

# Public Document Pack



Neuadd y Sir  
Y Rhadyr  
Brynbuga  
NP15 1GA

Dydd Mercher, 21 Gorffennaf 2021

## Hysbysiad a gyfarfod

### Pwyllgor Llywodraethu ac Awdit

Dydd Iau, 29ain Gorffennaf, 2021 at 2.00 pm,  
Neuadd Y Sir, Y Rhadyr, Brynbuga, NP15 1GA – Cyfarfod o Bell

### AGENDA

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1.	Ymddiheuriadau am absenoldeb	
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3.	Fforwm Agored i'r Cyhoedd	
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9.	Adroddiad Alldro Archwiliad Mewnol 2020/21	185 - 202
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13.	Cadarnhau cofnodion y cyfarfod blaenorol	259 - 264
14.	Cadarnhau mai dyddiad y cyfarfod nesaf yw 2 Medi 2021 am 2pm the date of the next meeting as 2nd September 2021 at 2pm	

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**Paul Matthews**  
**Prif Weithredwr**

MONMOUTHSHIRE COUNTY COUNCIL  
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

Philip White (Co-opted Member)

County Councillor Peter Clarke

County Councillor Tony Easson

County Councillor Mat Feakins

County Councillor Jim Higginson

County Councillor Bryan Jones

County Councillor Paul Jordan

County Councillor Malcolm Lane

County Councillor Phil Murphy

County Councillor Val Smith

County Councillor Brian Strong

County Councillor Jo Watkins

*Llangybi*

*Fawr;*

*Dewstow;*

*Drybridge;*

*Severn;*

*Goytre*

*Fawr;*

*Cantref;*

*Mardy;*

*Caerwent;*

*Llanbadoc;*

*Usk;*

*Caldicot*

*Castle;*

*Welsh Conservative Party*

*Welsh Labour/Llafur Cymru*

*Welsh Conservative Party*

*Welsh Labour/Llafur Cymru*

*Welsh Conservative Party*

*Welsh Conservative Party*

*Welsh Conservative Party*

*Welsh Conservative Party*

*Independent Group*

*Welsh Conservative Party*

*Liberal Democrats*

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### Welsh Language

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# Aims and Values of Monmouthshire County Council

## Our purpose

Building Sustainable and Resilient Communities

### Objectives we are working towards

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

## Our Values

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

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

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

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





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# Agenda Item 4

## Audit Committee Action List 1<sup>st</sup> July 2021

<b>Agenda Item:</b>	<b>Subject</b>	<b>Officer</b>	<b>Outcome</b>
9	Annual Governance Statement	Andrew Wathan	Chief Internal Auditor agreed to investigate the current situation regarding circulation of information to Members, and to seek details of ward meetings
10	Information Breaches and Data Protection	Sian Hayward	Circulate brief response to query from CC Easson regarding information breaches involving other organisations

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<b>SUBJECT</b>	<b>Progress Report: Audit Wales Proposals for Improvement</b>
<b>MEETING:</b>	<b>Governance and Audit Committee</b>
<b>DATE:</b>	<b>29<sup>th</sup> July 2021</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All</b>

## 1. PURPOSE

- 1.1 To provide the committee with an update on the authority's progress against Audit Wales proposals for improvement up to July 2021 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 Audit Wales national studies to other committees for consideration where they identify there are findings of particular relevance to the council.

## 3. KEY ISSUES

- 3.1 Previously, Audit Wales has undertaken a Performance Audit work programme with the council, which identified areas that were deemed as requiring improvement, and issued proposals for improvement, which the Council were expected to act upon. Since the implementation of the Local Government and Elections (Wales) Act 2021, Audit Wales is responsible for:
- Auditing of accounts
  - Examining how public bodies manage and spend public money, including but not limited to their arrangements for securing value for money in the use of resources and making recommendations to improve the value for money of local government
  - Assessing the extent to which councils are acting in accordance with the sustainable development principle under the Well-being of Future Generations (Wales) Act 2015
  - Carrying out 'Special Inspections' as provided for in the Local Government and Elections (Wales) Act 2021
  - Making appropriate recommendations to councils and to the Welsh Ministers.
- 3.2 The Coronavirus pandemic has had a considerable impact on services as many were reduced or stopped completely to comply with Government guidelines, or to allow resource deployment to front line services. As such, some proposals contained within appendix 1 will have seen a delay and progress will not be at the expected stage. In April 2020, the Auditor General for Wales wrote to Monmouthshire County Council to outline changes to the way auditors would be conducting their duties over the following months. Auditors have been working closely with audited bodies to support them to improve their evolving responses to COVID-19 and to undertake work providing real-time capture and sharing of learning and experience across all audited bodies. This has resulted in a change to the usual reporting format, moving away from formal proposals for improvement, and developing narrative reports, that identify novel and other practice as it emerges, with rapid analysis to draw out relevant points of learning.
- 3.3 This report builds on the most recent update provided in September 2019, a longer gap that usual as a result of the pandemic. Proposals that require further attention are marked as 'open', and some proposals have been combined where the issues covered and/or the

action the council is taking to respond to them are strongly linked. These can be found in appendix 1. 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. Some of the forward looking actions committed to 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 Existing proposals are captured in the following format:
- 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 July 2021 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.

More recent reviews identify an outline of the review, a summary of findings from Audit Wales, and any further actions identified in response to the review.

- 3.5 The specific Audit Wales reports, and accompanying management responses, are also presented to Governance and Audit Committee as they are produced. More recent reports produced will have limited progress to report at this stage. All of the recent reports issued by Audit Wales, 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 Audit Wales also produce an Annual Improvement Report (AIR) summarising the work undertaken in the council during that year and concluding on the council's prospects for improvement. This report was superseded by the Annual Audit Summary 2020, which shows the work completed since the last Annual Improvement Report issued in June 2019. The audit summary, published in December 2020, concluded:

*"The Auditor General certified that the Council has met its legal duties for improvement planning and reporting, and believes that it is likely to meet the requirements of the Local Government (Wales) Measure 2009 during 2020-21."*

- 3.7 In addition to the work programme, Audit Wales 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](http://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. Governance and 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 Audit Wales, 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 Audit Wales proposals and recommendations to secure the improvements required.

