		**23**	18		**41**
Castlegate	**0**			**0**	80		**80**
Newport Leisure Park	**0**			**0**	62		**62**
Service Reserves:							
Local Resilience Forum	**0**			**0**	115		**115**
Grass Routes Buses	**184**		(38)	**146**	5		**151**
Schools sickness & maternity cover	**94**		(93)	**1**	136		**136**
Trading Accounts:							
Youth Offending Team	**274**		(25)	**249**		(99)	**150**
Outdoor education centres	**190**		(61)	**129**		(129)	**0**
Building Control	**25**		(4)	**22**		(8)	**14**
Rural Development Plan	**86**	191		**278**	136		**413**
Highways Plant & Equipment Replacement	**75**	75		**150**		(116)	**34**
Homeless Prevention	**5**	5		**10**	40		**50**
Total	**7,804**	**1,166**	**(1,596)**	**7,374**	**734**	**(1,495)**	**6,613**

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

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

Capital Investment Reserve - To finance future capital expenditure.

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

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

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

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

Capital Receipt Generation Reserve - Securing capital receipts is a vital element of the Authority's capital investment strategy. Improving the final disposal value by investment, either in the fabric of the asset or by proper disposal expertise ensures the Council obtains the best possible value for surplus assets.
Current accounting regulations are such that investing in disposal must be taken against the revenue account and these costs cannot be fully offset against the ultimate capital receipt. The reserve has been established to finance such expenditure.

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

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

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

10.5 School Balances

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

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

Llanvihangel Crucorney	(3,117)	3,628	511	33,830	34,342
Magor Vol Aided	35,179	(54,406)	(19,226)	(35,424)	(54,651)
New Pembroke Primary	8,826	(8,645)	181	(13,420)	(13,239)
Osbaston Church in Wales	18,570	(17,935)	635	(629)	6
Our Lady's & St Michael's Catholic Primary	45,505	(52,589)	(7,085)	(7,086)	(14,170)
Overmonnow	3,959	24,430	28,389	(46,862)	(18,473)
Raglan	(111,977)	(35,766)	(147,743)	39,292	(108,452)
Rogiet	34,184	(8,039)	26,145	(6,130)	20,014
Shirenewton	87,369	31,230	118,600	13,494	132,093
St Mary's (Chepstow)	(13,192)	19,247	6,055	(69,648)	(63,592)
The Dell	46,094	(23,929)	22,165	(5,776)	16,389
Thornwell	(20,534)	10,969	(9,566)	(44,157)	(53,722)
Trellech	85,762	1,888	87,650	(15,667)	71,983
Undy	(50,037)	21,816	(28,221)	(101,313)	(129,534)
Usk CV	56,108	6,812	62,920	(53,009)	9,910
Ysgol Gymraeg Y Fenni	48,966	9,999	58,965	(7,659)	51,306
Ysgol Gymraeg Ffin	(67,410)	29,794	(37,617)	4,637	(32,980)
Sub Total Primaries	632,122	48,327	680,449	(438,537)	241,912
Other					
Mounton House	(142,417)	108,833	(33,584)	175,089	141,505
Pupil Referral Unit	66,340	(9,389)	56,952	(37,299)	19,653
Sub Total Other	(76,077)	99,444	23,367	137,790	161,158
Total	**268,786**	(93,561)	**175,225**	(407,629)	**(232,404)**

10.6 Capital Receipts Reserve

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

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

10.7 Revaluation Reserve

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

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

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

2017/18 £000		2018/19 £000
48,771	Balance at 1 April	46,299
1,876	Upward revaluation of assets	1,288
(989)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(7,145)
(3,300)	Difference between fair value depreciation and historical cost depreciation	(1,494)
(58)	Accumulated gains on assets sold or scrapped	0
46,299	**Balance at 31 March**	**38,948**

10.8 Capital Adjustment Account

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

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

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

2017/18 £000		2018/19 £000
151,889	Balance at 1 April	170,061
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(13,691)	Charges for depreciation and impairment of property, plant and equipment assets	(7,617)
(251)	Revaluation movements on heritage assets	0
(25)	Charges for impairment of heritage assets	0
(1,185)	Revaluation movements on Property, Plant and Equipment	(12,830)
(50)	Revaluation movements on Assets Held for Sale	(62)
(160)	Amortisation & impairment of intangible assets	(159)
(1,703)	Revenue expenditure funded from capital under statute	(1,479)
(883)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(10,334)
3,300	Adjusting amounts written out of the Revaluation Reserve	1,494
	Capital financing applied in the year:	
17,324	Use of the Capital Receipts Reserve to finance new capital expenditure	8,510
13,318	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	16,218
3,895	Statutory provision for the financing of capital investment charged against the Council Fund	4,421
264	Capital expenditure charged against the Council Fund	281
(1,982)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,525)
170,061	**Balance at 31 March**	**166,977**

10.9 Pensions Reserve

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

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

10.10 Accumulated Absences Account

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

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

10.11 Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of Land 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.

The balance at the 31st March 2019 is made up of £2,906,000 relating to the Old Abergavenny cattle market site disposed of under a finance lease and £5,262,000 relating to the phased receipts agreed for the disposal of land at Crick Road.

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

11 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

11.1 Expenditure and Funding Analysis

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

2017/18				2018/19		
Net Expenditure Chargeable to the general fund £000	Adjustments between the Funding & Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to the general fund £000	Adjustments between the Funding & Accounting Basis £000	Net Expenditure in the CIES £000
49,853	8,274	58,127	Children & Young People	50,674	11,277	61,951
43,862	3,261	47,123	Social Care & Health	46,269	3,123	49,392
10,150	5,009	15,159	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
0	(102)	(102)	Cardiff Capital Region City Deal (CCRCD)	0	(182)	(182)
146,232	**15,519**	**161,751**	**Cost of Services**	**150,391**	**19,166**	**169,558**
(146,233)	**124**	**(146,109)**	**Other Income & Expenditure**	**(150,391)**	**(7,202)**	**(157,593)**
0	**15,643**	**15,642**	**Surplus or Deficit**	**0**	**11,964**	**11,964**
(7,111)			Opening General Fund Balance	(7,111)		
0			Surplus or Deficit on General Fund	0		
(7,111)			**Closing General Fund Balance**	**(7,111)**		

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

2017/18 (Restated)					2018/19			
Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000		Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000
7,307	1,776	(808)	8,274	Children & Young People	11,093	1,620	(1,436)	11,277
1,298	2,816	(853)	3,261	Social Care & Health	1,190	2,744	(811)	3,123
2,626	1,804	579	5,009	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)
0	0	(102)	(102)	Cardiff Capital Region City Deal (CCRCD)	0	0	(182)	(182)
17,012	**8,882**	**(10,374)**	**15,519**	**Cost of Services**	**22,133**	**8,118**	**(11,085)**	**19,166**
(16,820)	**5,759**	**11,184**	**124**	**Other Income & Expenditure**	**(21,189)**	**5,981**	**8,006**	**(7,202)**
192	**14,641**	**810**	**15,643**	**Adjustments between the Funding & Accounting Basis**	**944**	**14,099**	**(3,079)**	**11,964**

11.2 Expenditure & Income analysed by nature

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

2017/18 £000 (Restated)		2018/19 £000
119,564	Employee benefits expenses	121,415
107,624	Other services expenses	108,904
22,922	Depreciation, amortisation and impairment	28,093
17,401	Precepts & levies	18,071
2,968	Interest payments	3,524
1,250	Gain/loss on disposal of non-current assets	10,320
271,728	**Total Expenditure**	**290,327**
(40,214)	Fees, charges & other service income	(43,222)
(180)	Interest and investment income	(268)
(97,401)	Income from council tax & NNDR	(100,864)
(117,569)	External grants and contributions	(119,317)
(722)	Gain/loss on disposal of non-current assets	(14,691)
(256,086)	**Total Income**	**(278,363)**
15,642	**Surplus or Deficit on the Provision of Services**	**11,964**

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					31st March 2019		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,967	(12)	2,955	Interest payable and similar charges	13.2	3,523	-	3,523
5,759	-	5,759	Pensions interest cost and expected return on pensions assets	14.3	5,981	-	5,981
-	(133)	(133)	Interest receivable and similar income	13.2	-	(228)	(228)
-	(1)	(1)	Interest receivable and similar income: CCRCD share		-	(7)	(7)
4,384	(3,293)	1,091	Income and expenditure in relation to investment properties and changes in their fair value		16,758	(20,289)	(3,531)
2,512	(2,574)	(62)	(Surpluses)/deficits on trading undertakings not included in the Net Cost of Services	11.4	2,283	(2,355)	(72)
0	(24)	(24)	Other investment income		-	(14)	(14)
15,622	**(6,038)**	**9,584**	**Total Financing and Investment Income and Expenditure**		**28,546**	**(22,893)**	**5,653**

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 (Restated)			Trading Unit	2018/19		
£000 Expenditure	£000 Turnover	£000 (Surplus) / Deficit		£000 Expenditure	£000 Turnover	£000 (Surplus) / Deficit
1,196	(1,227)	(31)	Grounds Maintenance	901	(946)	(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)
2,512	**(2,574)**	**(62)**	**Total**	**2,283**	**(2,355)**	**(72)**

11.5 Council Tax & National Non-Domestic Rates

Council Tax

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

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

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

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

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

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

National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate, 0.514p per £ in 2018/19 (0.499p per £ in 2017/18) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The NNDR income after relief and provisions of £24,653,304 (£22,807,429 for 2017/18) was based on an average rateable value of £62,145,272 (£61,374,717 for 2017/18).

The Council acts as an agent on behalf of Welsh Government in respect of NNDR and is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Assembly Government. A net debtor of £11,075 at 31st March 2019 (£1,058,315 at 31st March 2018) is included in the balance sheet (and Note 13.5), which represents the amount by which the cash paid over to Welsh Government exceeds the amount collected from ratepayers.

11.6 Grant Income

Capital Grants and Contributions

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

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

Capital Grants and Contributions Received in Advance

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

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

Revenue Grants and Contributions

The Authority credited the following revenue grants and contributions to the Comprehensive Income and Expenditure Statement:

2017/18 £000		2018/19 £000
	Revenue Grants credited to services	
	Central Government:	
20,959	Housing Benefit Subsidy	20,168
	Welsh Assembly Government:	
3,002	Sixth Form Funding (DCELLS)	3,109
4,219	SEG / WEG (PDG) SIG	3,875
2,039	Supporting People	2,053
1,979	Waste Management	1,104
530	Flying Start Grant	1,146
1,182	Concessionary Fares (PTSG)	673
709	Families First	679
647	Rural Development Plan	494
4,488	Other WAG grants	4,266
	Home Office:	
137	Afghan / Syrian Relocation Programme (Main Project)	106
53	Police and Crime Commissioner	118
2,038	***Other Grants & Contributions***	2,040
41,982	**Total Revenue Grants credited to services**	**39,830**
	Non-Specific Grant Income	
30,419	Non-Domestic Rates	30,177
61,380	Revenue Support Grant	63,091
91,799	**Total Non-Specific Grant Income**	**93,268**

12 NON-CURRENT ASSET & CAPITAL FINANCING NOTES

12.1 In-Year Movements in Property, Plant and Equipment

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

Movements in 2018/19:	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
Cost or Valuation:								
At 1st April 2018	217,288	14,607	88,699	4,235	910	34,366	360,105	1,411
Additions	4,472	6,345	5,482	84	-	21,002	37,385	-
Revaluation movements taken to Revaluation Reserve	(10,612)	-	-	0	-	-	(10,612)	(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	3,307	-	(181)	-	0	-	3,126	-
Reclassified (to)/from Held for Sale	0	(319)	-	-	(800)	-	(1,119)	-
Disposals			(2,190)				(2,190)	
Other reclassifications	52,575	-	20	-	0	(52,349)	246	-
At 31st March 2019	**250,654**	**20,632**	**91,831**	**4,319**	**110**	**3,019**	**370,564**	**1,378**
Accumulated Depreciation:								
At 1st April 2018	(12,689)	(9,361)	(26,038)	-	-	-	(48,088)	(37)
Depreciation charge	(7,658)	(1,187)	(1,898)	-	-	-	(10,744)	(54)
Depreciation written out on revaluation to Revaluation Reserve	4,755	-	-	-	0	-	4,755	47
Depreciation written out on revaluation to Surplus/Deficit on Provision of Services	3,546	-	-	-	0	-	3,546	-
Depreciation written out on impairment to Surplus/Deficit on Provision of Services	0	-	-	-	-	-	0	-
Reclassified to/(from) Held for Sale	-	319	-	-	-	-	319	-
Disposals			2,190				2,190	
Other reclassifications	-	-	-	-	0	-	0	-
At 31st March 2019	**(12,046)**	**(10,229)**	**(25,746)**	**0**	**0**	**0**	**(48,022)**	**(44)**
Net Book Value:	**238,608**	**10,403**	**66,085**	**4,319**	**110**	**3,019**	**322,543**	**1,334**

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

Cost or Valuation:								
At 1st April 2018	180,177	14,028	85,891	4,021	360	40,724	**325,201**	1,310
Additions	14,690	1,685	5,004	58	-	23,579	**45,016**	-
Revaluation movements taken to Revaluation Reserve	812	(0)	-	(8)	(372)	-	**432**	101
Revaluation movements taken to Surplus/Deficit on Provision of Services	(2,557)	-	-	-	(277)	0	**(2,835)**	-
Impairment movements taken to Surplus/Deficit on Provision of Services	(546)	-	(2,230)	-	0	-	**(2,776)**	-
Reclassified (to)/from Held for Sale	18	(1,107)	-	0	1,200	-	**112**	-
Other reclassifications	24,694	-	35	164	0	(29,937)	**(5,045)**	-
At 31st March 2018	**217,287**	**14,606**	**88,700**	**4,235**	**911**	**34,366**	**360,105**	**1,411**
Accumulated Depreciation:								
At 1st April 2018	(6,629)	(9,242)	(24,474)	-	-	-	**(40,345)**	(139)
Depreciation charge	(8,164)	(1,188)	(1,564)	-	-	-	**(10,915)**	(54)
Depreciation written out on revaluation to Revaluation Reserve	446	-	-	8	0	-	**455**	157
Depreciation written out on revaluation to Surplus/Deficit on Provision of Services	1,650	-	-	-	0	-	**1,650**	-
Depreciation written out on impairment to Surplus/Deficit on Provision of Services	0	-	-	-	-	-	**0**	-
Reclassified to/(from) Held for Sale	-	1,068	-	-	-	-	**1,068**	-
Other reclassifications	8	-	-	(8)	0	-	**0**	-
At 31st March 2018	**(12,689)**	**(9,361)**	**(26,037)**	**-**	**-**	**-**	**(48,087)**	**(36)**
Net Book Value:	**204,599**	**5,245**	**62,663**	**4,235**	**911**	**34,366**	**312,018**	**1,375**

12.2 Revaluations of Property, Plant & Equipment

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

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

- The 2018/19 revaluations were carried out or approved by qualified valuers within the Authority's Estates section or external qualified valuers. The basis for valuation is set out in the accounting policies within section 17 of the notes to the accounts.
- All assets requiring valuations have been revalued in the 5 year period ending 31st March 2019. The valuations carried out during 2018/19 primarily include Primary Schools, Recreational Spaces, 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	-	3,019	**83,987**
Valued at current value as at:							
31st March 2019	44,526	-	-	-	-	-	**44,526**
31st March 2018	58,200	-	-	-	110	-	**58,310**
31st March 2017	65,310	-	-	-	-	-	**65,310**
31st March 2016	68,613	-	-	-	-	-	**68,613**
31st March 2015	1,797	-	-	-	-	-	**1,797**
Total Cost or Valuation	**238,607**	**10,403**	**66,086**	**4,319**	**110**	**3,019**	**322,543**

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 dioscese 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/aquired recently. The resultant boost to the Authority's net income is shown below.

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

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

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

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

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

Fair Value Hierarchy

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

2017/18					2018/19			
Quoted Prices in active markets for identical assets	Other Observable inputs	Significant Unobservable inputs		Type of Property	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	28,796
0	**37,008**	**8,145**	**45,153**		**0**	**26,351**	**38,331**	**64,682**

There have been no transfers between levels during the year.

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

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

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

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

Level 3 Investment Properties

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

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

Fair Value Measurement

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

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

12.6 Assets Held for Sale

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

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

12.7 Heritage Assets

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

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

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

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

Property Heritage Assets

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

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

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

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

Museum Exhibits

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

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

Civic Regalia, Artwork & Collections

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

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

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

12.8 Capital Expenditure and Capital Financing

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

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

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

12.9 Capital Commitments

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

12.10 Financing Capital Expenditure

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

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

12.11 Minimum Revenue Provision

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

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

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

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

12.12 Leases - Authority as Lessor

Operating Leases

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

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

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

2017/18 £000		2018/19 £000
533	Not later than one year	2,593
1,022	Later than one year and not later than five years	7,887
2,404	Later than five years	14,644
3,959		**25,123**

Finance Leases

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

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

2017/18			2018/19	
Present Value of Minimum Lease Payments to	Gross Amount outstanding from Lessee		Present Value of Minimum Lease Payments to the Authority	Gross Amount outstanding from Lessee
£000			£000	
157	160	Not later than one year	96	160
593	640	Later than one year and not later than five years	406	480
2,193	3,040	Later than five years	2,347	3,040
2,943	**3,840**		**2,849**	**3,680**

The present value of the minimum lease payments has been reduced during 2018/19 by the £160,000 receivable in year, offset by finance lease interest receivable.