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

Finance 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**

Emma Davies, Performance Officer

E-mail: [emmadavies@monmouthshire.gov.uk](mailto:emmadavies@monmouthshire.gov.uk)

Telephone: 07989 692782

Richard Jones, Performance Manager

E-mail: [richardjones@monmouthshire.gov.uk](mailto:richardjones@monmouthshire.gov.uk)

Telephone: 01633 740733

Appendix 1

Open Wales Audit Office Proposals for Improvement

Finance Proposals

Report	Financial Sustainability Assessment – June 2021		
Audit Wales Proposal	To ensure its Medium Term Financial Plan predicts future funding requirements as accurately as possible, the Council should regularly review its future cost pressure estimates to ensure they are reasonable and reflect recent levels of cost pressures.	Status	Open
	To bridge its estimated future funding gap and contribute to strengthening its financial sustainability, the Council should develop and deliver a programme of sustainable planned savings over the medium-term.		
What progress have we made	<p>The medium term prognosis is still of concern, there are no indicative settlement figures published and which significantly impedes and impacts on forward planning of budgets over the medium term. At this stage and with uncertainties remaining as to future levels of local government funding the MTFP for 2022/23 onwards factors in no cash increase in funding (0.0%), so that planning can be undertaken on a prudent basis.</p>		
	<p>The consequence of this is that it applies a greater focus on the Council’s core service delivery and where cost pressures can be mitigated and sustainable planned savings can be made to aid the projected medium term budget deficit. The Council successfully identified and accommodated into the 2021/22 budget the ongoing and significant financial, demographic and demand-led pressures. This alongside its commitments to deliver the goals and objectives set out in its Corporate Plan. The work carried out to identify these realistic cost pressure will, alongside in year monitoring of budgets, inform the medium term financial plan. It is however noticeable that there are commonly a limited number of pressures identified for years 2 to 4 of the MTFP against service directorates, noting that it is common for them to be recognised closer to the year in question and through the budget process. This needs to be borne in mind when considering the remaining gap in the MTFP. Provision of £5m is however made in the MTFP, for modelling purposes, for “unidentified pressures” in each of the remaining years of the MTFP based on the level of pressures that have historically presented themselves and been accommodated as part of the budget process. However, most recent years have seen a level of net pressures needing to be accommodated in excess of £5m and this will need to be reflected upon moving forward.</p>		
	<p>After several years of taking significant resource out of the budget the means of achieving further savings becomes increasingly more challenging. This has been exacerbated by the pandemic and where officer time has had to be diverted to the emergency response and ensuring vital services are delivered. Despite this, the budget proposals for 2021/22 included savings of £4.734m. All proposals were considered and tested through an initial process of independent challenge by officers and Cabinet Members.</p>		
<p>We have had to fundamentally review our income budgets as a consequence of the pandemic. It is never popular to charge for services but the reality is that we need to do so. However, we have limited any increases in charges as much as possible. Likewise increasing Council Tax is never</p>			

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	popular but with national funding not keeping pace with demands on local authorities, local taxation is by default having to shoulder a greater proportion of our overall funding.			
	<b>Desired Result</b>	<b>Action</b>	<b>Responsible Officer</b>	<b>Timescale</b>
Further action planned	A Medium term financial plan which reflects realistic and accurate funding requirements as to allow a structured and planned approach to service delivery in the medium term in line with Corporate priorities.	Ensure the Medium Term Financial Plan reflects realistic future cost pressures as accurately as possible based on known information and informed by up to date and accurate service based data.	Chief Officer Resources	March 2022
	In parallel with the above, to develop and deliver a programme of sustainable planned savings over the medium-term to allow a balanced budget to be set that delivers on agreed Corporate priorities.	A robust and detailed review of planned savings brought forward that ensure that the impact on service delivery is mitigated where possible and that contributes to an overall sustainable budget position in the medium term.	Chief Officer Resources	March 2022

#### Asset Management proposals

<b>Report</b>	Audit Wales review of Asset Management – November 2017			
Audit Wales Proposal	<p>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:</p> <ul style="list-style-type: none"> <li>○ short, medium and long-term performance indicators;</li> <li>○ embedded governance arrangements to support the strategic management of assets;</li> <li>○ IT asset management systems which integrate more effectively with other systems to facilitate better information capture and use; and</li> <li>○ 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.</li> </ul>	Status	Open	
What progress have we made	<p>A review is ongoing for new replacement IT asset management software, with specific functionality to improve the effectiveness of communication between the Council's property and asset management teams. This will enable more effective short, medium and long term strategic assessment of the Council's assets, and contribute towards its rationalisation or redevelopment aspirations. Landlord Services' new Business Manager will work in collaboration with the Asset Management and Development Manager's to implement the new IT system.</p> <p>Following recommendations of Audit Wales, an updated Asset Management Strategy will be drafted, with associated business plan, to realign its delivery for 2022-26. The new Asset Management Strategy will include the Council's investment policy, with specific reference to the criteria for acquiring investment opportunities. The Asset Management Strategy will equally include details of the governance structure and delegated</p>			

	authority. The Asset Management Strategy will be supported by a Commercial Strategy which will be focused on the enhancement of income generation, an approach to the commercialisation of assets, and consideration of the Council's climate emergency declaration and carbon agenda.			
	<b>Desired Result</b>	<b>Action</b>	<b>Responsible Officer</b>	<b>Timescale</b>
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	March 2023

**Well-being of Future Generations examination of reducing child poverty and social isolation and improving economic inclusion**

Report	Wellbeing of Future Generations: An examination of Reducing child poverty and social isolation and improve economic inclusion – November 2019			
Outline of the review	Examination of the extent to which the Council is acting in accordance with the sustainable development principle in reducing child poverty and social isolation and improving economic inclusion. This work looked at the well-being of future generations act through the lens of our approach to this topic and was not a full scale review of the council's approach to dealing with child poverty and social isolation.		Status	N/A
Audit Wales Summary	<p>The Council is starting to apply the sustainable development principle in relation to its social justice agenda, but does not yet have a long-term plan</p> <p>The Council has a good understanding of the issues and challenges but does not yet have a long-term plan to deliver this step</p> <p>The Council has designed this step with a clear focus on prevention but does not have a means of measuring preventative outcomes over the long term</p> <p>The Council has designed this step to contribute to the seven national well-being goals and delivery is well-integrated in some partner plans</p> <p>Collaboration is a key means of delivering the Council's social justice agenda and there are well established collaborative arrangements which the Council facilitates</p> <p>The Council has identified some groups and individuals it needs to reach to deliver this step and has involved key stakeholders, but is aware that more needs to be done</p>			
Further Action	<b>Desired Result</b>			
	Audit Wales 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 is acting on as set out in the action plan included in the report.			

## Environmental Health

Report	Environmental Health follow-up review – December 2019			
Audit Wales Proposals	The Council should undertake a fresh analysis of statutory and non-statutory service obligations to support and inform any future service changes.		Status	Open
	<p>In order to develop a prosperous and future-proof environmental health service the Council should consider the following:</p> <ul style="list-style-type: none"> <li>• Balancing statutory duties with non-statutory services and discretionary income generation.</li> <li>• Aligning its income generation activities with the Council’s overall Commercial Strategy and considering how the service might benefit.</li> <li>• Working in more formal partnerships with other authorities to deliver services.</li> <li>• Exploring how transformation and technology could improve efficiency and effectiveness.</li> </ul>			
What progress have we made	We strive to balance our statutory duties with important non-statutory work streams that we consider provide valuable services to our residents. We will continue to analyse our statutory and non-statutory obligations as part of our service planning, and provide clarity on statutory/non-statutory services in our Annual report to members.			
	Environmental health continues to be innovative in income generation and has a commercial culture that aligns to the focus of the commercial strategy. The Environmental Health focus, since March 2020, has been on responding to the Covid-19 pandemic, and EHO’s have provided the Track & Trace service in Monmouthshire. As such, most income generation has paused over last 18 months, but pursuing discretionary income sources will return as soon as possible, noting sensitivities around business closures.			
	The Environmental Health team are already involved in numerous working groups with other organisations and work in partnership, where required. The pandemic has demonstrated the EH team’s strength in working with a range of partners on a daily basis, including Public Health Wales, Aneurin Bevan University Health Board, schools, care homes and various others. The feedback from partners and the general public, regarding our Covid response, has been exceptionally positive.			
Further action	Desired Result		Action	Responsible Officer
	No further actions are proposed above the activity already identified above			

## Leisure Services

Report	Leisure Services follow-up review – December 2019		
Outline of the review	<p>Follow up of the 2015 national review <i>Delivering with Less – Leisure Services</i> recommendations:</p> <ul style="list-style-type: none"> <li>• Improve strategic planning in leisure services;</li> <li>• Undertake an options appraisal to identify the most appropriate delivery model based on the council’s agreed vision and priorities for leisure services;</li> <li>• Ensure effective management of the performance of leisure services by establishing a suite of measures to allow officers, members and citizens to judge inputs, outputs and impact;</li> <li>• Improve governance, accountability and corporate leadership on leisure services</li> </ul>	Status	N/A
Audit Wales Summary	<p>This review sought to answer the question: Can the council assure itself that the delivery of its leisure services offers value for money? Overall, Audit Wales found that the council is making progress in addressing the 2015 national recommendations and has considered whether the delivery of its leisure service offers value for money. The review confirmed that the council has a long-standing vision for its leisure services, but is still developing a strategic plan to deliver its vision. The review also identified that the council considered alternative delivery models for its leisure service, however, this process did not always provide members with sufficient and timely financial information to aid decision-making. Finally, the review confirmed that the council proactively involved members in appraising different delivery options of its leisure service, and is further strengthening its performance framework.</p>		
Further Action	Desired Result		
Further Action	<p>There were no proposals for improvement identified following the review. However, considerable work has been undertaken to improve the performance monitoring framework, in particular, the strategic plan. A thorough Performance and Evaluation Framework is being developed, with an impact driven, outcome-based Service Business Plan and service specific delivery plans. To support this, a comprehensive and relevant KPI set has been established and work is underway to develop a suite of success stories and achievements to celebrate the outcomes and impact of work on the citizens of Monmouthshire. An external company has been appointed to develop a strategy, and stakeholder engagement will be completed shortly to inform the requirements and direction that the strategy will take.</p>		

Report	COVID-19 Learning Project - ongoing		
Outline of the review	<p>During any emergency or crisis people will develop solutions and work in ways that are novel. The prolonged duration of COVID-19 provides the opportunity to capture and consider this novel practice from three perspectives:</p> <ol style="list-style-type: none"> <li>1. The identification of opportunities to improve the current response to the situation, in as close to real time as possible;</li> <li>2. The identification of emerging risks that can then be mitigated before they develop to a large scale;</li> </ol>	Status	N/A

	<p>3. The recording and consolidation of novel practice, that could be shared more widely in real time and also incorporated as good practice into 'business as usual' once COVID-19 has subsided.</p> <p>The Auditor General's statutory remit places Audit Wales in a unique position to observe activity wherever public resources are being used. Audit Wales staff have strong networks across the Welsh public services and they have been deployed in the three areas identified above, in support of the 'team Wales' efforts to respond to COVID-19.</p>		
Audit Wales Summary	This is an ongoing process of 'collect, analyse, share and repeat'. Greater value will potentially be generated over time as more information is gathered and shared with the people who can use it to support their response to COVID-19.		
Further Action	<b>Desired Result</b>		
	There are no proposals for improvement, but a series of blogs have been published throughout the year sharing insight and information on a range of subjects. These have been shared with the relevant service areas, where applicable.		

Report	<b>Recovery planning – Assurance and Risk Assessment – ongoing</b>		
Outline of the review	<p>Councils will be at different stages of recovery and whilst most will face common challenges, local circumstances will affect the way they plan and respond. Audit Wales will take an audit approach that supports the recovery planning process by applying timely independent challenge to assure both Audit Wales, councils and citizens that recovery processes are planned and delivered with proper regard for economy, efficiency and effectiveness and that it is done in accordance with the sustainable development principle. The project's aim is to enable us to answer the question "Are recovery processes planned and delivered with proper regard for economy, efficiency and effectiveness and are they being done in accordance with the sustainable development principle".</p>	Status	N/A
Audit Wales Summary	Audit Wales have committed to providing timely, real-time feedback, via conversations/emails with senior officers. Key messages have also been formally set out periodically through letters that set out the headline messages and a summary of work completed. The findings from the project will also be summarised in an annual audit report, together with a summary of all audit work undertaken during 2020-21.		
Further Action	<b>Desired Result</b>		
	There are no proposals for improvement, but a letter was issued in December sharing strengths and areas for consideration on a range of subjects. In Monmouthshire we have been cautious about the term recovery, since we remain in the grip of the pandemic and do not yet fully understand the long term costs in both human and financial terms. We have used a series of interim coronavirus strategies through the pandemic, the latest of which is titled 'Re-emergence' and is centred on bringing people safely back together by supporting friendship circles, neighbourhoods and communities to feel safe, confident and happy together.		