12.13 Leases - Authority as Lessee

Operating Leases

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

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

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

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

13 FINANCIAL INSTRUMENTS, CURRENT ASSETS & LIABILITIES NOTES

13.1 Categories of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

		Investments at fair value through other comprehensive income:			
		Equity Investments elected FVOCI			2,059
		Investments at fair value through profit & loss:			
		Unquoted equity investments	13.4	60	0
40	**10,038**	**Total Investments**		**60**	**11,101**
		Cash & Cash Equivalents at amortised cost:			
	7,359	Principal	15.3		11,298
	(5)	Accrued Interest			16
0	**7,354**	**Total Cash & Cash Equivalents**		**0**	**11,313**
		At amortised cost:			
126	21,950	Trade Receivables		2,876	13,015
0		Loss allowance			(745)
2,928		Lease Receivables		2,753	96
211		Loans made for service purposes		218	(0)
3,265	**21,950**	**Included in Debtors**	**13.5**	**5,847**	**12,366**
3,305	**39,342**	**Total Financial Assets**		**5,907**	**34,781**
	1,691	**Current assets which are not Financial Instruments**			2,530
		Debtors which are not Financial Instruments	13.5		14,327
3,305	**41,033**	**Total**		**5,907**	**51,638**

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

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

		Financial Liabilities			
		Loans at amortised Cost:			
(74,883)	(54,063)	Principal sum borrowed		(105,781)	(72,557)
0	(895)	Accrued Interest		0	(1,030)
(29)	(1)	EIR adjustments		(28)	(1)
(74,912)	**(54,958)**	**Total Borrowings**	**13.4**	**(105,810)**	**(73,588)**
		Loans at amortised Cost:			
0	(774)	Cash & cash equivalents	15.3	0	(103)
0	**(774)**	**Total Cash & Cash Equivalents**		**0**	**(103)**
		Liabilities at amortised Cost:			
(771)	0	PFI and finance lease liabilities		(739)	0
(974)	0	Other Long Term Liabilities		(1,611)	0
(1,745)	**0**	**Total Other Long Term Liabilities**		**(2,349)**	**0**
		Liabilities at amortised Cost:			
0	(32,149)	Trade Payables		0	(7,402)
0	**(32,149)**	**Included in Short Term Creditors**	**13.6**	**0**	**(7,402)**
(76,657)	**(87,881)**	**Total Financial Liabilities**		**(108,159)**	**(81,093)**
0	0	Short term creditors which are not Financial Instruments	13.6	0	(20,409)
(221,232)	(3,987)	Current & long term liabilities which are not Financial Instruments:		(273,873)	(3,562)
(297,889)	**(91,867)**	**Total Balance Sheet Liabilities**		**(382,033)**	**(105,064)**

		Equity instruments elected to fair value through OCI			

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

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

13.2 Financial Instruments - Income, Expense, Gains and Losses

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

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

2,822	**Net (gain)/loss for the year**	3,249

13.3 Fair Values of Financial Instruments

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

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

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

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

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

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

Financial liabilities

Balance Sheet 31st March 2018 £000	Fair Value 31st March 2018 £000		Balance sheet position	Fair Value Level	Balance Sheet 31st March 2019 £000	Fair Value 31st March 2019 £000
		Financial liabilities held at amortised cost:				
(129,870)	(150,098)	Borrowings	Borrowing (ST & LT)	**2**	(179,398)	(200,648)
(1,745)	(1,745)	PFI and finance lease liabilities *	Other LT Borrowing	**3**	(739)	(748)
(131,616)	**(151,843)**	**Subtotal**			**(180,137)**	**(201,396)**
		Financial liabilities held at amortised costs for which fair value is not disclosed:				
(774)		Cash & Cash equivalent	C & C E		(103)	
(31,981)		Trade payables	Short term creditors		(7,258)	

0		Net agency creditor and lease deposits	Other LT Borrowing		(1,611)	
(164,370)		**Total financial liabilities**			**(189,110)**	

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

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

Financial Assets

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

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

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

13.4 Nature and Extent of Risks arising from Financial Instruments

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

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

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

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

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

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

a) Credit Risk

Treasury Investments

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

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

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

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

0	0	Bank	Term Deposit	A+	United Kingdom	0	2,000
0	**10,038**					**0**	**9,000**
		Credit risk Not applicable *					
0	0	Pooled funds			United Kingdom	0	2,059
40	0	Unquoted Equity			United Kingdom	60	0
40	**10,038**	**Total Investments**				**60**	**11,059**

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

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

Trade & Lease receivables and Contract assets

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

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

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

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

Loans, Financial Guarantees and Loan Commitments

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

b) Liquidity Risk

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

The maturity analysis of financial instruments is as follows:

31st March 2018				31st March 2019		
£000	£000	£000		£000	£000	£000
Borrowings	Investments	Net		Borrowings	Investments	Net
		The Loans Mature as follows:-				
0	0	0	No defined maturity	0	(2,119)	(2,119)
54,958	(10,078)	44,881	Less than one year	73,588	(9,042)	64,546
2,271	0	2,271	Between one and two years	20,504	0	20,504
29,563	0	29,563	Between two and five years	16,290	0	16,290
10,273	0	10,273	Between five and ten years	10,604	0	10,604
4,461	0	4,461	Between ten and twenty years	12,571	0	12,571
28,344	0	28,344	More than twenty years	45,842	0	45,842
129,870	**(10,078)**	**119,793**	**Total**	**179,398**	**(11,161)**	**168,237**

The Counterparty analysis of Borrowing is shown below:

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

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

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

c) Market Risk

i) Interest rate risk

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

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

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

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

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

The interest payable and interest receivable during 2019/20, on borrowings and investments held at the 31st March 2019, with all other variables held constant, would increase / (decrease), if interest rates were 1% higher. The most significant impact would relate to variable rate and short term loans & investments, with long term instruments not being affected:

31st March 2018 £000	Effect of a 1% increase in interest rates	31st March 2019 £000
0	Increase in interest payable on borrowings	685
0	Increase in interest receivable on investments	(76)
0	Decrease in fair value of investments held at FVP&L	0
0	**Impact on Surplus or Deficit on the Provision of Services**	**609**
(9,093)	Decrease in fair value of fixed rate borrowing *	(13,154)

* No impact on Comprehensive Income and Expenditure

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

ii) Price risk

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

iii) Foreign exchange risk

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

13.5 Debtors

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

31st March 2018					31st March 2019			
Long Term £000	Short Term £000	Impairment £000	Net £000		Long Term £000	Short Term £000	Impairment £000	Net £000
				Central Government Bodies:				
0	5,835	0	5,835	Welsh Government		3,847	0	3,847
0	2,013	0	2,013	HM Customs & Excise		1,942	0	1,942
0	934	0	934	NNDR Debtor		286	0	286
0	56	0	56	Council Tax and Housing Benefit Subsidy		58	0	58
0	54	0	54	Other		38	0	38
				Other entities and individuals:				
0	4,746	(115)	4,631	Other Local Authorities		7,794	(127)	7,667
2,928	0	0	2,928	Deferred Capital receipts	2,581	2,690	0	5,271
0	0	0	0	Finance Lease	2,753	288	0	3,041
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		2,254	(206)	2,048
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
126	96	0	223	Other	305	25	0	330
3,265	**24,953**	**(3,003)**	**25,216**	**Total Debtors**	**5,847**	**29,778**	**(3,085)**	**32,540**

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

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
Central Government Bodies:						
Welsh Government	3,847	0	0	0	0	**3,847**
HM Customs & Excise	1,942	0	0	0	0	**1,942**
NNDR Debtor	11	0	0	275	0	**286**
Council Tax and Housing Benefit Subsidy	58	0	0	0	0	**58**
Other	38	0	0	0	0	**38**
Other entities and individuals:						
Other Local Authorities	4,674	2,605	447	62	6	**7,794**
Revenue debtors	2,792	0	0	0	0	**2,792**
Council tax arrears	0	0	0	1,378	1,130	**2,508**
Corporate sundry debtors	1,338	621	164	149	174	**2,446**
Housing benefit overpayments	166	97	419	549	224	**1,455**
NHS Bodies	2,399	159	41	16	3	**2,618**

Social Services sundry debtors	169	101	243	118	101	**732**
Capital debtors	144	0	0	0	0	**144**
Rent arrears	75	7	20	27	178	**307**
Housing Advances	208	0	0	0	0	**208**
Other	8,312	0	0	0	0	**8,312**
Total	**26,173**	**3,590**	**1,334**	**2,574**	**1,816**	**35,488**

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

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
Other Local Authorities	0	0	(59)	(62)	(6)	**(127)**
NHS Bodies	0	(13)	(9)	0	(2)	**(24)**
Revenue debtors	0	0	(22)	(12)	(23)	**(57)**
Council Tax Arrears	0	0	0	(884)	(792)	**(1,676)**
Social Services sundry debtors	(16)	(17)	(44)	(19)	(50)	**(146)**
Corporate sundry debtors	0	(1)	(84)	(66)	(55)	**(206)**
Rent arrears	(19)	(4)	(12)	(27)	(179)	**(241)**
Housing benefit overpayments	0	0	(108)	(69)	(431)	**(608)**
Total	**(35)**	**(35)**	**(338)**	**(1,139)**	**(1,538)**	**(3,085)**

13.6 Creditors

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

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

31st March 2018 £000		31st March 2019 £000
6,021	Central Government Bodies	2,974
4,064	Other Local Authorities	3,673
372	NHS Bodies	666
6,520	Capital Creditors	4,269
15,171	Other entities & individuals	16,229
32,148	**Total**	**27,811**

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
CCRCD Consolidation		22	34	0	0	56
Total		**4,394**	**3,683**	**(3,727)**	**(197)**	**4,153**

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
0	22	CCRCD Consolidation	0	56
3,987	**407**	**Total**	**3,561**	**592**

a) Insurance Claims

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

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

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

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

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

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

b) Municipal Mutual Insurance (MMI)

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

In addition to the levy paid for settled claims, a percentage payment is also applied to outstanding claims which are subsequently settled against the Authority. As at the 31st March 2019, a provision of £31,000 has been made for outstanding claims of this nature, unchanged from 2017/18.

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.

f) McCloud/Sargeant judgement impact on pension liability

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an ‘underpin’ which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members’ benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Greater Gwent (Torfaen) Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Monmouthshire County Council is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.32% higher as at 31 March 2019, an increase of approximately £1,941k.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions. The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

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 2016 was published on the 5th March 2019. Key results from the actuarial valuation include an increase in employer contribution from 16.4% to 23.6% of pensionable pay commencing September 2019. The emplyer cost cap of 10.9% has been replaced with an employer contribution correction cost of 7.3%. The reported deficiency in the balance of assets less liabilities of the scheme was reported as £22,000 million at 31 March 2016 (£15,000 million at 31 March 2012, 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 2019 is split as follows:

2017/18 £000's	2017/18 %		2018/19 £000's	2018/19 %	Weighted Average Duration (Years)
264,329	49%	Active	323,628	53%	23.8
94,558	18%	Deferred	106,506	17%	23.8
180,785	33%	Pensioners	181,783	30%	12
539,672	**100%**	**Total**	**611,917**	**100%**	**18.6**

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

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

14.3 Entries in the comprehensive income and expenditure statement

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

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

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

11,221	**116**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**62,489**	**123**
		Movement in Reserves Statement		
(25,433)	(135)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(26,017)	(126)
		Actual amount charged against the Council Fund for pensions in the year:		
10,465	463	employers' contributions payable to scheme	11,600	444

14.4 Expected future pension contributions

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

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

14.5 Actuarial Assumptions

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

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

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

Financial Assumptions	Local Government Pension Scheme & Teachers Unfunded Discretionary Benefits		
	31st March 2019	31st March 2018	31st March 2017
Rate of increase in salaries	2.9%	2.8%	2.8%
Rate of increase in pensions (inline with CPI)	2.5%	2.4%	2.4%
Rate for discounting scheme liabilities	2.4%	2.7%	2.6%
Life Expectancy:			
Current male pensioner aged 65 (years)	21.5	21.5	21.5
Current female pensioner aged 65 (years)	23.9	23.9	23.9
Future male pensioner aged 65 in 20 years' time (years)	23.6	23.6	23.6
Future female pensioner aged 65 in 20 years' time (years)	26.1	26.1	26.1

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

14.6 Sensitivity Analysis

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

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

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

14.7 Investments held by the pension fund

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

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

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

Local Government Pension Scheme 2017/18 £000	Teachers Unfunded Discretionary Benefits 2017/18 £000		Local Government Pension Scheme 2018/19 £000	Teachers Unfunded Discretionary Benefits 2018/19 £000
		The Movement in Fund Assets		
319,333	**0**	**As at 1st April**	**331,910**	**0**
0	0	Settlement costs	0	0
8,306	0	Interest on plan assets	8,976	0
10,465	463	Employers contributions	11,600	444
2,937	0	Contributions by scheme participants	3,121	0
3,536	0	Gains / (losses) on remeasurement of assets	10,744	0
0	0	Administration expenses of plan assets	0	0
(12,667)	(463)	Benefits paid	(13,180)	(444)
331,910	**0**	**As at 31st March**	**353,171**	**0**
		The Movement in Fund Liability		
(531,153)	**(5,417)**	**As at 1st April**	**(544,485)**	**(5,070)**

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

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

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

14.9 Summary of the movement in assets and liabilities

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

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

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

15 NOTES TO THE CASH FLOW STATEMENT

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

2017/18 £000		2018/19 £000
15,642	Net (surplus) or deficit on the provision of services	11,964
	Non-cash transactions:	
(10,915)	Depreciation of non-current assets	(10,744)
(4,287)	Impairment and downward valuations	(9,779)
(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
1,014	Increase/(decrease) in debtors	7,268
153	(Increase)/decrease in creditors	1,646
(420)	(Increase)/decrease in provisions	276
(14,640)	Pension liability	(14,099)
1,515	CCRCD: Capital & Revenue Grants recognised	767
(941)	Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised	(10,334)
(1,982)	Movement in the value of investment properties	(1,525)
	Items classified in another classification in the cash flow statement	
(1,602)	Other payments for investing activities	(1,202)
6,352	Other receipts from investing activities	17,295
(31)	Other payments for financing activities	(32)
(2,716)	Other receipts for financing activities	(1,370)
2,784	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,242
(10,409)	**Net cash flows from Operating Activities**	**(5,530)**

15.2 Returns on Investments and Servicing of Finance

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

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

15.3 (Increase)/decrease in Cash and Cash Equivalents

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

	At 31st March 2018 £000	In Year Movement £000	At 31st March 2019 £000
Current Assets			
Cash held by the Authority	319	78	397
Bank current accounts	1,548	2,061	3,610
Short-term call account deposits	7,035	2,321	9,355
Current Liabilities			
Bank current account overdrafts	(774)	670	(103)
Total	**8,129**	**5,130**	**13,258**

16 OTHER NOTES TO THE ACCOUNTS

16.1 Members Allowances

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

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

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

16.2 Audit Costs

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

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

16.3 S31 and S33 Pooled Budget Arrangements

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

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

a) Mardy Park Rehabilitation Scheme

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

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

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

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

The income and expenditure for the pooled fund arrangements for the financial year ended 31st March 2019 was:

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

b) Gwent Integrated Community Equipment Store (GWICES)

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

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

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

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

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

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

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

d) Gwent Frailty Programme

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

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

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

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

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

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

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

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

16.4 Related Party Transactions

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

Central & Welsh Government

Central & Welsh Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of core and specific grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. housing benefits). Details of grant income received from Central & Welsh Government and other government departments are set out in note 11.6 to the Accounts and balances owing to/from these parties is outlined in notes 13.5 & 13.6.

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:

- South East Wales Education Achievement Service - Board Advisor
- Cardiff City Deal - Innovation and Business Engagement Lead

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:

- Shared Resource Services Business Ltd Director (until 30.06.18.)

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

- Non-Executive Director to Dragon Waste Limited

Any transactions and balances held with these parties are shown within note 16.6 to the accounts.

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:

2017/18					2018/19			
Income £000	Expend £000	Assets £000	Liabilities £000		Income £000	Expend £000	Assets £000	Liabilities £000
(207)	192	5,631	(145)	**Welsh Church Act Fund**	(250)	376	5,710	(344)
The primary objective of the Charity is to assist groups and individuals for educational, social, recreational and other charitable purposes. The Trust owns tangible fixed assets comprising eight parcels of land. Five of these are agricultural, two are grazing and one is forestry.								
(4)	3	93	(25)	**Llanelly Hill Social Welfare Centre**	(21)	21	114	(46)
The primary objective of the fund is the provision of a Social welfare centre to the residents of Llanelly hill. The Trust's fixed assets comprise the social welfare centre premises and land upon which it is situated.								
(5)	5	2	(2)	**Chairman's Charity**	(1)	3	0	(2)
The Chairman's Charity supports and raises funds for the Chairman's nominated Charity of the year.								
				Funds for which Monmouthshire County Council acts as custodian trustee:				
(27)	30	724	(2)	**Monmouthshire Farm School Endowment**	(32)	79	664	(4)
(1,896)	1,971	930	(1,005)	**Appointeeship - Personal Monies**	(1,176)	972	669	(465)
(286)	274	62	(50)	**Appointeeship - Independent Living Fund Monies**	(1)	32	0	(31)

16.6 Related Businesses and Operations

The Council has a number of interests in other entities which fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code.

In respect of the Cardiff Capital Region City Deal (CCRCD), the Authority has included its share of income, expenditure, assets, liabilities, reserves and cash flows relating to the arrangement within the single entity accounting statements and disclosures. This is a change from 2017/18 where these transactions were not material in nature to warrant inclusion.

To ensure meaningful comparability with prior year figures, the 2017/18 figures within these statements have also been enhanced with the relevant share of income, expenditure, assets, liabilities, reserves and cash flows relating to the arrangement.

The Council's remaining interests in other entities, 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 for these entities within these statements. In order to ensure compliance with the Code, a range of narrative disclosures have been made as follows:

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 2017 £000 Final		31st March 2018 £000 Final
47	Net Assets/(Liabilities)	(44)
(87)	Profit/(Loss) before Taxation	(111)
(64)	Profit/(Loss) after Taxation	(91)
0	Dividends	0

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

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

The Authority owed £301,616 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 by contacting the Dragon Waste Limited Company Secretary at 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 (£15.1 million in 2017/18). 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 £000 Final		31st March 2019 £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 £000 Final		30th Sept 2018 £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 £000 Final		31st March 2019 £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 £000 Final		31st March 2019 £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 £000 Final		31st March 2019 £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 £000 Final		31st March 2019 £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).

Cardiff Capital Region City Deal (CCRCD)

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.

In accordance with the Code requirements, the Authority has included its share of income, expenditure, assets, liabilities, reserves and cash flows relating to the arrangement within the single entity accounting statements and disclosures.

In terms of capital spending the Council contributed £0.75 million in 2018/19 (£1.48 million in 2017/18). There were no balances owing to/from the joint committee at 31st March 2019 (nil at 31st March 2018).

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 (£4.5m in 2017/18).