Appendix 2

Closed Wales Audit Office Proposal for Improvement

Finance Proposals

Report	Corporate Assessment – November 2015, Financial Resilience Assessment – February 2016 and Savings Planning – February 2017		
Audit Wales Proposal	<p>The Council should ensure that all budget mandates are costed and are sufficiently detailed. <i>All budget mandates should be fully costed and supported by information showing how each saving area will be achieved with an evaluation of its impact. This information should be produced on a timely basis to inform the agreement of the mandates by Members.</i></p>	Status	Closed – Superseded by 2021 Audit Report
	<p>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.</p>		
	<p>Strengthen financial planning arrangements by developing a robust Medium Term Financial Plan that incorporates its Reserves Policy, Income Generation Strategy and Future Monmouthshire project</p>		
What progress have we made	<p>Following the approval of the Corporate Plan, an annual budget strategy was developed and is reported to Cabinet annually prior to commencing the budget process. This applies a strategic lens to the council’s finances in the medium to long term, and aligns the delivery of the Corporate Plan to ensure its aspirations are sustainable.</p> <p>Alongside this, all service areas are asked to bring forward budget proposals annually, whilst simultaneously looking ahead and ensuring wherever possible, proposals support the medium term direction of travel. A consistent template is used to capture information on budget proposals with input and support from supporting service areas. A Future Generations Evaluation and equality impact assessment is completed on each proposal.</p> <p>A balanced revenue budget proposal has been put forward annually and is approved by Cabinet and Council.</p> <p>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 is updated regularly and is presented to Cabinet along with the proposed budget setting process for following year 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.</p> <p>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</p>		

view and aims to provide a framework, with defined objectives, for new commercial projects and for the delivery of future commercial activity. The Council acquired two commercial investments and any further investments are considered by the Investment Committee.

At the outset of the Coronavirus pandemic Cabinet introduced a revised purpose and new strategic aims for the Council to provide clarity and ensure accountability through this period. The latest iteration was agreed in June 2021 in the Summer Strategy. Delivery of the strategic aims will continue to have significant resource implications, including increased costs to maintain current service delivery and demands in setting up new or amended services. Close financial and budget monitoring continues. A Financial Sustainability Assessment was also carried out in 2020, however this was not published, as originally planned, due to the complete change in context as a result of Covid-19.

### Human Resources proposals

Report	Corporate Assessment – November 2015 Human Resources: Corporate Assessment Follow-on Review – December 2016		
Audit Wales 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	Close
	Improve oversight and ongoing implementation of the staff appraisal process. In particular: <ul style="list-style-type: none"> <li>• ensure staff appraisal completion is uploaded onto the Council’s Hub to accurately reflect the numbers of staff in receipt of an annual appraisal;</li> <li>• increase the appraisal completion rate.</li> </ul>		
What progress have we made	<p>The Check In-Check Out process has been in place for a number of years and it is clear that the process does not work for all colleagues, nor is the quantitative approach the right one for the culture of MCC.</p> <p>Lessons have been learned from CV regarding the ‘Cwtch’ broadcast, Leaders Q&amp;A and surveys that have all improved communication and contact between leaders and colleagues and so this qualitative approach will be embedded and broadened to reach all colleagues. Colleagues and line managers will be given the ‘right’ to seek meaningful 1-1s on a regularised basis and so we will measure these happening against the stated desire using the survey.</p> <p>This can then compare with the feedback on SBPs about 1-1s being completed, and discrepancies reported back specifically to Directorates. Training delivery, especially in leadership, will then bear a focus for improving the skills of line managers to enable a variety of different approaches to the 1-1 process (and team meetings) so that performance development is realistically achieved.</p>		

Report	Corporate Assessment – November 2015 Human Resources: Corporate Assessment Follow-on Review – December 2016		
Audit Wales Proposal	Develop the Council's workforce planning arrangements by including accurate data and key management information around workforce issues and statistics, reporting regularly to Strategic Leadership and Management Teams to enable effective monitoring of progress and management of these issues on an ongoing basis.	Status	Close
	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.		
What progress have we made	The People strategy continues to be implemented and activity has been embedded in the relevant service business plans. The Strategy will be reconsidered, informed by the learning from leadership development sessions, wider organisational learning from the council's Coronavirus response.		
	A Recruitment and Selection policy has been developed, which prompts managers to think about apprenticeships, forward thinking and future planning, three to five years ahead. The People Service HUB holds workforce planning guidance, and workforce planning support and challenge is provided at Directorate Management Teams (DMT). The Leaders Induction includes information for managers on knowing their people, understanding performance and identifying future plans, and an online weekly Leaders Q&A session offers the opportunity for managers to ask questions around recruitment and HR issues.		
	The Zellis HR and Payroll system has been transferred onto the Cloud, and far more of the system's features are being developed for managers to use. Work is underway to produce a live, real-time HR dashboard, which provides information on team demographics, staff grades, turnover rates, personal information, etc. A coherent, single point of truth training management system will be fundamental to ensuring that all staff are suitably qualified and experienced, and that individuals are developed and future roles are prepared for, to assist with succession planning.		
	Recruitment and selection processes are being developed via a web recruitment system. This will automatically generate data on job vacancies and adverts, such as the number of applicants, the number shortlisted, posts unfulfilled, etc. This is anticipated to be live within 12 months.		
Report	Review of Whistleblowing and Fairness at Work (Grievance) arrangements – September 2019		
Audit Wales Proposal	Strengthen the arrangements to monitor and review the effectiveness of the Council's arrangements for dealing with whistleblowing concerns and employee grievances by actively seeking feedback from all those involved	Status	Close
	Clarify the implementation and monitoring arrangements for the following action within the People Strategy: 'monitor the implementation of recommendations from grievances to ensure organisational learning and development'		
	Clarify with the Standards Committee, how it will assess the effectiveness of the Whistleblowing Policy.		
	Identify methods of checking staff awareness and include the Whistleblowing Policy in the employee survey planned for summer 2014 and subsequent surveys (remaining proposal from 2014 review)		



What progress have we made	<p>A robust policy is in place to ensure the highest standards of conduct, and to enable and encourage serious concerns to be raised at an early stage and in the correct way. The policy will be reviewed in line with the standard HR Policy Review schedule.</p> <p>In each case of whistle blowing, individuals are asked to feedback on their experience to determine if they are content with the actions taken.</p> <p>Each grievance case is different so the feedback approach is treated on a case-by-case basis. For every case however, our policy and practice focuses on resolution. Where there are investigation reports required, recommendations are taken on board by the service area, who consider the outcomes so that improvements and organisational learning can take place. HR is involved in all grievance cases and any learning is included within the HR business partnering approach with service managers also.</p> <p>Whistleblowing will not be reported to the Standards Committee, whose remit is Member Code of Conduct. It is reported to the Audit and Governance Committee and the Monitoring Officer/Director HR is in attendance.</p>
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**Partnership and collaborative working proposals**

Report	Performance Management: Corporate Assessment Follow-on Review – July 2016		
Audit Wales Proposal	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.	Status	Close
What progress have we made	<p>The Public Service Board has completed its third annual report for 2020/21, which identifies the progress made to deliver the objectives and each of the steps (actions) set out in the well-being plan. With a substantial focus of partners on the pandemic there has been a lessened focus in progressing some areas of the PSB’s well-being objectives. The report sets out how partners have evolved and adjusted delivery under the objectives, including responding to the pandemic.</p> <p>The Council’s Community and Partnership Development Team continue to support partners to deliver the steps in the well-being plan. To ensure a continued focus on the issues that matter most to well-being in Monmouthshire, the PSB has agreed priority areas for partner collaboration over the remaining two years of the existing well-being plan. These are: Climate and decarbonisation, mental health, the economy and in particular, the extent to which the pandemic may have exacerbated inequality. These will be developed into a focused programme of activity over the next two years, with partnership structures to support delivery.</p> <p>A change in title and terms of reference has been agreed for the Public Service Board Select Committee. The newly entitled Public Services Select Committee allows for wider scrutiny of public service provision and, where powers allow, will provide greater accountability of services delivered in collaboration or by external partners, including arrangements delivered through Corporate Joint Committees.</p> <p>Proposals have been developed to move to a Gwent-wide PSB from September 2021, subject to further scrutiny and decision, which will offer opportunities to improve the well-being of people across Gwent by further developing collaborative working. Integral to this approach being</p>		

developed is maintaining local delivery and accountability, and a continued focus on working in partnership on projects that are specific to well-being in Monmouthshire. Further development of local partnership arrangements is being undertaken and aligned accordingly to any regional arrangements put in place, ensuring the ethos of the Wellbeing of Future Generations Act remains at the heart of this structure.

### Governance Proposals

Report	Governance – Corporate Assessment Follow-on Review – June 2016		
Audit Wales Proposal	Strengthen scrutiny’s impact, status and effectiveness including: <ul style="list-style-type: none"> <li>formally recording Cabinet responses to scrutiny recommendations and observations; and</li> <li>better co-ordination of Cabinet and select committee forward work programmes.</li> </ul>	Status	Close
What progress have we made	<p>In order to ensure the Executive and the public are fully appraised of select committee outcomes, the political report template has been revised to include a ‘consultees’ section, in which the outcomes can be listed. Select committee chairs are able to attend Cabinet to report on conclusions of their committee when they are considering key decisions and this is recorded in the minutes.</p> <p>The Scrutiny Manager attends meetings of departmental management teams as necessary to discuss the cabinet and select committee forward work planner. The Head of Policy, Performance and Scrutiny is a member of Strategic Leadership Team and is well positioned to ensure that the Scrutiny Manager is sighted on key areas of activity.</p> <p>The forward work plans and Corporate Plan provide an opportunity for select committee chairs to identify areas of work that will benefit from scrutiny and where challenge can add value to policy development prior to decisions being made by Cabinet or Council. Further work will be needed to update work programmes in response to the next iteration of the Corporate Plan.</p>		

Report	Governance: Corporate Assessment Follow-on Review – June 2016. Good Governance when Determining Significant Service Changes – March 2017		
Audit Wales 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	Close
What progress have we made	A new Public Open Forum process has been established, to enable more effective public engagement in the scrutiny of decisions and the formulation of policy, via video, audio or written submissions in advance of meetings. It is intended to embed this process within new scrutiny working arrangements to improve accessibility for the public. 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.		

Report	'Scrutiny: Fit for the Future?' Review – August 2018		
Audit Wales 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	Close
What progress have we made	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 scrutinising the implications of well-being of future generations, equalities and socio-economic duty is scheduled for autumn 2021.		

### Children's safeguarding proposals

Report	Follow-up review of Corporate Arrangements for Safeguarding of Children – February 2020; Audit Wales Whole Authority review of children's safeguarding– August 2018		
Audit Wales Proposal	<p>Embed all aspects of safe recruitment, induction and training consistently.</p> <p>In particular:</p> <ol style="list-style-type: none"> <li>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;</li> <li>ensure all people who have a specific role in safeguarding undertake appropriate training; and</li> <li>clarify when enhanced DBS checks are required and ensure these are obtained in line with guidance.</li> </ol>	Status	Close
What progress have we made	<p>Managers are responsible for ensuring that staff are able to access the right training for their needs, as set out in the Corporate Safeguarding Policy. Directorate Safeguarding Leads are responsible for ensuring that the workforce within their Directorate attend training at levels appropriate to their roles and functions and that safeguarding responsibilities are highlighted through staff induction processes, team meetings, supervision and staff briefings. Biennial completion of the SAFE process provides assurance over safeguarding training. The council is also recruiting its volunteers through the Volunteer Kinetic digital management system, which records safeguarding training.</p> <p>The council's Disclosure and Barring Service Policy sets out what constitutes regulated activity and refers managers to the Home Office eligibility guidance tool to determine what level of DBS check an activity or role requires. All ID checkers are required to attend mandatory one hour DBS training, which covers eligibility and signposts delegates to the Home Office tool and the DBS page on the council's intranet. The electronic processing platform is provided by Powys County Council which runs a DBS unit and provides DBS eligibility advice to MCC if needed.</p> <p>The HR system has been developed to include a module that records staff training activity, and is currently being piloted in Social Care and Health through the Workforce Development Team. It will eventually be rolled out to all other directorates, and will incorporate safeguarding training, along with broader mandatory training requirements such as safer recruitment and attendance management.</p>		
Report	Follow-up review of Corporate Arrangements for Safeguarding of Children – February 2020; Audit Wales Whole Authority review of children's safeguarding– August 2018		