16.7 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 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	114,455	0	0	**114,455**	25,295	**139,750**
Chief Officer - Children and Young People	82,888	0	0	**82,888**	18,318	**101,206**
Chief Officer - Enterprise (Apr - Jul)	29,377	0	0	**29,377**	6,492	**35,869**
Chief Officer - Enterprise (Sep - Mar)	43,410	0	0	**43,410**	9,594	**53,003**
Chief Officer - Social Care and Health (Apr - Jul)	22,374	0	0	**22,374**	4,945	**27,319**
Chief Officer - Social Care and Health (Jul - Mar)	59,815	0	0	**59,815**	13,219	**73,034**
Chief Officer - Resources	82,913	0	0	**82,913**	17,337	**100,250**
Monitoring Officer, (Head of Legal Services) (Apr - Aug)	26,889	0	0	**26,889**	5,942	**32,831**
Monitoring Officer, (Head of Legal Services) (Sep - Mar)	41,614	0	0	**41,614**	9,197	**50,811**
Head of Finance and Section 151 Officer (Apr - Jan)	71,788	0	0	**71,788**	10,566	**82,353**
Head of Policy & Governance	62,458	0	0	**62,458**	13,803	**76,261**

Total	**637,981**	**0**	**0**	**637,981**	**134,708**	**772,689**

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

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

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

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

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

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

For the purposes of reporting remuneration, voluntary aided schools' employees have been included in the remuneration notes 16.8 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.

16.8 Officers’ Emoluments

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

2017/18		**Remuneration Band**	**2018/19**	
Number of employees	**(Of which are teaching staff)**		**Number of employees**	**(Of which are teaching staff)**
0	0	£115,000 - £119,999	0	0
1	0	£110,000 - £114,999	1	0

3	3	£105,000 - £109,999	2	1
0	0	£100,000 - £104,999	1	0
1	0	£95,000 - £99,999	1	1
0	0	£90,000 - £94,999	1	1
3	2	£85,000 - £89,999	0	0
4	1	£80,000 - £84,999	4	2
2	1	£75,000 - £79,999	2	1
7	4	£70,000 - £74,999	4	1
12	7	£65,000 - £69,999	11	6
10	6	£60,000 - £64,999	17	11
43	**24**	**Total**	**44**	**24**

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

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

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

16.9 Termination Benefits

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

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

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

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

16.10 Events after the Balance Sheet date

This section captures any significant event that could be anticipated to have a material effect on the accounts presentation that have occurred between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Commonly there are two types of circumstance considered:

- Those that provide sufficient evidence of conditions that existed at the end of the reporting period – and where the Statement of Accounts have been adjusted to reflect the anticipation of consequences;

and:

- 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, a disclosure is made in the notes of the nature of the events and their estimated financial effect.

In respect of the second circumstance, Central Government made changes to pension arrangements back in 2015, designed to make public sector pension provision more sustainable to taxpayer and public sector employees. The new arrangements involved transitional protection for those employees close to retirement age, and the Council ‘s Accounts have reflected that revised treatment since 2015. Since implementation, the courts have been considering protracted legal challenge to the introduction of 2015 reforms in respect of judiciary and firefighters pensions.

On 27 June 2019, (since the preparation of Accounts) the Supreme Court denied the government permission to appeal the Court decision in this matter any further, concluding the challenge, and upholding the Court of Appeal’s judgment that transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination. This judgement has a potential wider effect on public sector pension fund liability across NHS, civil service, local government, teachers, police and armed forces, rather than just judiciary and fire and rescue workers.

Disclosure of the nature of this event and the estimated financial effect is outlined comprehensively in note 13.7(f) to the accounts, but the Statement of Accounts has not been altered until it is clearer as to central government’s response. The ministerial statement on the matter concluded that the government respects the Court’s decision and will engage fully with the Employment Tribunal to agree how the discrimination will be remedied. It is felt premature to alter the pension scheme liabilities figures until it is better understood whether that remedy will result in the review of those original 2015 reforms, or if they remain intact, whether the anticipated additional pension liability clarified through legal challenge will be afforded by central government, or passed on to scheme recipients/employing authorities to afford.

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.

Britain leaving the European Union: asset values and pension liability	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.	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.
Provisions	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.	The Authority maintains the insurance and risk management reserve to assist in the control of the Authority's insurance risks. The provisions in place and the balance on the insurance and risk management reserve at 31st March 2019 are deemed to provide sufficient cover for the Authority's claims exposure. Notes 13.7(a) & 13.7(b) provide further information on the types of claims the Authority is exposed to.
Arrears	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.	If collection rates were to deteriorate, there would be a consequential increase in the impairment of doubtful debts.

17.8 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

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

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Interest on plan assets – this is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.

- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

- Gains or losses on remeasurement – changes in the net pensions liability (Liabilities less assets) that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.

- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

Discretionary Benefits

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

17.9 Events After the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

17.10 Exceptional Items

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

17.11 Financial Instruments

Financial 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.

In repect of the Cardiff Capital Region City Deal (CCRCD), the Authority has included its share of income, expenditure, assets, liabilities, reserves and cash flows relating to the arrangement within the single entity accounting statements and disclosures.

However the Council's remaining interests in other entities, 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 for these entities 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 deminimus for capitalisation of Fixed assets, will not be treated as Finance leases.

Lease payments are apportioned between:

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

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

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

The Authority as Lessee - Operating Leases

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

The Authority as Lessor - Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

The Authority as Lessor - Operating Leases

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

17.20 Overheads and Support Services

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

17.21 Property, Plant and Equipment

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- All other operational assets – Current value based on existing use value (EUV) for operational assets where there is an active market, or if there is no market-based evidence of current value because of the specialist nature of the asset and/or the asset is rarely sold (i.e. EUV cannot be determined), depreciated replacement cost (DRC) using the 'instant build' approach.

- Non-operational assets – Fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Components

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

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

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

Disposals and Non-current Assets Held for Sale

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

Assets held for Sale Assets are assets where the:

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

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

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

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

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

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

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

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

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

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

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

17.23 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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

17.24 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

17.25 Reserves

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

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

17.26 Revenue Expenditure Funded from Capital under Statute

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

17.27 VAT

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

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

MCC/WAO Joint Progress Document – **Monmouthshire County Council**

Audit year: 2018-19

Date issued: September 2019

Document reference: **1466A2019-20**

Purpose of this document

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

Handling prior to publication

Summary

Introduction

1. Our *2018-19 - Audit of Financial Statements report* was presented to the Audit Committee on 12 September 2019 and summarised the more significant matters arising from our audit. It highlighted the 'corrected' and 'uncorrected' misstatements in the final financial statements. None of the issues in the report prevented the Auditor General from issuing an unqualified audit opinion. However, action is required by the Council to address some of these issues when preparing its 2019-20 financial statements. These are set out in Exhibit 1.
2. We also identified other important matters during our audit that were not reported to the Audit Committee within our 2018-19 Audit of Financial Statements report. These issues are set out in Exhibit 2. As part of our audit we also carry out a high-level review of the Council's key computer systems. The findings of this work have been discussed and agreed with key officers and are included in this exhibit.
3. We have also reviewed the progress with implementing the agreed issues that we reported in our 2017-18 Joint Progress report. We are pleased to report that the Council has implemented the majority of the agreed actions. There is one that remains outstanding and is shown in Exhibit 3.
4. The Council needs to address the issues reported above during 2019-20 and we will review implementation as part of the forthcoming year's audit. We also recommend that management update the Audit Committee with progress made in implementing the agreed actions when presenting the draft 2019-20 Financial Statements. The issues raised in this report have already been discussed with the Assistant Head of Finance and his team.
5. The deadlines to produce and certify the accounts remain unchanged for 2019-20, but will be brought forward to 31 July by the year 2020-21. The Council is in a strong position as it was able to present its accounts for audit by 4 June 2019, which is not far off the anticipated deadline of the end of May by the year 2020-21. The intervening years will be important as we work towards the earlier deadlines. It will also be vitally important to have early working papers to a good quality standard to support the accounts, as this will enable our audit work to start much sooner with an earlier audit opinion issued. For the Council, this requirement will need to be balanced against the resources and the finite number of staff that it has available to work on the accounts and the pressures of the routine work of the finance team.

Exhibit 1: summary of issues raised in the Audit of Financial Statements Report

Issue/Recommendation	Agreed Action/Date	Progress
1) Pension Liability understated by £1,941,000 following the McCloud ruling In December 2018, the Court of Appeal ruled against the Government, holding that changes made to pension schemes discriminated against a group of firefighters and a group of judges on the grounds of age. These cases are referred to as McCloud. This judgement has implications for other public sector pension schemes including the Greater Gwent Pension Fund, of which the Council is a member. It is anticipated that the costs of providing a remedy to affected employees will be significant, with the pension scheme actuaries estimating additional potential liabilities to the Council of £1,941,000. The impact on the financial statements was that Long-term Creditors (Liability related to defined benefit pension scheme) and Unusable Reserves (Pension Reserve) was understated by £1,941,000. **Recommendation** The Council should ensure that the pension fund actuary takes account of the McCloud judgement and any further developments in its assessment of the pension fund deficit for 2019-20.	Agreed. If any further liability falls due to the Greater Gwent Pension Fund as a result of the judgement, the Authority will include revised figures subject to next formal actuarial valuation **Date**: To be reviewed as part of 2019/20 Statement of accounts process	

Issue/Recommendation	Agreed Action/Date	Progress
2) Consolidation of related business and operations The Council had chosen not to consolidate their associates and joint ventures (as detailed in Note 16.6 Related Business and Operations), on the grounds that their interests in aggregate were not sufficiently material to consolidate into the financial statements. Per our review (which was based on more recent data), these associates and joint ventures were material in aggregate. The Council then chose to consolidate the largest joint committee (Cardiff Capital Region City Deal), to ensure the accounts were not materially misstated. **Recommendation** The Council should consolidate their associates and joint ventures, as they are likely to be material in future accounting periods.	Partially Agreed. The Authority makes it clear in its accounting policies that consolidation of interests in other entities will only be made where they are sufficiently material when reviewing both quantitative and qualitative information. For this reason CCRCD has been consolidated into the 2018/19 Statements. It is felt that consolidation of CCRCD has detracted from the transparency of the Council's individual activities and further engagement will be sought with WAO to explore alternative presentation in future statements, potentially showing consolidated adjustments as a separate addition. When reviewing the remaining entities, consolidation is not deemed necessary and the Authority considers that it would add very little value to the reader of the accounts to do so. In order to ensure compliance with the Code requirements, a range of narrative disclosures are made within the statements.	

Issue/Recommendation	Agreed Action/Date	Progress
3) Expenditure overstated as prepayment journals not posted at year-end Testing identified that certain year-end prepayment journals were not being posted for certain types/classes of expenditure. This resulted in expenditure being overstated by £178,705 (estimated/projected error). It is noted that a similar error was reported in last year's ISA260 (£177,000), and therefore the impact on the CIES is trivial. **Recommendation** The Council should review the year-end process regarding prepayments and in particular these types of expenditure.	Not agreed. The reality is the Accounts reasonably reflect 12 months' worth of service and expenditure, and to correct would introduce artificial variance in any comparison between years. Audit colleagues calculate the effect as being £178,705, but ignore the adjustments that would be made in bringing forward expenditure from previous financial year such that the net effect of the adjustment is anticipated to have a trivial effect on bottom line of Accounts. With statutory deadlines for the production of the statement of accounts being brought forward further in future years it is accepted that more estimation will be required in order to meet these timescales and that despite best efforts trivial errors such as these may become more numerous.	

Issue/Recommendation	Agreed Action/Date	Progress
4) Adding a Voluntary Controlled School back onto balance sheet Incorrect accounting entries used to add a Voluntary Controlled School back onto balance sheet, which resulted in the Revaluation Reserve and Capital Adjustment Account being misstated by £4,114,000. **Recommendation** The Council should ensure correct accounting treatment for complex transactions.	Agreed. The Council is clear on the accounting arrangements. The legal process for conveying these assets as voluntary controlled has not yet been satisfied. Every year the situation is reviewed on whether to omit from the balance sheet using “substance over form” convention. This year’s analysis indicated no active progress in the conveyance to continue to utilise substance over form approach. This, together with the intention to treat as community school assets until the legal process was satisfactorily completed was communicated to WAO, Diocese and Council colleagues. Colleagues presumed to adjust the balance sheet through simplistic use of revaluation reserve given anticipation of quick resolution, but have since rolled back the entries they made to remove the assets originally.	
5) Consolidation adjustment to separate the capital receipts credit from the NBV of sales debit on Investment Properties The above consolidation adjustment was incorrect, as it did not take into consideration the deferred capital receipts on sale of investment properties. This did not impact the net gain/loss on disposal, but both expenditure and income were understated by £5,261,509. **Recommendation** The Council should ensure that all income is taken into consideration when posting this consolidation adjustment.	Agreed. Consideration of similar instances will be taken into account during 2019/20 closure.	

Issue/Recommendation	Agreed Action/Date	Progress
6) Removal of internal income and expenditure for significant trading operations Note 11.4 'Significant Trading Operations' incorrectly included internal Income and Expenditure in respect of Grounds Maintenance. Internal charges should have been removed following an update to the Code, as per CIPFA Bulletin 3. This resulted in income and expenditure being overstated by £2,477,000. This error was identified through our analytical review (ie year-on year comparison of the financial statements). We were aware last year's figures included internal income and expenditure and this year's figures were comparable and therefore incorrectly included internal income and expenditure. If the Council had undertaken a similar process it could have prevented this error **Recommendation** The Council should ensure that all internal income and expenditure is excluded from its accounting statements.	Agreed. The actual process of removing internal I&E from the statement of accounts was a complex task due to the transitional arrangements only being communicating by CIPFA shortly before the year-end & the volume of data that then needed to be analysed in a short space of time. The majority of these type of transactions were identified and successfully negated in the statements, however the grounds maintenance element was unfortunately overlooked in the analysis. Moving forward the section has the time to introduce system refinements which will allow this process to be automated for future closure periods.	
7) Note 12.12 Leases – Authority as Lessor There were a number of errors regarding this note, as follows: – **Operating Leases** - the future minimum lease payments receivable under non-cancellable leases in future years, were understated by £14,964,000, as they did not include the lease payments for Investment Properties acquired in-year, and – **Operating Leases** – this note had been omitted from the accounts, when it should have been included. The gross carrying amount of the minimum lease payments receivable under finance leases was understated by £3,680,000. Although this note does not impact the primary financial statements, it is required under CIPFA Code for additional disclosure purposes. As above, this error was identified through our analytical review (ie year-on-year comparison of the financial statements). If the Council had undertaken a similar process it could have prevented this error. **Recommendation** The Council should ensure it carries out a detailed quality assurance review to eliminate this type of error.	Agreed. For 2019/20 the information needed to complete the note will be collated a lot earlier to ensure compliance with the code.	

<table>
<tr><th>Issue/Recommendation</th><th>Agreed Action/Date</th><th>Progress</th></tr>
<tr><td>8) Note 16.8 Senior Officer Remuneration
One officer that met the definition of a Senior Officer (as per section 3.4.5.1 of the Code and para I144 to I147 of the Code Guidance Notes) had not been disclosed in Note 16.8 Senior Officer Remuneration. The impact on the financial statements was that this note was understated by £76,261.
Recommendation
The Council should review the organisational chart and payroll information in preparing this note to ensure officer disclosed meet the definition of a Senior Officer (as per section 3.4.5.1 of the Code and para I144 to I147 of the Code Guidance Notes) and are satisfied the disclosure is complete.</td><td>The impact is upon the narrative disclosure note rather than the primary financial statements. The presentation of information compares current year with previous year. There was an oversight to check an individual who wasn't included previously, because their salary didn't exceed £60k threshold until this year.</td><td></td></tr>
<tr><td>9) Classification / presentational errors
There were a number of classification / presentational errors identified in the financial statements, to the following notes:
i) Note 11.2 Nature of Expenditure
• Depreciation, amortisation and impairment decreased by £4,923,000;
• Gain/Loss on disposal of non-current assets (Expenditure) increased by £4,923,000;
• Fees, charges and other service income decreased by £7,053,000;
• External grants and contributions decreased by £1,789,000; and
• Gain/Loss on disposal of non-current assets (Income) increased by £8,842,000.
ii) Note 13.5 Debtors
• Finance Lease increased by £192,000, and Corporate Sundry Debtors decreased by £192,000.
iii) Note 13.1 Categories of Financial Instruments
• Principal sum borrowed (Short-Term) increased £786,000, and Long-Term decreased £786,000.
Recommendation
The Council should review its process to ensure there are no presentational errors for the 2019-20 accounts.</td><td>Whilst every effort goes into ensuring the statement of accounts is produced as accurately as possible, the Council accepts that tightening statutory deadlines for production will inevitably lead to greater estimation and the risk of minor classification issues such as the items listed.

Every effort will be made to enhance planning for the 2019/20 closure to avoid repeat of these errors.</td><td></td></tr>
</table>

Issue/Recommendation	Agreed Action/Date	Progress
10) Related Party Disclosures Added and removed various related party relationships to ensure compliance with the CIPFA Code 2018-19. These adjustments were due to: – Senior Officers Declarations of interest not including all related party relationships; and – Declarations of interest not being complete for Senior Officers that had left in-year. **Recommendation** Council should ensure Senior Officers are aware what constitutes a 'related party' transaction and declaration of interest are completed for all Senior Officers that leave during the year.	Partially agreed. There are widespread differences across Councils in the presentation of such information, and this also extends to the auditing. The Council's traditional entries exceed those of some other Councils, so grateful for WAO flagging the inconsistency. There is a commitment to review other Council's audited accounts before next year's closure process to amend approach to twofold provide a greater consistency in reporting whilst acknowledging earlier closing deadlines and less time to prepare accounts.	
11) Casting, comparatives and note referencing errors identified in the draft financial statements As in previous years, the financial statements contained a significant number of rounding errors (in excess of 100) for which management decided not to adjust. In addition, there were a number of high-value casting errors (£2.19 million to Note 12.1 and £28.8 million to Note 12.5), note referencing errors and notes where comparatives were missing. Management chose to adjust the financial statements for these errors. **Recommendation** Council should improve its quality assurance arrangements in preparation of next year's accounts, to ensure these errors are not repeated.	Whilst every effort goes into ensuring the statement of accounts is produced as accurately as possible, the Council accepts that tightening statutory deadlines for production will inevitably lead to the risk of minor issues such as the items listed. Every effort will be made to enhance planning for the 2019/20 closure to avoid repeat of these errors.	