Audit Wales 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	Close
What progress have we made	<p>The self-evaluation process for safeguarding (SAFEs) is well embedded and takes place on a biennial basis within each directorate within the council. This is supported by the Safeguarding unit and there is a quality assurance mechanism through the Whole Authority Safeguarding Group.</p> <p>A recruitment agency has been appointed to provide corporate agency staff, where required, and ensure all individuals go through a safer recruitment process. This is in collaboration with four other local authorities, and utilises an online system to ensure a robust service. We have a Contracts Manager within Monmouthshire County Council who liaises with the recruitment company on a quarterly basis to oversee the process and ensure adherence to the safer recruitment process. Controls have also been implemented for agency staff recruited into schools, and all appointments must go through a legal process monitored by our own Legal team.</p> <p>A Safeguarding Evaluation Report is generated through the Whole Authority Safeguarding Group and presented to Council on an annual basis. Further questions or lines of inquiry from members are responded to and helps refine the content of the annual report. The latest Annual Safeguarding Evaluation Report was presented to Council in January 2021 and is based on activity and information from April 2019 to March 2020, just prior to the COVID-19 outbreak. Where relevant, the report adopts an ‘as is’ position and provides information regarding the ways in which the COVID-19 pandemic has affected safeguarding activity. This evaluation report forms an integral part of the improvement of safeguarding practice across the Council, and drives the work of the Whole Authority Safeguarding Group.</p> <p>A new Safeguarding Business Manager has been appointed in the Safeguarding Unit to help collate performance information for safeguarding, including supporting the SAFE audits, core data and facilitating the production of annual evaluation reports.</p>		
Report	Follow-up review of Corporate Arrangements for Safeguarding of Children – February 2020; Audit Wales Whole Authority review of children’s safeguarding– August 2018		
Audit Wales 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	Close
What progress	The council has developed guidance in minimum standards for safeguarding across commissioned services, and a self-assessment framework as a tool to support safe commissioning within directorates/services areas. Safe commissioning is embedded within the SAFE process.		

have we made	A volunteering toolkit and network are in place and Leading Volunteering training is delivered to staff that support volunteers. A Volunteer Kinetic digital management system is in place, containing live volunteer safe recruitment information and activity, which is reported on a quarterly basis. Service area champions have also been introduced to ensure that all current and new volunteers are recruited through the appropriate channels.
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**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	<p>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</p> <p>The Council is at an early stage of understanding long-term needs and solutions.</p> <p>The Council has identified some of the problems caused by the lack of rural transport but has not yet identified potential solutions.</p> <p>The Council is committed to integrated solutions but rural transport is not well recognised within Council and partner plans.</p> <p>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.</p> <p>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.</p>		
Proposals	<p align="center"><b>Desired Result</b></p> <p>Audit Wales 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 published by Audit Wales.</p>		

**Service User Perspective**

Report	Service User Perspective Review, Customer Contact – May 2019		
Audit Wales Proposal	Improve customer contact arrangements taking into account user feedback	Status	Close
	Improve customer care in the customer contact arrangements to ensure citizens views are genuinely acknowledged and addressed		
	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;		

## What progress have we made

Seek feedback from people who do not currently use the Community Hubs, My Monmouthshire App or Compliments, Comments and Complaints arrangements to understand why;

Share learning about improvements made to individual Community Hubs with other Community Hub staff

Ensure that the Council meets the standards it sets such as in complaints

We continue to promote and develop the My Monmouthshire app and listen to feedback from users across all channels to improve how this operates, and to improve the ways in which people can contact the council. Monty the Chatbot has been developed to assist in a broader range of enquiries, such as waste management and leisure services. Additional staff have been trained during the pandemic to provide longer hours of service to ensure as many customers receive the information they require. Every user is asked to complete feedback and this is monitored.

Customer-facing teams use feedback and continually strive to improve customer care using both informal and formal mechanisms. We ensure that customers who provide feedback and wish to receive a response get one. We continue to use community events, when these are possible, 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. We continue to use feedback from complaints and compliments to improve our customer contact arrangements.

Joint training has taken place across Hubs and the Contact Centre to ensure consistent messaging and information sharing. Furthermore, the Hubs and Contact Centre continue to liaise where there are service updates to ensure consistency in service delivery to customers. We continue to remind staff of good complaints handling and monitor our responsiveness against these standards.

We have regulatory measures to monitor the handling of complaints in Social Services and follow the Public Services Ombudsman for Wales complaints model for all other complaints handling in the Council. We produce a whole authority complaints report, which is presented to the Strategic Leadership Team, Cabinet and select committees, and contains information on complaints activity. We capture both positive feedback (compliments) and negative comments from service areas and also directly from our customers, and this feedback is logged on our database and also reported to the above in the annual report. Furthermore, each business plan owner receives information on the complaints received so that they can consider improving their services, where necessary.

Recommendations in formal complaint investigations are followed through where improvements to services are suggested. This will always be an ongoing piece of work to learn from customer feedback.

### Appendix 3

#### Audit Wales national studies published since last update

National Study	<b>The 'front door' to adult social care</b> <a href="https://www.audit.wales/publication/front-door-adult-social-care">https://www.audit.wales/publication/front-door-adult-social-care</a>
Summary	This report, published in September 2019, focuses on the effectiveness of the new 'front door' to social care, looking specifically at services for adults.  The report found that Councils are preventing social-care demand, but information, advice and assistance are not consistently effective.
Recommendations in the report	The report makes four recommendations for particular consideration by local authorities.
Monmouthshire County Council lead	The Council's Adult Social Care team has received the report. The team are considering the findings that are relevant to the Council's arrangements as part of their service planning.

National Study	<b>Review of Public Services Boards</b> <a href="https://www.audit.wales/publication/review-public-services-boards">https://www.audit.wales/publication/review-public-services-boards</a>
Summary	This report, published in October 2019, concludes that Public Service Boards are unlikely to realise their potential unless they are given freedom to work more flexibly and think and act differently.  Audit Wales have examined how Public Service Boards are operating; looking at their membership, terms of reference, frequency and focus of meetings, alignment with other partnerships, resources and scrutiny arrangements
Recommendations in the report	The report makes three recommendations for particular consideration by Public Service Boards.
Monmouthshire County Council lead	The Council's Performance and Partnerships teams have received the report and are considering the findings.

National Study	<p><b>Progress in implementing the Violence Against Women, Domestic Abuse and Sexual Violence Act</b></p> <p><a href="https://www.audit.wales/publication/progress-implementing-violence-against-women-domestic-abuse-and-sexual-violence-act">https://www.audit.wales/publication/progress-implementing-violence-against-women-domestic-abuse-and-sexual-violence-act</a></p>
Summary	<p>This report, published in November 2019, examines how the new duties and responsibilities of the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act are being rolled out and delivered.</p> <p>The report identifies that victims and survivors of domestic abuse and sexual violence are often let down by an inconsistent, complex and fragmented system.</p>
Recommendations in the report	The reports make three recommendations for particular consideration by public bodies.
Monmouthshire County Council lead	The Council's Social Care, Housing and Partnerships teams have received the report. They are considering the findings that are relevant to the Council's arrangements as part of their service planning.

National Study	<p><b>Findings from the Auditor General's Sustainable Development Principle Examinations</b></p> <p><a href="https://www.audit.wales/publication/findings-auditor-generals-sustainable-development-principle-examinations">https://www.audit.wales/publication/findings-auditor-generals-sustainable-development-principle-examinations</a></p>
Summary	<p>This report, published in May 2020, summarises the findings from Audit Wales's examinations of 44 public bodies under the Well-being of Future Generations (Wales) Act 2015 in the first reporting period, from 2015-2020.</p> <p>Overall, Audit Wales found that public bodies can demonstrate that they are applying the sustainable development principle. But it is also clear that they must improve how they apply each of the five ways of working if they are going to affect genuine cultural change – the very essence of the Act. In the next five year reporting period, public bodies across Wales will need to work together in taking a more system-wide approach to improving well-being if they are to take their work to the next level.</p>
Recommendations in the report	This report provides an overview of what Audit Wales looked for, what they found and what they will expect to see in future.
Monmouthshire County Council lead	The Council's Performance team has received the report and are considering the findings that are relevant to the Council's arrangements as part of their service planning.

National Study	<p><b>Rough Sleeping in Wales – Everyone's Problem; No One's Responsibility</b></p> <p><a href="https://www.audit.wales/publication/rough-sleeping-wales-everyones-problem-no-ones-responsibility">https://www.audit.wales/publication/rough-sleeping-wales-everyones-problem-no-ones-responsibility</a></p>
Summary	<p>This report, published in July 2020, looks at how public bodies can help to end people sleeping rough in Wales. This is phase two of the review of partnership working and follows on from the <a href="#">report looking at Public Service Boards</a> published in October 2019.</p> <p>In the first three months of the pandemic, the Welsh Government supported councils to rehouse over 800 people sleeping rough or at risk of homelessness. One of the unexpected outcomes of the lockdown is that rough sleeping has been significantly</p>



	<p>reduced. Audit Wales found that in recent years, whilst many public bodies work with people sleeping rough, services were not always joined up and helping people when they needed it.</p> <p>Responding to COVID-19 is an opportunity for public bodies to start addressing long standing weaknesses in partnership working which has stopped them from tackling rough sleeping in the past.</p>
Recommendations in the report	The reports make two recommendations for particular consideration by public bodies.
Monmouthshire County Council lead	The Council's Housing team has received the report. The team are considering the findings of the report that are relevant to the Council's arrangements as part of their service planning.

National Study	<p><b>'Raising Our Game' - Tackling Fraud in Wales</b></p> <p><a href="https://www.audit.wales/publication/raising-our-game-tackling-fraud-wales">https://www.audit.wales/publication/raising-our-game-tackling-fraud-wales</a></p>
Summary	<p>This report, published in July 2020, states that the Crime Survey for England and Wales recognises fraud as being one of the most prevalent crimes in society today. However, some senior public sector leaders are sceptical about the levels of fraud within their organisations. As a result, they are reluctant to invest in counter-fraud arrangements and assign a low priority to investigating cases of potential fraud identified to them by the National Fraud Initiative.</p> <p>Audit Wales believe that the pandemic provides an important opportunity for the Welsh counter-fraud community to come together (by appropriate means) and reflect on the speed and effectiveness of its response to the fraudsters. Public sector bodies can mitigate these risks by having the right organisational culture supported by strong counter-fraud arrangements.</p>
Recommendations in the report	The reports make 15 recommendations for particular consideration by all public bodies.
Monmouthshire County Council lead	The Council's Finance team has received the report and are considering the findings.

National Study	<p><b>Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic</b></p> <p><a href="https://www.audit.wales/publication/financial-sustainability-local-government-result-covid-19-pandemic">https://www.audit.wales/publication/financial-sustainability-local-government-result-covid-19-pandemic</a></p>
Summary	<p>This report, published in October 2020, is the beginning of Audit Wales's work looking at the financial sustainability of local councils during 2020-21. The report sets a high-level baseline position, including the reserves position, of local councils before the pandemic. It also sets out the initial financial implications of the pandemic for local councils and the scale of the anticipated challenge going forward, as well as some reflections on the preparedness of local government in Wales for such an unprecedented event. Finally, the report sets out how Audit Wales intends to provide support and constructive challenge to</p>

	councils and the local government sector, as a whole, over the remainder of 2020-21, in their efforts to maintain financial sustainability against such significant funding pressures.
Recommendations in the report	This report is the beginning of a series of reviews and sets the high-level, baseline position for ongoing support.
Monmouthshire County Council lead	The Council's Finance team has received the report. The team are considering the findings of the report that are relevant to the Council's arrangements as part of their service planning.

National Study	<b>Commercialisation in Local Government</b> <a href="https://www.audit.wales/publication/commercialisation-local-government">https://www.audit.wales/publication/commercialisation-local-government</a>
Summary	<p>This report, published in October 2020, shows that local government has handled the impact of austerity well so far. However, with rising expectations from the general public and increasing demand for services, councils face a challenging future. With the impact of the COVID-19 pandemic, they are also working in ways and delivering services to communities that may have fundamentally changed.</p> <p>Councils have conducted commercial activity for a long time, and many councils are exploring additional commercial opportunities to mitigate against the financial pressures they face. There is a need to look at different ways to make savings, safeguard services and generate income with increasingly ambitious financial targets. Consequently, commercialisation is becoming more important for councils.</p> <p>This report is specifically targeted at helping elected members and senior officers to examine and judge the potential impact on their organisations when considering whether to undertake commercialisation. It will also help councils to demonstrate how well they are discharging their value for money responsibilities.</p>
Recommendations in the report	The reports make seven recommendations for particular consideration by local authorities.
Monmouthshire County Council lead	The Council's Finance team has received the report. The team are considering the findings of the report that are relevant to the Council's arrangements as part of their service planning.