Issue/Recommendation	Agreed Action/Date	Progress
12) Deliverables We received information in a timely and helpful manner and were not restricted in our work. We met with the Finance Team regularly during the final audit to review progress and clear any issues arising promptly. The working papers provided were of a satisfactory standard. However, we identified some areas for improvement. For example, following completion of last year's audit, we agreed a 'Schedule of Deliverables' with the finance team in order to ensure that appropriate working papers were available to us at the commencement of the audit. Unfortunately, not all of these papers were presented to us with the draft financial statements, which resulted in having to request them again. **Recommendation** The Finance team should continue to work with us to see if the audit process can be developed and refined further.	Agreed. Working paper refinements and timely provision of information is an ongoing process and we will work with WAO to ensure where possible information meets their requirements whilst having regard for tightening reporting deadlines.	.

Exhibit 2: summary of issues arising not previously reported

Issue/Recommendation	Agreed Action/Date	Progress
1) **Logotech backups not undertaken at regular intervals** The Logotech fixed asset system backups are taken on an ad hoc basis and not at regular intervals. While not material to the accounts for 2018-19, having an irregular backup schedule puts the Council at a risk of data loss if there were a Logotech system failure. **Recommendations** The Council should implement regular scheduled backups for the Logotech system.	Not agreed. The database information is stored on the Council's main server structure and is therefore backed up every day by the SRS. There is no risk of data loss.	

Exhibit 3: summary of progress against issues reported in the prior-year joint progress document

Issue/Recommendation	2018-19 Agreed action & implementation date	Agreed Action 2019-20
1) **IT Risk Register** There is no IT risk register, or a clear way of identifying IT risks at the Council. **Recommendations** The Council should consider the need for an IT risk register. This would enable the Council to have a coordinated overview of its IT risks.	No action agreed in last year's Joint Progress Document.	The Audit committee received details of the Council's IT Risk register at its meeting of July 25th 2019.

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sir fynwy

REPORT

SUBJECT: TREASURY OUTTURN 2018/19

MEETING: Audit Committee
DATE: 12th September 2019
DIVISION/WARDS AFFECTED: Countywide

1. PURPOSE:

1.1. During 2018/19, the Council's treasury management activity was underpinned by CIPFA's Code of Practice on Treasury Management 2011 ("the Code"), which required local authorities to annually produce Prudential Indicators and a Treasury Management Strategy Statement on their likely financing and investment activity. The Code also recommended that members are informed of treasury management activities at least twice a year. The S151 Officer reports twice a year (mid-year and after the year-end) on Treasury activity to the Audit Committee who provide scrutiny of treasury policy, strategy and activity on behalf of the Council.

2. RECOMMENDATIONS:

2.1. That Members note the results of treasury management activities and the performance achieved in 2018/19 as part of their delegated responsibility to provide scrutiny of treasury policy, strategy and activity on behalf of the Council.

3. SUMMARY OF ISSUES:

3.1. Sections 4 to 11 are based on a template provided by Arlingclose, the Authority's Treasury Management advisors with figures and other details specific to Monmouthshire provided by the Authority's treasury management team.

3.2. 2018/19 has been another year of economic uncertainty for the UK, Europe and worldwide due to the extension of the Brexit deadline, signs of a European economic slowdown and the US following protectionist trade policies for example, all creating volatility and uncertainty for current and forecast interest rates & other investment returns (see section 5).

3.3. Achieving a balanced budget for Monmouthshire and most other Authorities, continues to be a significant challenge with little evidence of a change on the horizon so this service area like all others needs to ensure it is keeping costs down and evaluating all income options.

3.4. The Cipfa Code, which the Authority follows continues to require us to have regard to Security & Liquidity of its investments before seeking additional returns (see 8.3).

3.5. The Treasury Management Code which was revised in 2017/18 now covers non-treasury investments as well as treasury investments requiring Authorities to show how they provide due diligence on these investments in the same way as it does for Treasury investments (see 8.12 to 8.15).

3.6. The Prudential Code which was revised in 2017/18 requires the Authority to have a Capital Strategy aimed at laying out how to best meet the wide range of objectives the Authority has with limited capital resources. This is in the process of being submitted for approval (see 4.4).

3.7. At the 31st March 2019 the Authority had a borrowing CFR (Capital Financing Requirement) of £183.9m and gross external borrowing of 178.3m. Borrowing had increased in year by £49.3m (see section 6). £34m of this related to Commercial Investments and City Deal (see section 7.4 & 7.5), £6m relating to other borrowing funded capital expenditure, £3m to an increase in total investments & the balance being a movement in working capital (see 6.1). It should be noted that the total required debt level going forward indicated by the red dotted line on the graph at 7.3, will increase as further debt is committed to, for example for 21st Century schools band B. The balance of the £50m of approved Commercial investments not yet taken out is already included in this projection.

3.8. In year, the Authority's total treasury investments increased by £3.3m to £20.4m. The Authority continues to hold a minimum of £10m of investments to meet the requirements of a professional client under the Mifid II regulations (Markets in financial instruments directive - see 8.5). £2m of this was invested in pooled funds to increase investment returns whilst keeping risks low by using the expertise of the pooled fund manager and the diversification achieved within the fund (see 8.4).

3.9. As shown in section 8.15 the Authority achieved a saving of £103,000 in the areas of interest payable and interest receivable against a total net budget of £3.4m.

3.10. As reported in Sections 9 to 11, the Authority complied with the Cipfa code of practice on treasury management and the 2018/19 Treasury management strategy, during the year.

4. INTRODUCTION

4.1. The Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.

4.2. The Authority's treasury management strategy for 2018/19 was approved by Council on 6th March 2018. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

4.3. Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

4.4. The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. A Capital Strategy Assessment was presented to Cabinet on the 19th December 2018 to ensure that Officers and Members together evaluate the principals, governance, planning and priority setting underpinning budget setting for 2019/20. Since that time the Authority's Capital Strategy has been drafted and a new Capital and Asset working group set up to ensure it is finalised, presented for approval and implemented. Full Council is required to give ultimate approval to the Authority's Capital Strategy as well as its Prudential Indicators and annual budgets, following where it is delegated, scrutiny by Audit Committee. The Capital Strategy is anticipated to be discussed by full Council at their September 2019 meeting.

5. EXTERNAL CONTEXT

5.1. **Economic background:** After spiking at over $85/barrel in October 2018, oil prices fell back sharply by the end of the year, declining to just over $50 in late December before steadily climbing toward $70 in April 2019. UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% year/year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.

5.2. After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since.

5.3. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in December. However, a recent softening in US data caused the Fed to signal a pause in hiking interest rates at the last Federal Open Market Committee (FOMC) meeting in March.

5.4. With the 29th March 2019, the original EU 'exit day' now been and gone, having failed to pass a number of meaningful votes in Parliament, including voting against Theresa May's deal for the third time, MPs voted by a majority of one (313 to 312) to force the prime minister to ask for an extension to the Brexit process beyond 12th April in order to avoid a no-deal scenario. Recent talks between the Conservative and Labour parties to try to reach common ground on a deal which may pass a vote by MPs have yet to yield any positive results. The EU must grant any extension and its leaders have been clear that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.

5.5. While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with EU. The EU itself appeared to be showing signs of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.

5.6. **Financial markets:** December was a month to forget in terms of performance of riskier asset classes, most notably equities. The FTSE 100 (a good indicator of global corporate sentiment) returned -8.8% assuming dividends were reinvested; in pure price terms it fell around 13%. However, since the beginning of 2019 markets have rallied, and the FTSE 100 and FTSE All share indices were both around 10% higher than at the end of 2018.

5.7. Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising in October, gilts regained their safe-haven status throughout December and into the new year - the 5-year benchmark gilt yield fell as low as 0.80% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.73% to 1.08% and from 1.90% to 1.55%. The increase in Bank Rate pushed up money markets rates over the year and 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.53%, 0.67% and 0.94% respectively over the period.

5.8. Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. During March the US yield curve inverted (10-year Treasury yields were lower than US 3 month money market rates) and German 10-year Bund yields turned negative. The drivers are a significant shift in global economic growth prospects and subsequent official interest rate expectations given its impact on inflation expectations. Further to this is world trade growth which collapsed at the end of 2018 falling by 1.8% year-on-year. A large proportion of this downturn in trade can be ascribed to the ongoing trade tensions between the US and China which despite some moderation in January does suggest that the International Monetary Fund's (IMF) and Organisation for Economic Co-Operation & Development's (OECD) forecasts for global growth in 2019 of 3.5% might need to be revised downwards.

5.9. **Credit background:** Credit Default Swap (CDS) spreads drifted up towards the end of 2018 on the back of Brexit uncertainty before declining again in 2019 and continuing to remain low in historical terms. After hitting around 129 basis points in December 2018, the spread on non-ringfenced bank NatWest Markets plc fell back to around 96bps at the end of March, while for the ringfenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 33 and 79bps at the end of the period.

5.10. The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) transferred their business lines into retail (ringfenced) and investment banking (non-ringfenced) entities.

5.11. In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty, following this move with the same treatment for UK banks and a number of government-related entities.

5.12. There were minimal other credit rating changes during the period. Moody's revised the outlook on Santander UK to positive from stable to reflect the bank's expected issuance plans which will provide additional protection for the its senior unsecured debt and deposits.

6. LOCAL CONTEXT

6.1. On 31st March 2019, the Authority had net borrowing of £158.0m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.18 Actual £m	**Movement £m**	**31.3.19 Actual £m**
General Fund CFR	146.1	40.2	186.3
Less: *Other debt liabilities	(1.9)	(0.5)	(2.4)
Borrowing CFR	144.2	**39.7**	**183.9**
External borrowing	(129.0)	(49.3)	(178.3)
Internal borrowing	15.2	(9.6)	5.6

Less: Usable reserves	(18.2)	0.1	(18.1)
Less: Working capital	(14.1)	6.2	(7.9)
(Net Investments) at 31st March 2019	(17.1)	**(3.3)**	**(20.4)**

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

6.2. The Authority kept borrowing below its underlying level (CFR), sometimes known as internal borrowing, in order to reduce risk and keep interest costs low, although due to the requirement to keep investments above £10m the majority of the time to satisfy the Mifid II requirements, this is less apparent than in previous years.

6.3. The treasury management position at 31st March 2019 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.18 Balance £m	Movement £m	31.3.19 Balance £m	31.3.19 Rate %
Long-term borrowing	76.4	30.2	106.6	3.4
Short-term borrowing	52.6	19.1	71.7	0.9
Total borrowing	**129.0**	**49.3**	**178.3**	**2.4**
Long-term investments	0.0	0.0	0.0	N/A
Pooled Funds	0.0	2.0	2.0	6.6
Short-term investments	10.1	(1.1)	9.0	0.6
Cash and cash equivalents	7.0	2.3	9.3	Incl above
Total investments	**17.1**	**3.2**	**20.3**	**1.0**
Net borrowing	**111.9**	**46.1**	**158.0**	

6.4. The increase in long term borrowing relates to the purchases of Commercial Property at Castlegate Business Park and Newport Leisure Park which were borrowing funded. The increase in short term borrowing includes a switch from budgeted long term borrowing to short term borrowing achieving the saving included in the 2018/19 Revenue budget.

7. BORROWING STRATEGY

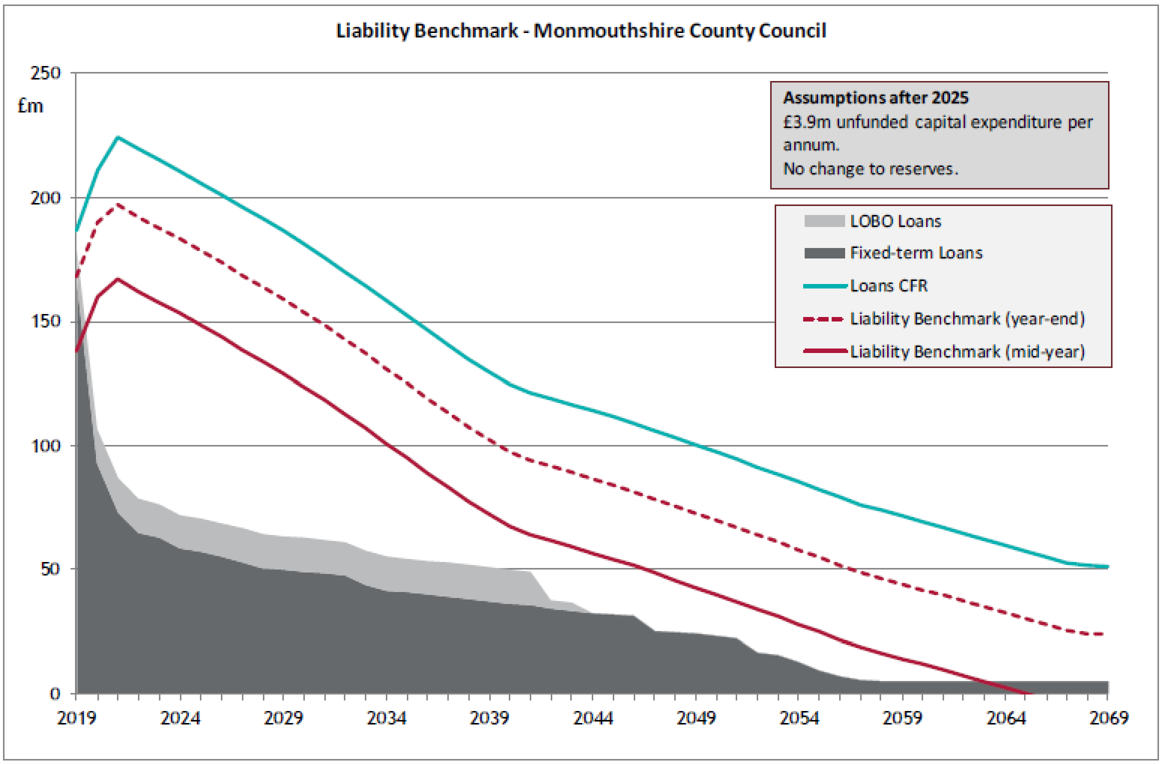
7.1. At 31st March 2019 the Authority held £178m of loans, an increase of £49m since 31st March 2018, as part of its strategy for funding the 2018/19 capital programme. Outstanding loans on 31st March are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.18 Balance £m	Net Movement £m	31.3.19 Balance £m	31.3.19 Weighted Average Rate %	31.3.19 Maturity Years
Public Works Loan Board	51.7	34.0	85.7	3.4	15 Avg
WG Int free loans	5.2	(0.5)	4.7	0.0	5-10
Banks (LOBO)	13.6	0.0	13.6	4.8	23 Avg
Local authorities (short-term)	52.6	15.9	68.5	0.9	<1 year
Local authorities (long-term)	5.9	0.0	5.9	Incl above	2 Avg
Total borrowing	**129.0**	**49.4**	**178.3**	**2.4**	

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

7.3. The forecast CFR (Capital financing requirement) for the Authority is increasing through 19/20 & 20/21 then falling as MRP (minimum financing requirement) is budgeted to be paid. This is as a result of the profile of capital expenditure funded by borrowing in the capital programme. The estimated borrowing requirement as determined by the Liability Benchmark (year-end) is shown in graphical form below. This does not include any 21st Century Band B school expenditure.



7.4. The loans taken out to fund the Commercial Property Investments have been secured over the forecast period of returns from those investments in order to minimise interest rate risk associated with those particular investments. The remaining new borrowing deals taken out in the year have been short term to minimise cost. With the short term rates not expected to rise in the medium term above current long term rates, this is seen as a reasonably low risk course of action. The Authority has more than 50% of its borrowing at long term fixed rates, thereby limiting the exposure to interest rate risk.

7.5. The new and replacement loans with a maturity of over one year, taken out by the Authority during the year are shown below. These loans are all PWLB Fixed rate loans and provide some longer-term certainty and stability to the debt portfolio.

Long-dated Loans borrowed	**Amount £m**	**Rate %**	**Period (yrs)**
City Deal			
PWLB Maturity Loan	3.0	2.34	14
Sub total	**3.0**		
Castlegate Business Park			
PWLB Maturity Loan	0.4	1.89	8
PWLB Maturity Loan	2.5	2.55	25
PWLB Annuity Loan	0.4	1.86	8
PWLB Annuity Loan	5.1	2.53	25
Sub total	**8.4**		
Newport Leisure Park			
PWLB Annuity Loan	5.0	1.71	10
PWLB Maturity Loans	17.6	2.52 (Avg)	10.5 to 38.0 (in 0.5 steps)
Sub total	**22.6**		
Total borrowing	**34.0**		

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

Other Debt Activity

7.7. Although not classed as borrowing, the Authority held £2.4m of other debt at the 31st March 2019 which enabled assets to be acquired in previous years. This is made up of:

Debt type	**Amount £m**	**Period (yrs)**	**Funding need**
PFI	0.7	17	Monnow Vale hospital
Net Agency creditors	1.3	N/A	WG funded loan schemes
Property Bonds	0.4	N/A	Various
Total Other Debt	**2.4**		

8. TREASURY INVESTMENT ACTIVITY

8.1. The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £8 and £43 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.18 Balance £m	Net Movement £m	31.3.19 Balance £m	31.3.19 Income Return %	31.3.19 Weighted Average Maturity days
Banks & building societies (unsecured)	0.0	4.0	4.0	Average 0.6%	£9m overnight; Rest up to 180 days
Government (incl. local authorities	16.1	(3.2)	12.9		
Money Market Funds	1.0	0.5	1.5		
Multi asset income, Pooled funds	0.0	2.0	2.0	6.6%	N/A
Total investments	**17.1**	**3.3**	**20.4**		

8.2. The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £8 and £43 million due to timing differences between income and expenditure. The investment position is shown in table 4.

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

8.4. An assessment was done during 2018/19 to look at the risks and rewards of diversifying into pooled funds to improve investment returns. Whilst this is a treasury investment so that no MRP is incurred, the income returns looked steady and attractive over a 3-5 year investment cycle and the risk of incurring a significant long term capital loss looked acceptably small. £2m was invested in 2018/19 in 2 multi asset pooled funds and income returns above 5% were achieved.

8.5. The Authority continues to opt to be treated as a professional client under the Mifid II regulations and continues to hold a minimum of £10m of investments at any time. In order to take advantage of this constant holding of cash, £6m of the Authority's investments at 31st March 2019, excluding the pooled funds, had been taken out for 360 days or over at an average rate of 0.9% boosting average returns. On departure from the European Union, it is expected that legislation will remove this £10m minimum level.

8.6. Due to the Authority's relatively low level of investments and practice of using highly rates banks and money market funds, the Authority is satisfied that its current level of diversification achieves a sufficiently low level of credit risk.

8.7. The average income return was 0.6% (excluding multi asset pooled funds) as compared with 0.24% in 2017-18. This increase was due to the increasing investment balance due to Mifid II and also due to a change in the Bank of England base rate.

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

Table 5: Investment Benchmarking – Treasury investments managed in-house

Including money market funds, excluding pooled funds

	Credit Score	Credit Rating (higher numbers lower rating)	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2018	AA	3.10	6%	5	0.69%
31.03.2019	AA-	3.84	35%	36	0.26%
Similar LAs	**AA-**	**4.16**	**38%**	**125**	**0.77%**
All LAs	**AA-**	**4.2**	**55%**	**29**	**0.85%**

8.9. £2m of the Authority's investments are held in externally managed strategic pooled multi-asset funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated a £21,000 / 6.6% income return, in less than three months, which is used to support services in year. They also achieved an unrealised £46,000 /1.9% of capital growth which was taken to the Financial Instruments Revaluation Reserve, a new reserve set up for this purpose.

8.10. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. The intention is to increase the level of investment in pooled funds to £3m after year end.

8.11. The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained.

Non-Treasury Investments

8.12. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return.

8.13. The Authority held £34m of such non-financial asset investments at the 31st March 2019:

- Oak Grove Solar Farm £5.3m NBV

- Castlegate Business Park & service loan £7.7m NBV
- Newport Leisure Park & service loan £21.0m NBV

8.14. The rest of the Authority's Investment Properties have been held for over a decade and are retained purely for income or capital gain

- Agricultural Properties £26.4m NBV
- Industrial Properties and Retail Units £2.7m NBV

8.15. These investments generated approximately £1m of investment income for the Authority after taking account of direct costs. In comparison to the total expenditure budget for the Authority for 2019/20 of £161m, this net income is important but not highly significant. £50m of new investments in Commercial Property was approved by council for 2018/19-2020/21. So far £31m of this budget has been spent.

Treasury Performance

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

Table 6: Performance

Interest Payable	Actual £'000	Budget £'000	Over/ under	Explanation
PWLB	2,350	2,315	35	New loan for Newport Leisure park not budgeted in 1819 as only taken out 7th March
Market loans	652	653	(1)	On target
Short term loans	529	480	49	Mainly due to increases in short term interest rates & early redemption of a loan to Police reducing income
Total Interest payable on borrowing	**3,531**	**3448**	**83**	

Interest Receivable	Actual £'000	Budget £'000	Over/ under	Explanation
Invested cash short term	(122)	(43)	(79)	Increase in rates following increase in Bank of England base rate plus higher levels of cash investments held
Pooled Funds	(21)	0	(21)	Newly acquired funds – not budgeted
Increase in fair value of funds in SRS Public	(20)	0	(20)	Fair value adjustment due to IFRS9 being introduced not budgeted
Lease income from disposal of land to Morrison's Abergavenny	(66)	0	(66)	Interest element of lease payments not budgeted
Total income from Investments	**(229)**	**(43)**	**(186)**	
Net Over/(Under)spend	**3,302**	**3,405**	**(103)**	

9. COMPLIANCE

9.1. The Assistant Head of Finance (Deputy S151 Officer) reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Debt Limits

	2018/19 Maximum during year £m	**31.3.19 Actual £m**	**2018/19 Operational Boundary £m**	**2018/19 Authorised Limit £m**	**Complied?** Yes/No
Borrowing	178.3	178.3	161.3	191.5	Yes
PFI, Finance Leases & Other LT liabs	2.4	2.4	1.3	2.8	Yes
Total debt	**180.7**	**180.7**	**162.6**	**194.3**	**Yes**

9.2. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached and this is not counted as a compliance failure. Total debt rose above the operational boundary on the 7th March 2019 when a PWLB loan was taken out to pay for the purchase of Newport Leisure Park which had not been allowed for in the operational boundary included in the 2018/19 treasury strategy.

Table 8: Investment Limits

9.3. Limits were set in the 2018/19 treasury strategy for the maximum amount to be placed with each counterparty, instrument and country and also limits for duration. In addition to this, the Authority committed to following any investment limits set by our treasury advisors which change from time to time, mostly relating to duration. The table below summarises compliance. Instrument types not listed were not utilised.

Investment type	**2018/19 Maximum**	**2018/19 Limit**	**Complied?** Yes/No
Local Authorities per counterparty	£2m	£2m or 10%	Yes
Banks per counterparty, rating A- or above	£2m	£2m	Yes
Any group of pooled funds under the same management	£1m	£2m	Yes
Limit per non-UK country	£2m	£4m	Yes
Money Market Funds	£2m	10% and £2m	Yes
Investments over 1 year	nil	£6m	Yes

10. TREASURY MANAGEMENT INDICATORS

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

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

	31.3.19 Actual	**2018/19 Target**	**Complied?**
Portfolio average credit rating / score	AA-	A-/ 5.0	Yes

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

	31.3.19 Actual	**2018/19 Limit**	**Complied?**
Upper limit on fixed interest rate exposure	£96m	£110m	Yes
Upper limit on net variable interest rate exposure	£62m	£78m	Yes

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

10.5. **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing (excluding variable rate and short term borrowing) were:

	31.3.19 Actual	**Lower Limit**	**Upper Limit £m**	**Complied ?**
Under 12 months – LOBO's	£13.6m / 14%	0	50	Yes
Under 12 months - other	£0.0m / 0%	0		
12 months and within 24 months	£2.6m / 3%	0	25	Yes
24 months and within 5 years	£16.6m / 17%	0	45	Yes
5 years and within 10 years	£11.4m / 12%	0	30	Yes
10 years and above	£52.1m / 54%	0	100	Yes

10.6. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment so that LOBO loans are treated as short term.

10.7. **Principal Sums Invested for Periods Longer than 365 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sums invested for more than 365 days over each year end were:

	2018/19	**2019/20**	**2019/21**
Actual principal invested for 365 days & beyond year end	£0	£0	£0
Limit on principal invested for more than 365 days	£6m	£6m	£6m
Complied?	Yes	Yes	Yes

11. PRUDENTIAL INDICATORS

11.1. The forecasts quoted in the 2018/19 Treasury Strategy along with the actuals at outturn for these prudential indicators are:

	31.3.19 Actual	**2018/19 Estimate or Limit**	**Complied with Limit?**
Capital expenditure	£70.3m	£28.8m	Note 1

Ratio of financing costs to net revenue stream	5.25%	5.18%	
Net external borrowing	£158.0m	£135.1m	
Gross external borrowing	£178.3m	£140.3m	
Authorised limit for external borrowing	£178.3m	£191.5m	Yes
Operational boundary for external borrowing	£178.3m	£161.3m	
Incremental impact of new capital investment decisions on a Band D Council tax payer	£74.7	£15.27	Note 2

11.2. Note 1 – The actual capital expenditure for the year was £41.5m above the estimate in the treasury strategy due to additional budget being approved by Council during 2018/19, the largest of these being a borrowing funded budget of £50m to invest in Commercial Property.

11.3. Note 2 – The increase in impact on the Council tax payer of the borrowing costs relating to borrowing funded capital schemes has increased due to the increase in debt funded capital expenditure, mainly on Commercial Property in year. The additional borrowing costs relating to the Commercial Property investments is more than offset by additional income which is not reflected in these figures. As this Prudential Indicator is not required for 2019/20 by the revised Prudential code we have used the same method of calculation for this indicator as used previously.

11.4. CIPFA's Prudential Code for Capital Finance in Local Authorities 2011 included a key indicator of prudence where Gross External Borrowing should not, except in the short term exceed the Capital Financing Requirement. At the time of preparing the treasury strategy for 2018/19, the projected capital financing requirement, £155.5m did not include budgets approved by council during 2018/19. At the 31st March 2019 the CFR had increased to £183.9m, so the Gross borrowing at 31st March 2019 of £178.3m did not exceed the CFR at that time.

12. REASONS:

12.1. The Authority's Treasury Management Strategy for 2018/19 was underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011.

12.2. The code requires the Authority to set a treasury strategy each financial year for financing and investment activities.

12.3. The Code also recommended that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

13. RESOURCE IMPLICATIONS:

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

14. EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS:

None

15. CONSULTEES:

Mark Howcroft – Assistant Head of Finance;
Arlingclose – Treasury Management Advisors to Monmouthshire CC.

16. BACKGROUND PAPERS:

None

17. AUTHOR:

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18. CONTACT DETAILS:

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SUBJECT	**Progress Report: Wales Audit Office Proposals for Improvement**
MEETING:	**Audit Committee**
DATE:	**12th September 2019**
DIVISION/WARDS AFFECTED: All	

1. PURPOSE

1.1 To provide Audit Committee with an update on the authority's progress against the Wales Audit Office (WAO) proposals for improvement up to September 2019 so that the committee can assure itself of the effectiveness of the authority's response to proposals.

2. RECOMMENDATIONS

2.1 That members consider the current position of proposals and future actions being taken to address them seeking assurance that adequate progress is being made.

2.2 That members refer on any issues contained within WAO national studies to other committees for consideration where they identify there are findings of particular relevance to the council.

3. KEY ISSUES

3.1 Each year Wales Audit Office undertake a Performance Audit work programme with the council. The reports issued by WAO as a result of this work programme are able to make the following interventions for areas that are deemed as requiring improvement:

- proposals for improvement – if proposals are made to the Council, WAO would expect Council to do something about them and will follow up what happens;
- formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
- conduct a special inspection, publish a report and make recommendations;
- recommend to Ministers of the Welsh Government that they intervene in some way

3.2 The proposals in appendix 1 were issued to the council as a result of the performance audit work conducted by the WAO since the Corporate Assessment in March 2015, as this is the most recent comprehensive assessment of the council. There are no statutory recommendations contained within this update; the update contains lower-priority issues, known as proposals for improvement. Recommendations from the 'Safeguarding arrangements – Kerbcraft scheme' report have been reported separately to Council.

3.3 This update builds on the most recent update provided in November 2018 as part of the frequent reporting in place. Where progress and evidence for a proposal suggests it has been adequately addressed, the proposal has been "closed" and removed from the report. An overview of these is provided in appendix 2. Proposals that require further attention are marked as "open", while some proposals have been combined where the issues covered and/or the action the council is taking to respond to them are strongly linked. Some of the forward looking actions committed by the authority are likely to be reflected within other council strategic documents such as the Council's corporate plan, enabling strategies, the Whole Authority Strategic Risk Assessment and the Medium Term Financial Plan.

3.4 The proposals made by WAO are grouped into the following areas; Human Resources, Performance Management, Partnership & collaboration, Governance, Finance, Information Technology, Information Management, Asset Management, Children's safeguarding and Service User Perspective. Each proposal update highlights:

- The report within which the proposal was made

- The specific proposal, or more than one proposal if they are closely linked.
- The progress made up to September 2019 to address the issues identified by the proposal.
- Whether the status of the proposal is to remain "open" or be "closed" if the evidence of progress suggests it has been sufficiently addressed.
- Any further actions that will be taken to address the proposal if it remains open.

3.5 The specific WAO reports, and accompanying management responses, are also presented to Audit Committee as they are produced. More recent reports produced will have limited progress to report at this stage. An overview of the outcome of the Well–being of Future Generations: An examination of developing a range of options to improve rural transport review has been included in appendix 1. WAO did not make proposals for improvement in this report but did highlight some areas of development, which the Council plans to act on. All of the recent reports issued by Wales Audit Office as part of their performance audit work programme, including the council's initial management response, are available on the Performance Management section of the Hub (the council's Intranet site) for members to view.

3.6 Wales Audit Office also produce an annual report called the Annual Improvement Report (AIR) summarising the work undertaken in the council during that year and concluding on the council's prospects for improvement. The last AIR published in June 2019 concludes:

"The Council is meeting its statutory requirements in relation to continuous improvement. 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."

3.7 In addition to the work programme, WAO also make recommendations in local government national reports. Although these have not been issued directly to the council, like the other proposals, the recommendations from the national reports could be relevant to the council's services. The reports are published on www.audit.wales/publications a list of the recently published reports and a brief overview is provided in appendix 3. These were circulated to the responsible officer(s) when they were published. Audit Committee has a role in ensuring the council considers the findings of the reports and can refer them to another scrutiny committee if they feel the reports require further consideration. The committee may also refer issues to Democratic Services Committee who are able to perform a coordinating function.

3.8 WAO, as part of their ongoing annual audit work programme, may follow up progress in any of the open or recently closed proposal areas.

4. REASONS

To ensure the authority responds appropriately to the WAO proposals to secure the improvements required.

5. RESOURCE IMPLICATIONS

Finances and any other resource implications of activity related to responses to the proposals will need to be taken into account by the relevant responsibility holders.

6. AUTHORS

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Richard Jones, Performance Manager
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Telephone: 01633 740733

Appendix 1

Open Wales Audit Office Proposals for Improvement

Human Resources Proposals

Report	Corporate Assessment – November 2015 Human Resources: Corporate Assessment Follow-on Review – December 2016			
WAO Proposal	Ensure that the planned revisions and changes made to ‘Check In Check Out’ deliver a clear process of assessing and improving the performance of all staff and that department, team and individual objective setting is in line with the Council’s corporate objectives.		Status	Open
	Improve oversight and ongoing implementation of the staff appraisal process. In particular: • ensure staff appraisal completion is uploaded onto the Council’s Hub to accurately reflect the numbers of staff in receipt of an annual appraisal; • increase the appraisal completion rate.			
What progress have we made	Work is continuing in order to increase understanding of the Check In, Check Out (CICO) process and maximise completion; it has been included in the new manager’s Induction training. A longer term, more effective recording module was developed that allowed managers to record the completed CICO directly into the HR system. This has had varying degrees of success due to a number of factors, namely issues with the system preventing the input of CICOs, and also reports from some managers that they prefer to complete the CICOs differently and not utilise the system as they feel it provides a better experience for their staff. To enable managers to complete the reviews in a way that suits them and their teams, all managers have been instructed to input the completed CICO numbers into their quarterly business plan updates. This way, the CICO rate can be recorded without the need to impose the electronic system. Information has been provided via service business plan update guidance to support managers to utilise the plans to record rates of completed CICOs. Furthermore, HR are currently undertaking a ‘visioning’ exercise ahead of plans to procure a new HR/payroll system next year. CICO or performance appraisal is on the list of requirements for the new system.			
Further action planned	Desired Result	Action	Responsible Officer	Timescale
	Check-in, Check-out is well understood, consistently applied and informs staff development	Increase understanding and use of the check-in, check-out recording process	Head of People Services	June 2020

<table>
<tr><td>Report</td><td colspan="4">Corporate Assessment – November 2015
Human Resources: Corporate Assessment Follow-on Review – December 2016</td></tr>
<tr><td rowspan="2">WAO Proposal</td><td colspan="2">Develop the Council’s workforce planning arrangements by including accurate data and key management information around workforce issues and statistics, reporting regularly to Senior Leadership and Management Teams to enable effective monitoring of progress and management of these issues on an ongoing basis.</td><td rowspan="2">Status</td><td rowspan="2">Open</td></tr>
<tr><td colspan="2">Develop further workforce data to include staff establishment, contract status, vacancies, agency use, age, gender, and grade/pay distribution, to better inform future workforce planning activity.</td></tr>
<tr><td>What progress have we made</td><td colspan="4">Progress has been made with accurate data reporting. The HR data dashboards provide accurate, real time information and workforce data for service areas and DMTs. They provide detailed information in terms of the workforce data for a directorate and a breakdown for each service area/school. Furthermore, HR are currently undertaking a ‘visioning’ exercise ahead of plans to procure a new HR/payroll system next year. The use and availability of data will feature heavily in developing plans for the new system.

A workflow has been developed to enable service leaders to effectively focus on succession and workforce planning, and for directorates to develop plans for their workforce. HR attend DMTs, and other management meetings, where the workforce data is discussed, organisational insight is provided, and relevant actions undertaken where appropriate. Workforce planning discussion occurs naturally as part of HR Business partner meetings, at DMTs, and also at meetings between HR and the chief officers. To assist, have tools and advice is available on the Council’s intranet, the Hub. As part of the activity around workforce planning, agency worker information is provided on a regular basis to chief officers for discussion at DMT.

The revised People Strategy reflects what colleagues, data and intelligence is telling us needs to improve to enable and support our workforce. Work to evaluate the impact of the new strategy will begin shortly. All relevant actions associated with the strategy are contained within the People Service’s business plans.

Mandatory training for managers on staff attendance and well-being is an ongoing process. The ‘Induction for New Managers’ has been introduced and covers attendance management and wellbeing.</td></tr>
<tr><td rowspan="2">Further action planned</td><td>Desired Result</td><td>Action</td><td>Responsible Officer</td><td>Timescale</td></tr>
<tr><td>Workforce statistics are available at team level in a timely manner</td><td>Continue to develop and Implement new workforce data dashboards on My view</td><td>Head of People Services</td><td>June 2020</td></tr>
</table>

Partnership and collaborative working proposals

<table>
<tr><td>Report</td><td colspan="4">Performance Management: Corporate Assessment Follow-on Review – July 2016</td></tr>
<tr><td>WAO Proposal</td><td colspan="2">Ensure new Public Service Board (PSB) delivery plans clearly set out relevant actions and resources needed to deliver shared priorities so that each partner, including the Council, is clear what is expected of them.</td><td>Status</td><td>Open</td></tr>
<tr><td>What progress have we made</td><td colspan="4">The Public Service Board has published its first annual report for 2018/19, which sets out the progress made so far by the PSB to deliver the objectives set out in the well-being plan, with a particular focus on the six steps prioritised by the PSB. Supported by the Council's Community and Partnership team, the PSB is developing a detailed action plan and performance management arrangements that capture the activity to deliver each step and link to the activity of the wider partnership groups that support delivery.

The PSB Select Committee has held key partners leading on the six prioritised steps outlined in the PSB Plan to account for the progress made on the steps, ensuring their activity was in line with the sustainable development principle. Council will consider a report in October to amend the terms of reference of the committee to broaden its focus towards collaborative public service activity that takes place in Monmouthshire.</td></tr>
<tr><td rowspan="2">Further action planned</td><td>Desired Result</td><td>Action</td><td>Responsible Officer</td><td>Timescale</td></tr>
<tr><td>Clear PSB well-being objectives allowing the PSB to allocate and prioritise resources to meet the objectives and establish delivery plans to achieve this.</td><td>Establish an action plan, performance framework and accountability arrangements to deliver the PSB's well-being plan.</td><td>Head of Policy & Governance and Community & Partnership Development Manager</td><td>January 2020</td></tr>
</table>

Governance Proposals

<table>
<tr><td>Report</td><td colspan="3">Governance – Corporate Assessment Follow-on Review – June 2016</td></tr>
<tr><td>WAO Proposal</td><td>Strengthen scrutiny's impact, status and effectiveness including:
• formally recording Cabinet responses to scrutiny recommendations and observations; and
• better co-ordination of Cabinet and select committee forward work programmes.</td><td>Status</td><td>Open</td></tr>
<tr><td>What progress have we made</td><td colspan="3">Formalised reporting of scrutiny recommendations to Cabinet Members was initially established through the drafting of chairs' letters to the Cabinet Member. However, in order to ensure the Executive and the public are fully appraised of select committee outcome, the political report template has been revised to include a 'consultees' section, in which the outcomes can be listed.

Democratic Services and the Scrutiny Manager continue to attend meetings of Senior Leadership Team and departmental management teams as necessary to discuss the cabinet and select committee forward work planner.</td></tr>
</table>

	A revised whole authority work planner is being implemented to improve the interface between officer meetings, select committees, Cabinet and Council. This will ensure that committees can plan their work programme more effectively and enable clearer tracking of decisions. This has been introduced but has yet to be fully embedded in working arrangements across the whole authority.			
Further action planned	Desired Result	Action	Responsible Officer	Timescale
	More efficient processes and timely and clear reports for members	Implement a revised whole authority planner	Head of Policy and Governance	November 2019
	More efficient processes and timely and clear reports for members	Review and refresh the report template and guidance and support this with training. Adopt the next phase of Modern Gov system to enable officers to self-serve when uploading reports. Enhance the advice and guidance areas on the intranet.	Local Democracy Manager	December 2019

Report	Governance: Corporate Assessment Follow-on Review – June 2016. Good Governance when Determining Significant Service Changes – March 2017			
WAO Proposal	Ensuring that budget savings mandates and service change reports systematically reflect stakeholder views and that these are taken into account during the decision making process.		Status	Open
What progress have we made	The Democratic Services Committee working group has been exploring proposals to increase public involvement in scrutiny and therefore inform service change proposals put to Cabinet and Council. Scrutiny capacity has been bolstered to provide some of the capacity needed to work in new ways and improvements to the robustness of forward planners will help councillors prioritise the issues where public involvement can add the greatest value. The authority will continue to build on previous budget engagement exercises to ensure that stakeholder views are reflected in proposals.			
Further action planned	Desired Result	Action	Responsible Officer	Timescale
	Better informed members leading to more robust challenge and decision making.	Implement training on the revised report writing template and guidance	Scrutiny Manager & Policy and Performance Team	December 2019
	Better informed members leading to more robust challenge and decision making	Ensure that senior officers are held accountable for ensuring the reports relating to their service area meet the required standard; Embed the revised whole authority forward work planner	Head of Policy and Governance	December 2019

Report	'Scrutiny: Fit for the Future?' Review – August 2018			
WAO Proposal	Providing further training on the Wellbeing of Future Generations Act for scrutiny members to improve their understanding and consideration of the Act when undertaking scrutiny activity.		Status	Open
What progress have we made	A range of training has been provided to members since the introduction of the Well-being of Future Generations Act. This includes training for members on the new Public Service Board Select Committee, which has been in place since summer 2017. An updated report writing template and guidance note for reports to members has been developed and implemented, this includes a section on Equality and Future Generations Evaluation (including social justice, safeguarding and corporate parenting). A new training module on the Future Generations Act has been developed through the corporate training service and this is being made available to members to inform their role. Officer training sessions have been held. Further training on the act is scheduled for the autumn.			
Further action planned	Desired Result	Action	Responsible Officer	Timescale
	Better challenge in meetings around whether the Council is complying with the Well-being of Future Generations Act.	Undertake further training on the Well-being of Future Generations Act as part of the implementation of the revised report writing process.	Head of Policy and Governance	October 2019

Page 173

Information Management proposals

Report	WAO Information Management Review – December 2017			
WAO Proposal	PSN Accreditation – the Council should pursue PSN accreditation as a matter of urgency within the current financial year, bringing in external resources to achieve this if necessary.		Status	Open
What progress have we made	A significant and comprehensive security review has been undertaken in order to gain Public Sector Network (PSN) accreditation. The most recent submission for accreditation has not been successful and PSN accreditation has not been achieved. The application will be resubmitted in September, following an IT health check undertaken by the SRS.			
Further action planned	Desired Result	Action	Responsible Officer	Timescale
	PSN accreditation is achieved.	Resubmit for accreditation once remaining action has been completed	Head of People Services	September 2019

Finance Proposals

Report	Corporate Assessment – November 2015, Financial Resilience Assessment – February 2016 and Savings Planning – February 2017		
WAO Proposal	The Council should ensure that all budget mandates are costed and are sufficiently detailed. *All budget mandates should be fully costed and supported by information showing how each saving area will be achieved with an evaluation of its impact. This information should be produced on a timely basis to inform the agreement of the mandates by Members*. Ensure central specialist functions, such as finance and procurement, work more closely with individual service areas in identifying potential savings, the scope of savings achievable and the potential to use pooled budgets with partners. Strengthen financial planning arrangements by developing a robust Medium Term Financial Plan that incorporates its Reserves Policy, Income Generation Strategy and Future Monmouthshire project	Status	Open
What progress have we made	Following the approval of the Corporate Plan, a financial strategy is being developed. Once finalised, this will apply a strategic lens to the council's finances in the medium to long term, and align to the delivery of the Corporate Plan to ensure its aspirations are sustainable. A draft was presented to Cabinet in November 2018. Alongside this, all service areas were asked to bring forward budget proposals for 2019/20, whilst simultaneously looking ahead and ensuring wherever possible, proposals support the medium term direction of travel. A consistent template was used to capture information on budget proposals with input and support from supporting service areas. A Future Generations Evaluation and equality impact assessment was completed on each proposal. Following public consultation and revised saving and pressure proposals, a balanced revenue budget proposal for 2019/20 was put forward to cabinet in February 2019 and approved by Council in March 2019. The medium term prognosis is still of concern and financial planning as part of the Medium Term Financial Plan is a continuing process. The Medium Term Financial planning model has been updated and is to be presented to Cabinet along with the proposed budget setting process for 2020/21 and over the medium term. Closer alignment between service's business planning arrangements and financial planning arrangements continues to be developed to improve the quality of service planning and financial planning, which also aligns to the delivery of the Corporate Plan to ensure its aspirations are sustainable. As part of the delivery of the Corporate Plan, a Commercial Strategy has been developed. The strategy seeks to enhance income generation, develop an approach to commercialising assets and create a commercial culture and ethos. The strategy has a short-, medium- and long-term view and aims to provide a framework, with defined objectives, for new commercial projects and for the delivery of future commercial activity. The Council has acquired two commercial investments and any further investments will be considered by the Investment Committee. The annual review of Investment Committee and its activity is to be presented to Cabinet in October 2019.		

	Desired Result	Action	Responsible Officer	Timescale
Further action planned	Fully costed and robust budget proposals for member scrutiny.	Continue to establish a clear Medium Term Financial Plan and associated budget proposals	Chief Officer Resources	March 2020
	A robust and realistic Medium Term Financial Plan to support and facilitate strategic planning	Complete the development of a Financial Strategy	SLT	March 2020

Asset Management proposals

Report	WAO review of Asset Management – November 2017		
WAO Proposal	The Council's asset management arrangements could be strengthened by: Developing and delivering a long-term sustainable strategy for its assets based on a thorough assessment of needs, costs and benefits supported by: ○ short, medium and long-term performance indicators; ○ embedded governance arrangements to support the strategic management of assets; ○ IT asset management systems which integrate more effectively with other systems to facilitate better information capture and use; and ○ Utilising information arising from stakeholder consultation and engagement including what the Council has learnt about its experience of its community asset transfers to better inform its decision-making.	Status	Open
What progress have we made	Following approval of the Corporate Plan, the Asset Management Strategy 2018-2022, and associated business plan, has been revised to align to its delivery. The plan is being implemented and actions have been integrated into the relevant business plans for ongoing monitoring and progress reporting. The Asset Management Strategy 2018-2022 includes the asset investment policy, which provides a formal policy for the acquisition of investment opportunities that will derive a net return to the Council, provide the governance and delegated authority arrangement and establish criteria to support a proposed acquisition. The Asset Management Group has integrated with the former Capital Working group and the inaugural meeting held. As part of the delivery of the Corporate Plan, a Commercial Strategy has been developed, which seeks to enhance income generation, develop an approach to commercialising assets and create a commercial culture and ethos. The strategy has a short-, medium- and long-term view and provides a framework for new commercial projects and for the delivery of future commercial activity. The current software will be replaced with a system that incorporates the Financial Asset Register as well as providing a comprehensive solution for the effective management of property data. The scope for this is being agreed but is taking longer than originally planned. A directorate restructure is currently underway; when this has been established, the focus will turn to the IT system.		

	Desired Result	Action	Responsible Officer	Timescale
Further action planned	Clarity over the Council's approach to the use of its assets to support robust decision making.	Replace the IT system with a system that incorporates the Financial Asset Register as well as providing a comprehensive solution for the effective management of property data	Head of Commercial and Integrated Landlord Services	February 2020

Children's safeguarding proposals

Report	WAO Whole Authority review of children's safeguarding– August 2018		
WAO Proposal	**Embed all aspects of safe recruitment, induction and training consistently.** **In particular:** a. improve training records on safeguarding to show why the person received that particular level of training, when the training was received, and when it needs to be reviewed; b. ensure all people who have a specific role in safeguarding undertake appropriate training; and c. clarify when enhanced DBS checks are required and ensure these are obtained in line with guidance.	Status	Open
What progress have we made	As a minimum each employee is required to undertake basic safeguarding training. A Whole Authority database has been established, there remains further work for each service to validate the current information which when complete will give a comprehensive establishment record of who requires which level of training. A mechanism is now in place to record training completed via the corporate training team, ensuring this is consistently used and completed remains an ongoing action. Since the introduction of electronic DBS processing in August 2018 all ID checkers are required to attend mandatory 1 hour DBS training. Training covers eligibility and signposts to the eligibility tool provided by the Home Office and information on the Council's intranet, the hub, regarding the policy.		

	Desired Result	Action	Responsible Officer	Timescale
Further action planned	An appropriately vetted workforce that understands its safeguarding responsibilities.	Complete service validation of database and periodically review to keep up to date	Safeguarding leads, all directorates	December 2019
	An appropriately vetted workforce that understands its safeguarding responsibilities.	Ensure mechanism to record training is consistently used and completed	Head of People Services	March 2020

Report	WAO Whole Authority review of children's safeguarding– August 2018			
WAO Proposal	**Ensure control arrangements are consistently applied and improve performance monitoring arrangements around safeguarding to include all areas of service operation to address all gaps in accountability**. This should include issuing clear guidance to managers on information on safeguarding that should be included in reports to Members.		Status	Open
What progress have we made	Service safeguarding arrangements remain part of the principles of Service Business Planning 2019/2022 which all services must apply in their plans. 2018/2021 plans were corporately appraised by the Policy and Performance team against the principles, including a section to identify the inclusion of activity related to safeguarding. It is the responsibility of the service to ensure the action in their service business plan on safeguarding is accurate and robust linked to the outcome of their SAFE. The SAFE Audits and action plans are key to measuring compliance to the Corporate Safeguarding Policy at a service level. Each Department management team completes a SAFE, this is a self-assessment across specified standards to assess safeguarding compliance across services and to identify where improvement could be made. An updated report writing template and guidance note for reports to members has been developed and implemented, this includes a section on Equality and Future Generations Evaluation (including social justice, safeguarding and corporate parenting). The associated Equality and Future Generations Evaluation form, has also been reviewed and includes a specific section on safeguarding with associated guidance. Specific report writing training has not yet been established, instead training and awareness raising has been undertaken using existing mechanisms including the Council's intranet and existing training on Managers Induction. Further report writing awareness raising and training will continue to be provided.			
Further action planned	Desired Result	Action	Responsible Officer	Timescale
	Corporate assurance that safeguarding arrangements are implemented across the Council.	Complete an appraisal of the quality of service business plans developed for 2019/22	Performance Manager	September 2019

Report	WAO Whole Authority review of children's safeguarding– August 2018		
WAO Proposal	**Improve the Council's commissioning and contracting arrangements in relation to safeguarding children by finalising guidance on commissioning, contracting and volunteering from a safeguarding perspective**.	Status	Open
What progress have we made	A Self – assessment template and minimum standards have been developed and Social Care & Health (SCH) have been the first area to complete the self- assessment. Behind the schedule that was originally planned, the roll out to further areas will form part of planned workshops from September onwards and will be part of the SAFE Audit process.		

	Desired Result	Action	Responsible Officer	Timescale
Further action planned	Assurance that children are safeguarded irrespective of the service provider being in house or external to the Council	Roll out the self-assessment as part of the planned workshops from September onwards	Chief Officers/Heads of Service	March 2020

Service User Perspective

Report	Service User Perspective Review, Customer Contact – May 2019			
WAO Proposal	Improve customer contact arrangements taking into account user feedback Improve customer care in the customer contact arrangements to ensure citizens views are genuinely acknowledged and addressed		Status	Open
What progress have we made	We were pleased with the feedback received on the Hubs, and acknowledge that some people fed back that they were less happy with the handling of their complaint. We will continue to promote the My Monmouthshire app and listen to feedback from users across all channels to improve how these operate, improving the ways in which people can contact the council. We have also launched a chatbot to increase contact channels. Customer-facing teams use feedback and continually strive to improve customer care using both informal and formal mechanisms. We will ensure that customers who provide feedback and wish to receive a response get one.			
Further action planned	Desired Result	Action	Responsible Officer	Timescale
	Customer contact arrangements take account of user needs	Use customer feedback to improve service and experience	Head of Policy and Governance	October 2019

Report	Service User Perspective Review, Customer Contact – May 2019		
WAO Proposal	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; Seek feedback from people who do not currently use the Community Hubs, My Monmouthshire App or Compliments, Comments and Complaints arrangements to understand why;	Status	Open
What progress	We will continue to use community events to seek feedback on our arrangements and to test and launch new initiatives as well as using feedback from the app user group and feedback received at the hubs.		

have we made	We continue to use feedback from complaints and compliments to improve our customer contact arrangements. We provide a broad range of channels to give people a choice in how to contact the council. We are always keeping this under review and have introduced the My Monmouthshire app and more recently Monty, the council's chatbot to keep pace with changing user preferences while making traditional channels such as telephony and face-to-face enquiries more cost effective. We have used events such as the Usk show to gauge feedback about usability.			
Further action planned	Desired Result	Action	Responsible Officer	Timescale
	Arrangements take account of user feedback	Continue to use feedback from complaints and compliments to improve our customer contact arrangements	Customer Relations Manager	October 2019
	Arrangements take account of user feedback	Continue to use community events and other mechanisms to seek feedback	Head of Policy and Governance	October 2019

Page 179

Report	Service User Perspective Review, Customer Contact – May 2019			
WAO Proposal	Share learning about improvements made to individual Community Hubs with other Community Hub staff;		Status	Open
What progress have we made	Managers liaise with other council departments and outside agencies to share learning; this is disseminated to all hub colleagues in a timely manner to inform and improve practice. We will continue to use the service plan and team meetings to evaluate what has worked and roll-out successful developments county-wide.			
Further action planned	Desired Result	Action	Responsible Officer	Timescale
	Good practice and service improvements are shared and if appropriate, implemented across similar facilities.	Use the Community hubs service plan and team meetings to evaluate what has worked and roll-out successful developments county-wide	Community Hub Managers	March 2020

Report	Service User Perspective Review, Customer Contact – May 2019		
WAO Proposal	Ensure that the Council meets the standards it sets such as in complaints	Status	Open
What progress have we made	We will continue to remind staff of good complaints handling and monitor our responsiveness against these standards.		

Further action planned	Desired Result	Action	Responsible Officer	Timescale
	Meeting standards set such as in complaints.	Continue to remind staff of good complaints handling and monitor our responsiveness against these standards.	Customer relations manager	Ongoing

Well–being of Future Generations examination of developing a range of options to improve rural transport

Report	Well–being of Future Generations: An examination of developing a range of options to improve rural transport – May 2019		
Outline	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking the step to develop a range of options to improve rural transport to meet the following wellbeing objective: The Council delivers better infrastructure connectivity and opportunity	Status	N/A
Outcome	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 is at an early stage of understanding long-term needs and solutions. The Council has identified some of the problems caused by the lack of rural transport but has not yet identified potential solutions. 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. 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.		
Proposals	Desired Result		
	WAO did not make 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 as set out in the action plan included in the report.		

Appendix 2

Closed Wales Audit Office Proposal for Improvement

Performance Management Proposals

<table>
<tr><td>Report</td><td colspan="3">Corporate Assessment – November 2015</td></tr>
<tr><td>WAO Proposal</td><td>Improve performance management arrangements by:
• ensuring planned improvements are tangible;
• improving target setting to better reflect desired improvement and ensuring resources are allocated to deliver Council priorities through the Medium Term Financial Plan;
• developing arrangements to identify intended outcomes, targets and data collection arrangements when services are being delivered through alternative models;</td><td>Status</td><td>Closed</td></tr>
<tr><td>What progress have we made</td><td colspan="3">A corporate plan has been developed that sets out a clear direction and purpose for the Council up to 2022. It contains five priority goals, which are also the Council's well-being objectives, and can be measured over time using measures included in the plan. Specific targets for these performance measures were reported to cabinet as part of the six month progress report against the plan. An annual report on progress is due to be presented to council in September, which will include an update on progress towards achieving the performance measures.

Detailed activity to deliver the corporate plan is contained in service business plans, and the alignment between business plans and the corporate plan has been appraised. Resources to deliver the plan are being allocated through the Medium Term Financial Plan. Closer alignment between service's business planning arrangements and financial planning arrangements continues to be developed to improve the quality of service planning and financial planning, which also aligns to the delivery of the Corporate Plan, to ensure its aspirations are sustainable. The role and purpose of service planning has been reviewed and a revised process established aligned to the corporate plan. Target setting guidance has been developed and incorporated as part of the Council's service business planning process for services to use when developing targets. Training sessions on business planning have been delivered through TalentLab, with further sessions planned.

Following approval of the corporate plan, the Council's enabling strategies were revised to align to the delivery of the corporate plan. Clear principles were established, which the plans followed, to ensure a more robust approach to development. These include a specific section of performance measures and targets to evaluate performance. Progress against the enabling strategies will continue to be reviewed.

To meet our requirements under the Future Generations Act, the way we measure and evaluate our performance will need to continue to evolve to ensure we evaluate the efficiency and effectiveness of current service delivery, while also tracking progress against longer term community well-being objectives.</td></tr>
</table>

	An annual update on the effectiveness of the authority's performance management arrangements will continue to be reported to Audit Committee.

<table>
<tr><td>Report</td><td colspan="3">Information Technology – Corporate Assessment Follow-on Review – October 2016
Whole Authority review of children's safeguarding – August 2018</td></tr>
<tr><td rowspan="2">WAO Proposal</td><td>Review the Council's risk management arrangements to assure itself it manages risks consistently across directorates and identifies, escalates, and addresses risks in a timely and appropriate way.</td><td rowspan="2">Status</td><td rowspan="2">Closed</td></tr>
<tr><td>Integrate safeguarding across the Council's policy framework. In particular:
Re-frame the strategic risk register, to enable a SMART-er approach to measuring impact of actions taken in mitigation of identified risk.</td></tr>
<tr><td>What progress have we made</td><td colspan="3">The Strategic Risk Register is updated based on the latest evidence available in line with the Council's strategic risk management policy. The latest risk register has been reviewed to ensure it includes risks to the delivery of the Corporate Plan. All service business plans have been reviewed to identify any strategic risks that require escalation to the strategic risk register. A substantive update of the strategic risk register was completed in January 2019; this was reported to Audit Committee and Cabinet in March 2019.

The format of the strategic risk register has been updated to include timescales and responsibility holders for each mitigating action and includes an update on the progress and impact of implementing each action identified. A refresh of the Council's strategic risk management policy and guidance has been completed. These updates have taken account of the action plan to improve risk management arrangements in response to the findings from an Internal Audit report. An action plan to address any remaining areas for improvement from the internal audit report on the Council's strategic risk management arrangements continues to be updated and reviewed.

Risk assessment remains an area in service business plans that is often particularly identified for improvement to strengthen the capture and management of risks facing services. Appraisal of all business plans takes place on an annual basis, and training sessions on business planning have been delivered through TalentLab, with further sessions planned. The Performance Team are continuing to work with services business plan holders to strengthen risk recording and monitoring in plans.

Strategic risk management arrangements will continue to form part of the annual update on the effectiveness of the authority's performance management arrangements reported to Audit Committee</td></tr>
</table>

Governance Proposals

Report	'Scrutiny: Fit for the Future?' Review – August 2018		
WAO Proposal	Assessing the impact of the workshop approach.	Status	Closed
What progress have we made	Scrutiny workshops have been held on the Local Development Plan and are progressing well, with wider membership attending than the host select committee. The timing of these workshops has been amended to maximise attendance and the new scrutiny website will host the presentations and recordings of workshops to assist members who cannot attend in engaging with the work. The workshops are enabling members to play a much greater policy development role at an early stage, which has been highlighted by members. Although there has been no formal evaluation process for the use of workshops, they are continuing and their effectiveness is being monitored to ensure they are fit for purpose and benefit the scrutiny function. The Scrutiny business plan makes reference to the use of workshops and records, on a quarterly basis, the activity surrounding workshops and how they are being received.		

Report	'Scrutiny: Fit for the Future?' Review – August 2018		
WAO Proposal	Clarifying the role of Cabinet Members when attending select committees to observe**.**	Status	Closed
What progress have we made	Cabinet members' role in the scrutiny process for accountability is clear and they are welcome to observe any scrutiny meetings in line with the Council's code of conduct which states that: "Members of the Council are entitled to attend any formal meeting of the Council, its committees or sub-committees or the Cabinet, where they are not a member of that body; their attendance and right to speak is at the discretion of the Chair of the body." The Scrutiny and Executive Protocol has been revised to clarify the role of cabinet members when attending select committees, either to answer questions or to observe the meeting. This will be revised within the Council's Constitution when it is next updated. It is important to ensure clarity for the public as to whether cabinet members are being held to account by select committees or are being welcomed to observe. As such, if cabinet members are being held accountable, they will be seated on the witness table to ensure a clear distinction from select committee members. If cabinet members are attending to observe, they will be asked to do so from the public gallery.		

Report	'Scrutiny: Fit for the Future?' Review – August 2018		
WAO Proposal	Reviewing the level, type and resilience of the scrutiny support function to meet future challenges.	Status	Closed
What progress have we made	A new role of Policy and Scrutiny Officer has been established and will be undergoing a recruitment process. The additional post will provide a sustainable solution, which will increase the resilience of the scrutiny function.		

Report	Corporate Assessment – November 2015		
WAO Proposal	Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources.	Status	Closed
What progress have we made	A community governance review has been completed. The review identified the need to consider new arrangements for area committees and North Monmouthshire Area Committee was subsequently identified as a pilot to act as the primary mechanism for influencing decisions in the locality. An evaluation of the pilot was completed and the learning will be used to inform developments in the other areas with the changes being overseen by the Democratic Services Committee. The Community and Partnership Development team have been working closely with Community & Town Councils to develop local cluster meetings and a network of Town Council clerks. This support will assist those Town Councils who have duties under the Act to align the work they carry out in their communities to the broader well-being objectives for the county, and to better develop relationships with the PSB. The Community and Partnerships Development Team have worked to develop stronger community networks of volunteers, active citizens and third sector groups who are passionate about their community and who recognise the difference they can make.		

Report	Governance: Corporate Assessment Follow-on Review – June 2016. Good Governance when Determining Significant Service Changes – March 2017		
WAO Proposal	Further improve the clarity of reports that members receive to ensure they have access to appropriate and timely information in a format that is easy to read and understand.	Status	Closed
	Improving the quality of its options appraisals by providing information showing how options have been consistently evaluated.		
	Setting out at the point of decision on service change proposals how the impact of proposed changes is going to be measured and monitored		

What progress have we made	Changes to the report writing template, incorporating a section and clear guidance on options appraisals, have been embedded. A new process has been introduced to ensure more timely and complete forward planners. A Monthly members Bulletin highlighting forthcoming key decisions and significant issues under scrutiny was introduced with limited success and will continue to evolve. A new section on evaluation was incorporated into reports and Democratic services committee has endorsed a process to ensure effective oversight of the evaluation of decisions working with Audit Committee and Chairs of Select Committees. A Scrutiny and Governance session was held as part of the Managers induction training.

Children's safeguarding proposals

Report	WAO Whole Authority review of children's safeguarding– August 2018		
WAO Proposal	**Integrate safeguarding across the Council's policy framework. In particular**: a. Produce a 'project plan' identifying the underpinning work required and associated timescales to fully incorporate the Council's approach to integrating child and adult safeguarding. b. Re-frame the strategic risk register, to enable a SMART-er approach to measuring impact of actions taken in mitigation of identified risk. c. Strengthen safeguarding policy and guidance in the areas identified in this report. Including: – data protection arrangements and guidance linked to safeguarding; – embed whistleblowing policy arrangements through training and awareness raising; and – revise taxi licensing arrangements strengthening health and safety requirements.	Status	Closed
What progress have we made	Integration of the service management responsibility for Adult and Children's safeguarding has been completed. At present there are no plans to further integrate. The format of the strategic risk register has been updated to include timescales and responsibility holders for each mitigating action and includes an update on the progress and impact of implementing each action identified. The strategic risk register continues to be updated in the revised format. The Corporate Safeguarding Policy has been updated in line with GDPR. The Whistleblowing Policy is available on the People Services hub where all HR policies are accessed. HR business partner meetings with all managers now include awareness raising around all new policies, including Whistleblowing policy. The Taxi Driver Policy was amended, and approved by Licensing Committee, on 12th June 2018. This provided more stringent requirements on the suitability of taxi drivers and operators, in line with Institute of Licensing national guidance.		

Wales Audit Office National Studies Published since last update

National Study	**Procuring Residual and Food Waste Treatment Capacity** www.audit.wales/publication/procuring-residual-and-food-waste-treatment-capacity
Summary	This report focuses on the provision of infrastructure for food waste recycling through anaerobic digestion and recovery through energy from waste. It forms one of a set of three related pieces of work on waste management in Wales that will be published by the Auditor General for Wales. The other two pieces of work have considered issues relating to waste prevention and municipal recycling. The report found a Welsh Government procurement programme to help councils set up food and residual waste contracts has been well-managed. But, several councils have opted out of the Programme, generally at a higher cost for residual waste treatment, and some are still reliant on landfill.
Recommendations in the report	The reports make two recommendations for particular consideration by Welsh Government.
Monmouthshire County Council lead	The Council's Waste and Street Services team has received the report. The team are considering the findings of the report which are relevant to the Council's arrangements as part of their service planning.

National Study	**Local Government Services to Rural Communities** **http://www.audit.wales/publication/local-government-services-rural-communities**
Summary	This report examines the changing face of rural Wales and looks at the demographic challenges in providing council services to dispersed communities. The study found that councils are not yet finding sustainable ways to help rural communities overcome the challenges they face.
Recommendations in the report	The report makes four recommendations for consideration by Welsh Government, PSBs and the local authorities.
Monmouthshire County Council lead	Relevant council services contributed to the report as part of the fieldwork undertaken by WAO. The Council has received the report and relevant service areas related to the review are considering the findings that are relevant to the Council's arrangements, as part of their service planning. The Council also attended a recent WAO seminar on innovative approaches to public services in rural communities.

National Study	**Waste Management in Wales: Municipal Recycling** http://www.audit.wales/publication/waste-management-wales-municipal-recycling
Summary	More collaboration has helped make recycling methods more consistent and encouraged participation, although waste management service costs show surprising variation. Weight-based statutory targets have driven a much improved recycling rate over time, but could better reflect wider sustainability considerations.
Recommendations in the report	The reports make four recommendations for particular consideration by Welsh Government.
Monmouthshire County Council lead	The Council's Waste and Street Services team has received the report. The team are considering the findings of the report which are relevant to the Council's arrangements as part of their service planning.

National Study	**Provision of Local Government Services to Rural Communities: Community Asset Transfer** http://www.audit.wales/publication/provision-local-government-services-rural-communities-community-asset-transfer
Summary	This document complements the Auditor General's report on Local Government Services to Rural Communities, published in November 2018. It highlights and summarises the study findings specifically relating to Community Asset Transfers (CATs) This document is a learning resource for local authorities to help them improve their approach to CATs in rural areas.
Recommendations in the report	The reports make two recommendations for particular consideration by local authorities.
Monmouthshire County Council lead	The Council's Estates team has received the report. The team are considering the findings of the report which are relevant to the Council's arrangements as part of their service planning.

National Study	**The maturity of local government in use of data** http://www.audit.wales/publication/maturity-local-government-use-data
Summary	This study assesses whether local government has the right building blocks and culture in place to capitalise on the data that it holds. The report is split into 4 parts: 1. In Part 1 of the report, WAO study the strategic approach taken by local authorities to making better use of data. 2. In Part 2, WAO summarise local authorities' data protection work and how they are progressing sharing data with other public bodies. 3. In Part 3, WAO examine whether local authorities have the skills and capacity to gather, share and analyse data. 4. In Part 4, WAO consider how effectively local authorities use available data to agree future priorities and allocate resources. Based on these findings, the Auditor General has concluded that local authorities are slowly developing a culture that values and uses data to its full potential to help improve services and outcomes.

Recommendations in the report	The reports make four recommendations for particular consideration by local authorities.
Monmouthshire County Council lead	The Council's Performance and Digital teams have received the report. The teams are considering the findings of the report which are relevant to the Council's arrangements as part of developments of the Council's use of data.

National Study	**Waste Management in Wales - Preventing waste** http://www.audit.wales/publication/preventing-waste
Summary	This report considers the level of priority that the Welsh Government has given to waste prevention and progress towards waste prevention targets. It also considers whether the Welsh Government is keeping track with its waste prevention targets and the quality of data available to the Welsh Government with which to measure progress.
Recommendations in the report	The reports make three recommendations for particular consideration by Welsh Government.
Monmouthshire County Council lead	The Council's Waste and Street Services team has received the report. The team are considering the findings of the report which are relevant to the Council's arrangements as part of their service planning.

National Study	**The Effectiveness of Local Planning Authorities in Wales** http://www.audit.wales/publication/effectiveness-local-planning-authorities-wales
Summary	This report considers the progress of local planning authorities in delivering their new responsibilities and the extent to which they are acting in accordance with the sustainable development principle contained within the Well-being of Future Generations (Wales) Act 2015. The report also considers how efficient and effective the 'local planning system' is, focusing on their performance, income and expenditure to determine how resilient services are. The report also looks at decision making and stakeholder engagement.
Recommendations in the report	The reports make five recommendations for particular consideration by local planning authorities and Welsh Government.
Monmouthshire County Council lead	The Council's Planning team has received the report. The team are considering the findings of the report which are relevant to the Council's arrangements as part of their service planning. The report will also be incorporated in the Planning Services Annual performance report, which is planned for scrutiny in September.

SUBJECT:	**INTERNAL AUDIT SECTION** **Progress Reports for 3 Months into 2019/20**
DIRECTORATE:	**Resources**
MEETING:	**Audit Committee**
DATE:	**12 September 2019**
DIVISION/WARDS AFFECTED: All	

1. PURPOSE

To consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30th June 2019.

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

2. RECOMMENDATION(S)

That the Committee note the audit opinions issued.

That the Committee note the progress made by the Section towards meeting the 2019/20 Operational Audit Plan and the Section's performance indicators at the 3 months stage of the financial year.

3. KEY ISSUES

3.1 The Section has started to undertake its programme of audits in accordance with the 2019/20 agreed Operational Audit Plan.

3.2 This report gives brief details of the work undertaken in the year to date. The report also gives details of the Section's performance indicators for the 3 months to 30th June 2019.

3.3 The Public Sector Internal Audit Standards came into force in April 2013 (updated March 2017) which the Internal Audit team needs to demonstrate it is compliant with; these replaced the former Code of Practice for Internal Audit within Local Government.

3.4 A requirement of the PSIAS is for the Internal Audit team to be externally assessed once every five years to ensure compliance with these Standards. The Welsh Chief Auditors' Group proposed an option of a peer review in order to meet the requirements of this external assessment, which has been agreed by respective S 151 Officers of local authorities in Wales. Monmouthshire's peer review took place during 2017/18 with the outcome being that the team is generally compliant; no significant areas of non compliance.

3.5 The 2019/20 Draft Audit Plan was agreed by the Audit Committee on 14th March 2019; final approved on 13th June 2019.

4. REASONS

4.1 Since the start of the financial year, the Internal Audit Section has completed 14 audit jobs to draft stage from its 2019/20 Operational Audit Plan; 2 of these being opinion related and these are shown in the table at Appendix 1.

4.2 In relation to the normal audit opinion related reports, 2 have been issued in draft by the end of the 1st Quarter; 1 provided *Substantial Assurance*, 1 *Limited Assurance*. One report related to the AGS where no opinion was given, but this forms part of the Council's annual financial statements and financial advice was given in several areas; work was also undertaken on the National Fraud Initiative (NFI). The team was involved with auditing grant claims which they have certified as either *qualified* or *unqualified*.

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

4.4 Finalisation work from 2018/19 continued; of the 26 reviews at draft report stage at 31 March 2018, 10 have subsequently been finalised; 2 x Considerable opinions, 4 x Reasonable opinions, 3 x Limited opinions and 1 unqualified grant claim.

4.5 Audit management have also been involved with 2 ongoing special investigations to date this year, some of which have continued from 2018/19; these are often very sensitive and time consuming. Work has been undertaken on 1 unplanned area, providing additional advice and support for service managers.

4.6 Appendix 3 of the report gives details of the Section's performance indicators as at 30th June 2019.

4.7 Of the finalised audit reviews, the acceptance of audit recommendations was good at 98%.

4.8 Draft reports have taken 2 days to issue following completion of audit work and the review process. It has taken 26 days to issue final reports following the receipt of management comments.

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

4.10 The percentage coverage of the audit plan at 11% (17% 2018/19) is lower than the same period of the previous year and just below the profiled target of 12% at this stage of the financial year. Management will keep this indicator under careful review for the rest of the year to ensure that the audit coverage by the year end is as comprehensive as possible. The operational plan will be re-prioritised to ensure the higher risk areas are covered by the year end if resources become an issue.

4.11 The team started the year with a full complement of staff in the team.

4.12 In Quarter 1 the team was involved with the verification and validation of the Council's annual performance indicators before they were submitted to Welsh Government. The team is also involved with the administration of the National Fraud Initiative (NFI) data sets on behalf of the Council.

5. SERVICE MANAGEMENT RESPONSIBILITIES

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

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

6. FOLLOW UP AUDIT REVIEWS

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

7. RESOURCE IMPLICATIONS

None.

8. CONSULTEES

Chief Officer Resources

Results of Consultation:

N/A

9. BACKGROUND PAPERS

Operational Audit Plan 2019/20

10. AUTHORS AND CONTACT DETAILS

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AUDIT COMMITTEE SEPTEMBER 2019

INTERNAL AUDIT SECTION PROGRESS REPORT
2019/20 – 3 MONTHS

APPENDIX 1

Internal Audit reviews from the 2019/20 Operational Audit Plan where fieldwork has been completed and/or final reports issued since 1/4/19 are listed in the table below.

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

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

Status of reports as at 30th June 2019

Internal Audit Services - Management Information for 2019/20 – Quarter 1

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Opinion given
P1920/28	Enterprise	Policy & Governance	National Performance Indicators	Medium	Substantial (Draft)
P1920/10	Children & Young People	Schools	Castle Park Primary School	Low	Limited (Draft)

Non – opinion / Added Value Audit Work

Job number	Directorate	Service	Job Name	Opinion
P1920/58	Resources	Finance	Monitoring Implementation of Audit Recommendations	Not applicable
P1920/79	Corporate	Cross Cutting	Annual Governance Statement	Not applicable
P1920/15	Children & Young People	Schools	Audit Advice	Not applicable
P1920/20	Enterprise	Business Growth & Enterprise	Audit Advice	Not applicable
P1920/27	Enterprise	Tourism, Leisure & Culture	Audit Advice	Not applicable
P1920/42	Enterprise	Waste & Street Operations	Audit Advice	Not applicable
P1920/50	Resources	People	Audit Advice	Not applicable
P1920/70	Social Care & Health	Integrated Services	Audit Advice	Not applicable
P1920/14	Children & Young People	Schools	Monitoring Implementation of Audit Recommendations	Not applicable
P1920/32	Enterprise	Planning, Housing & Place Shaping	Monitoring Implementation of Audit Recommendations	Not applicable
P1920/36	Enterprise	Passenger Transport Unit	Audit Advice	Not applicable
P1920/87	Corporate	Cross Cutting	Monitoring Implementation of Audit Recommendations	Not applicable

Internal Audit Opinions

Each report contains an opinion which is an overall assessment of the control environment reviewed.

SUBSTANTIAL	Substantial level of assurance. Very well controlled, with numerous strengths identified and any risks being less significant in nature.
CONSIDERABLE	Considerable level of assurance Generally well controlled, although some risks identified which should be addressed.
REASONABLE	Reasonable level of assurance. Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.
LIMITED	Limited level of assurance. Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.

The table below summarises the finding ratings used during our audits:

RATING	RISK DESCRIPTION	IMPACT
1	Significant	(Significant) – Major / unacceptable risk identified. Risks exist which could impact on the key business objectives. Immediate action required to address risks.
2	Moderate	(Important) – Risk identified that requires attention. Risks identified which are not business critical but which require management attention 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.

For grant claim audits:

Unqualified opinion - the terms and conditions of the grant were generally complied with;

Qualified opinion - the terms and conditions of the grant were not fully complied with; the identified breaches of terms and conditions will be reported to the grantor and internally to relevant Head of Service/Chief Officer.

AUDIT COMMITTEE SEPTEMBER 2019

INTERNAL AUDIT SECTION PROGRESS REPORT
2019/20 – 3 MONTHS

APPENDIX 3

Performance Indicators

	2018/19	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	17%	30%	53%	84%	82%
2	Percentage of audits completed within planned time	N/A	100%	67%	64%	67%
3	Average no. of days from audit closing meeting to issue of a draft report	3 days	4 days	10 days	9 days	17 days
4	Average no. of days from receipt of response to draft report to issue of the final report	12 days	17 days	16 days	18 days	5 days
5	Percentage of recommendations made that were accepted by the clients	100%	98%	99%	98%	95%
6	Percentage of clients at least 'satisfied' by audit process	100%	100%	100%	100%	95%
7	Percentage of directly chargeable time (actual v planned)	112%	108%	108%	107%	100%
8	Number of special investigations	2	4	5	5	

N /A – not available

	2019/20	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	11%				12% (84% pa)
2	Percentage of audits completed within planned time	N/A				60%
3	Average no. of days from audit closing meeting to issue of a draft report	2 days				12 days
4	Average no. of days from receipt of response to draft report to issue of the final report	26 days				5 days
5	Percentage of recommendations made that were accepted by the clients	98%				90%
6	Percentage of clients at least 'satisfied' by audit process	N/A				90%
7	Percentage of directly chargeable time (actual v planned)	90%				100%
8	Number of special investigations	2				

ANTI-BRIBERY COMPLIANCE UPDATE & ANNUAL RISK ASSESSMENT
Audit Committee

Peter Davies, Chief Officer for Resources

Objectives for today

- To provide Audit Committee with a brief background to:
  - The current Anti-fraud, Bribery and Corruption policy
  - Internal audit reviews and follow-ups undertaken
- To provide further update to confirm action taken to address outstanding recommendations
- To provide an annual risk assessment of the arrangements in place around anti-fraud, bribery and corruption
- To outline proposed next steps

Current Policy

- Anti-Fraud, Bribery and Corruption Policy statement most recently approved by Cabinet in March 2017
- Purpose of policy:
  - To encourage a culture in the organisation that deters fraud, bribery and corruption
  - Provide a strong message that any allegations will be dealt with in a firm and consistent way
- The Council is one of the largest organisations in the County
- The Council controls millions of pounds of public money and takes very seriously the high expectations of the public and the degree of scrutiny to which the affairs of the Council are subject

Policy update and Audit opinions

- March 2017 Audit Committee – updated and revised Anti-fraud, Bribery and Corruption policy endorsed
- May 2017 Audit Committee – Limited opinion for audit of Compliance with Bribery act
- June 2017 Cabinet – updated and revised Anti-fraud, Bribery and Corruption policy approved
- May 2018 Audit Committee – follow up audit of Compliance with the Bribery Act results in second consecutive Limited assurance audit opinion
- July-September 2019 – follow up audit in progress – testing to determine whether 'practice' suggests controls are operating satisfactorily

Summary of the Limited opinion

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- The original audit review raised 16 significant and moderate recommendations, with a LIMITED level of assurance provided
- The follow-up review identified 3 had been fully implemented, 11 recommendations had not been implemented and 2 had not reached their due date for implementation
- For these reasons a LIMITED level of assurance had again been provided

Further action taken to address recommendations

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The update provided to Audit Committee in March highlighted that work good progress had been made though progress was ongoing to address recommendations relating to:

- New members of staff receiving induction training
- Bribery Act training being arranged and delivered
- The need for periodic risk assessments to be undertaken to ascertain the likelihood or impact of potential bribery
- CPRs being updated to address issues around authorised signatory lists, segregation of duties, bribery assessments for suppliers and declarations of interest

Further action taken to address recommendations

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- Ongoing issue with the number and % of new starters receiving induction training. A system driven solution is being developed that will ensure that all new staff are ‘on-boarded’ into the Authority and received the necessary induction, training and information.

- However, an interim solution is needed. Message continues to be reinforced with Strategic Leadership Team, DMTs and Managers. Data being compiled and shared so targeted action can be taken.

- Periodic risk assessments are going to be reporting into Audit Committee with the first risk assessment contained within this presentation.

Further action taken to address recommendations

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- Bribery Act training material developed and dates have been arranged. Training commencing in September with internal audit team and other selected officers ahead of wider targeted rollout across the Authority. Further consideration being given to bitesize video that would allow for wider staff awareness.

- Updates to CPRs and Buyers Guide have been completed. CPRs will be updated later in the year alongside comprehensive review and update scheduled of both the Constitution and the CPRs and Buyers Guide. In the interim proposed changes are being communicated to procuring officers.

Annual Risk Assessment - Overview

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- In summary frauds to date continue to be low level benefits frauds (that are investigated by SBS and the DWP). Internal Audit have not had any other definitive cases confirmed in their work in the last year.
- Risk is always present across a range of areas including capital contracts, social care, PTU contracts etc.
- Whilst good progress has been made in establishing a suitably robust control environment the current follow-up audit review is undertaking testing to determine:
  - whether 'practice' suggests that controls are operating effectively
  - whether an engrained anti-bribery culture exists in terms of bribery and corruption
- Mitigation of risks will involve:
  - Arranging for an ongoing annual follow-up review as part of the annual risk assessment needed and to ensure controls are not only in place but are operating effectively
  - Ensuring that any remaining or new audit recommendations are targeted and addressed accordingly

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ANY QUESTIONS?

REF	RISK	MITIGATING ACTION	RESIDUAL RISK
1	There was no designated officer within the Authority with responsibility for compliance with the Bribery Act 2010	The Chief Officer for Resources is now designated as having overall responsibility for ensuring the effectiveness of the Authority's Anti-fraud, Bribery and Corruption policy, including compliance with the Fraud Act 2016 and the Bribery Act 2010. Chief Officer for Resources assigned responsibility and is held to account by Audit Committee through the need to provide periodic risk assessments and responses to internal audit findings.	LOW
2	Anti-Fraud, Bribery and Corruption Policy not up to date to reflect latest legislation and guidance around known risks	Updated policy approved by Cabinet in June 2017. Policy available on hub. Regular programme of review in place with next policy review to take place in 2020.	LOW
3	Lack of ongoing evaluation of Anti-Fraud, Bribery and Corruption risks to ascertain likelihood or impact of potential bribery	Periodic risk assessments to be undertaken and to highlight particular areas of risk and how these are being responded to. Risk assessment to be provided to Audit Committee at September 2019 meeting.	LOW
4	Most new members of staff were not receiving corporate induction training despite this being considered a mandatory requirement	Induction checklists have been produced and made available to recruiting managers. Induction checklists have been produced for managers to complete and which confirms for new starters that have been provided with necessary induction, training and information Statistics highlight that the % of new staff receiving corporate induction is inadequate. Message being reinforced with SLT, DMTs and Managers.	MEDIUM
5	Staff are unaware of the Bribery Act and their responsibilties to comply with it	Bribery Act training material developed and dates have been arranged. Training commencing in September with internal audit team and other selected officers ahead of wider targeted rollout across the Authority. Further consideration being given to bitesize video that would allow for wider staff awareness.	MEDIUM (AND REDUCING AS IMPLEMENTED)

REF	RISK	MITIGATING ACTION	RESIDUAL RISK
6	Limited information in place for employees to guide them on the disclosure of financial interests, potential conflicts of interest and the receipt of gifts and hospitality	Code of Conduct updated in late 2017. Staff are now reminded annually to make declarations of interests and in accordance with the updated Code of Conduct.	LOW
7	Whisteblowing policy not kept up to date or not made available publically	Policy reviewed and updated in 2017. Recent WAO review brought no recommendation to update policy. Further review point between 2020-2022. The policy is available to the public via the Council's website.	LOW
8	Approval of purchases or awarding of contracts not performed in accordance with authorised signatory lists	CPRs have been updated to include additional guidance. Strategic Procurement team will maintain signatory lists and where procuring managers will need authorisation to advertise or award contracts. Updated guidance being issued to procuring officers.	MEDIUM (AND REDUCING AS IMPLEMENTED)
9	Suppliers are not assessed for any history of bribery during procurement exercises	CPRs to be updated to include additional selection considerations that need to be included with regards to the Bribery Act for procurements between £25k and the OJEU threshold. Updated guidance being issued to procuring officers. Low risk identified for purchases of less than £25k which are most significantly spot purchases.	MEDIUM (AND REDUCING AS IMPLEMENTED)
10	Evaluation of tenders is completed by a single individual	Buyers guide was updated last year and to explicitly state that no evaluation of tenders should be undertaken by a single individual	LOW
11	CPR exemptions not authorised by senior officers in line with thresholds in the CPRs	CPR exemption form and guidance updated to identify eligibility for approval of the exemption form.	LOW

17TH OCTOBER 2019	
Deadline for finalised reports to Cheryl –	
Finalised reports to Committee Section -	
Annual Performance Review of investment committee	Deb Hill-Howells

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 FEBRRUARY 2020	
Deadline for finalised reports to Cheryl –	
Finalised reports to Committee Section -	

19TH MARCH 2020	
Deadline for finalised reports to Cheryl –	
Finalised reports to Committee Section -	

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MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 25th July, 2019 at 2.00 pm

PRESENT: County Councillor J. Higginson (Vice Chairman)

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

OFFICERS IN ATTENDANCE:

Andrew Wathan	Chief Internal Auditor
Non Jenkins	Wales Audit Office
Wendy Barnard	Democratic Services Officer
Jeremy Saunders	Wales Audit Office

APOLOGIES:

County Councillors M.Feakins, V. Smith and J.Watkins
P. White

1. **Declarations of Interest**

No declarations of interest were made by Audit Committee Members.

2. **Public Open Forum**

No members of the public attended the meeting.

3. **To note the Action List from the previous meeting**

- Wellbeing of Future Generations/rural transport Active Travel grant: Committee Members were happy with the response circulated prior to the meeting.
- Performance management: An update from the Chief Officer, Resources, to be provided at the September meeting
- Anti-Bribery Compliance: The annual risk register has been considered, is identified as a risk but is not sufficiently high to be added to the corporate risk register. Additionally, a training package on anti-fraud, corruption and bribery is being designed to roll out to officers across the organisation.
- Audit Committee Annual Report: this has been considered by County Council.

4. **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**

The Finance Manager presented the draft statement of accounts report. The Wales Audit Office representative informed the Committee that the audit is progressing well. Minor issues are being discussed with the Finance Team but there are no major issues to report and it is planned to be completed on time. Audit Committee Members were invited to ask questions as follows:

A Member was concerned about the amount of information presented and the committee's ability to adequately scrutinise. The amount of £80,000 recorded against the Castlegate development and the £62,000 attributed to the Newport Leisure Park was queried. In response, the Finance Manager explained that the amounts referred to earmarked reserves set up for these purchases to fund future variances in income. Information was added that when the decision was taken to acquire Castlegate, there was a concern regarding the tenants' exit clause and consequently to establish a reserve to cushion against any resulting loss.

A Member asked for an explanation why the financial administration of the SRS has been transferred to Torfaen County Borough Council, about the request to write-off unrecoverable debt and the creation of an FRS provision of £86,000. It was responded that Monmouthshire CC had been responsible for the financial ledger originally, and when it was transferred, there were a number of outstanding unpaid invoices e.g. from schools, departments etc. The amount of the write-off will reduce as the invoices are paid.

A Member noted that a Section 151 Officer is not in place and questioned if this was a statutory requirement. It was explained that the Chief Officer, Resources is currently carrying out this role. It was accepted that a restructure is in progress following which the new Section 151 Officer will be known.

As per the report recommendations:

1. The draft Monmouthshire County Council Statement of Accounts for 2018/19, were presented for audit, and reviewed.

2. The draft statements of accounts listed below were reviewed:

- Draft Monmouthshire County Council Welsh Church Act Fund
- Draft Monmouthshire Farm School Endowment Trust Fund
- Draft Llanelly Hill Social Welfare Centre Accounts

3. The Audit Committee, using its delegated powers, approved the audited statement of accounts in readiness for publication by the 15th September.

5. 2019-20 Reserves Usage Forecast (including 2018-19 Outturn and Period 1 2019-20)

The Finance Manager presented a periodic review of reserves activity during 2018/19 and the usage forecast for 2019/20.

The Committee noted that this periodic focus 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.

6. Annual Improvement Report 2018/19

The Wales Audit Officer introduced the Annual Improvement Report for 2018/19 summarising the work undertaken. Officers were thanked for their help and co-operation during the year. Following presentation of the report, Committee Members asked questions:

A Member referred to the service user perspective survey undertaken during the year to test members' of the public experiences of interacting with the Council on compliments, comments and complaints. It was commented that there were a lot of people interviewed but limited points produced for future learning as some responses couldn't be followed up. It was queried if there was a better way to interact with the public in future. It was responded that, in terms of complaints, it was necessary to separate process from outcome. Whilst there was a limited number of comments, useful learning points were provided.

The Committee accepted that the Council is meeting its statutory requirements in relation to continuous improvement and that 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.

7. Implementation of Recommendations -17-18-01

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

Committee members were reminded that in 2017/18 96% of recommendations were agreed by Service Managers to implement. The Audit team followed up limited assurance opinions to double check implementation. Other managers complete a survey to monitor how well the recommendations have been implemented. If further follow up work is required, this will be done. In terms of recommendations implemented in 2017/18. There were 33 audit jobs generating 355 audit recommendations. Of which 66% have been implemented or partially implemented, 19% not implemented and 5% are ongoing. Comparison with last year was included in the report.

A Member asked about the recommendations not implemented and asked if there were any common current themes why they had not been implemented. It was responded that there were no themes identified. Regarding the percentage of implementation, the figures will be presented to Senior Leadership Team to feed back through Chief Officers to Service Managers.

8. CPR Exemptions 6 Monthly Report

The Chief Internal Auditor presented a 6 monthly report on progress with Contract Procedure Rules Exemptions.

The Chief Internal Auditor sent an e mail to all Service Managers to provide advice on the correct process.

No major issues were identified in the exemption list.

A Member noted that there were 3 examples of incorrect authorisation from one source. It was explained that when followed up, authorisation was sought retrospectively from the Head of Service. It was unknown if the procurement proceeded.

A Member questioned how it was resolved that authorisation hadn't been made by a senior officer when an officer left the authority and senior officers were unaware of contracts for the maintenance of buses. The request for exemption received was to pre-empt the procurement. The Head of Service has stated that the procurement didn't go ahead.

The recommendations were agreed that:

1. That the Audit Committee accepts and acknowledges the justifications for the exemptions provided by operational officers.

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.

3. That the Audit Committee receive an updated report in 6 months' time to include any further responses obtained by the Chief Internal Auditor.

9. <u>IT Risk Register</u>

The Head of Digital Services presented the report and explained that the report was not detailed to protect the authority's ICT interests and security.

A Member asked if the Gov Wi-Fi is secure. It was confirmed that it is exactly the same as the networks already in place which enables the user to log on in all participating public buildings. Gwent Police does not use Gov Wi-Fi.

The importance of the retaining PSN accreditation to allow use of Public Sector Networks was explained and the example of a risk outstanding from January 2020 was provided where Windows 7 machines that can't be upgraded to Windows 10 machines (which are no longer supported) will have to be replaced to eliminate that risk.

Assurance has been provided that all critical risks have been mitigated to enable access to Public Sector Networks.

10. <u>Forward Work Plan</u>

The Forward Work Plan was noted.

11. <u>To confirm minutes of the previous meeting</u>

The minutes of the previous meeting were confirmed as a true record.

12. <u>To confirm the date of the next meeting as 12th September 2019 at 2.00pm</u>

The meeting ended at 3.00 pm