National Study	<p style="text-align: center;"><b>Welsh Community Care Information System</b></p> <p style="text-align: center;"><a href="https://www.audit.wales/publication/welsh-community-care-information-system">https://www.audit.wales/publication/welsh-community-care-information-system</a></p>
Summary	<p>This report, published in October 2020, shows that despite efforts to accelerate implementation of the Welsh Community Care Information System (WCCIS) across health boards and local authorities, the prospects for full take-up remain uncertain. There are also some important issues that still need to be resolved, including around how the system functions.</p> <p>The Welsh Community Care Information System (WCCIS) is intended to enable health and social care staff to deliver more efficient and effective services. WCCIS has been developed as a single system and a shared electronic record for use across a wide range of adult and children’s services. The idea is that all 22 local authorities and seven health boards should implement it.</p>
Recommendations in the report	The reports make two recommendations for particular consideration by Welsh Government, the WCCIS National Programme Team, health boards, and local authorities.
Monmouthshire County Council lead	The Council’s Social Care and Health team has received the report. The team are considering the findings of the report that are relevant to the Council’s arrangements as part of their service planning.

National Study	<p style="text-align: center;"><b>The National Fraud Initiative in Wales 2018-20</b></p> <p style="text-align: center;"><a href="https://www.audit.wales/publication/national-fraud-initiative-wales-2018-20">https://www.audit.wales/publication/national-fraud-initiative-wales-2018-20</a></p>
Summary	<p>This report, published in October 2020, shows that whilst the majority of Welsh NFI participants display a strong commitment to counter fraud and the NFI, as reported in my recent report on counter-fraud arrangements across Wales, some bodies do not demonstrate a commitment to address fraud and do not ensure that sufficient, skilled staff resource is in place to investigate matches, prevent frauds and correct errors.</p> <p>The report also highlights that the COVID-19 pandemic has significantly increased the risk of fraud as public bodies have needed to urgently process COVID-19 support payments in very difficult circumstances</p>
Recommendations in the report	The reports make four recommendations for particular consideration by all participants in the National Fraud Initiative.
Monmouthshire County Council lead	The Council’s Finance team has received the report and are considering the findings.

National Study	<b>Providing Free School Meals During Lockdown</b> <a href="https://www.audit.wales/publication/providing-free-school-meals-during-lockdown">https://www.audit.wales/publication/providing-free-school-meals-during-lockdown</a>
Summary	<p>This report, published in November 2020, looks at how councils approached the challenge of continuing to provide free school meals during the national lockdown in spring and summer 2020.</p> <p>Audit Wales undertook this work as part of the COVID-19 learning project. The aim was to identify how councils adapted their free school meals service during the lockdown, and particularly if there are any learning points as a result of this experience both for councils and the wider public sector.</p>
Recommendations in the report	The reports identifies a number of outcomes and learning points for consideration by local authorities and the wider public sector.
Monmouthshire County Council lead	The Council's Education team has received the report. The team are considering the findings of the report that are relevant to the Council's arrangements as part of their service planning.

National Study	<b>Test, Trace, Protect in Wales: An Overview of Progress to Date</b> <a href="https://www.audit.wales/publication/test-trace-protect-wales-overview-progress-date">https://www.audit.wales/publication/test-trace-protect-wales-overview-progress-date</a>
Summary	<p>This report, published in March 2021, sets out the main findings of how public services are responding to the delivery of TTP services in Wales.</p> <p>The Test, Trace, Protect (TTP) programme has successfully brought together different parts of the Welsh public sector to quickly build a system of testing and contact tracing mostly from scratch and at a fast pace.</p> <p>Although the programme struggled to cope with earlier peaks of the spread of the virus, it rapidly learnt and evolved to the challenges it faced.</p>
Recommendations in the report	The reports identifies a number of key messages and findings consideration by the wider public sector.
Monmouthshire County Council lead	The Council's Test Trace and Protect team has received the report and are considering the findings of the report.

National Study	<p style="text-align: center;"><b>At your Discretion - Local Government Discretionary Services</b></p> <p style="text-align: center;"><a href="https://www.audit.wales/publication/your-discretion-local-government-discretionary-services">https://www.audit.wales/publication/your-discretion-local-government-discretionary-services</a></p>
Summary	<p>This report, published in April 2021, looks at how councils define their services and look to protect essential services when dealing with funding cuts. Financial pressures have led to councils reducing spend and cutting services, but the pandemic has shown local government services are essential to keeping people safe and healthy.</p> <p>This review focussed on how councils define services, the systems and processes they have used to review services and how robust these are.</p> <p>Looking to the future, Councils need to take the opportunity to refresh, reevaluate and reset what they do and to learn from the pandemic to build a better future. There are opportunities for councils to involve citizens in shaping and running services themselves. The challenge for local councils will be to apply the lessons learnt from the pandemic and use it to refine, adapt and deliver further improvements in order to create positive change and remain relevant to all of their citizens.</p>
Recommendations in the report	The reports identifies a number of outcomes and learning points for consideration by local authorities and the wider public sector.
Monmouthshire County Council lead	The Council’s Strategic Leadership Team has received the report and are considering the findings.

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## AGENDA ITEM TBC

**SUBJECT: STATEMENT OF ACCOUNTS 2020/21 – MONMOUTHSHIRE COUNTY COUNCIL**

**MEETING: Governance and Audit Committee**

**DATE: 29<sup>th</sup> July 2021**

**DIVISIONS/WARD AFFECTED: All**

### **1. PURPOSE:**

- 1.1 This report has been prepared to provide Governance and Audit Committee Members with an opportunity to review and provide comments on the draft 2020/21 Statement of Accounts of Monmouthshire County Council.
- 1.2 Members are asked to note that the figures provided may be subject to change during our external audit process and that a final audited statement of accounts will be presented to this committee during the autumn.
- 1.3 The accounts were signed by the Responsible Finance Officer on the 21st July 2021 and will be subject to external audit and the public inspection period.

### **2. RECOMMENDATIONS:**

- 2.1 That the Governance & Audit Committee:
  - Note the 2020/21 draft Statement of Accounts and highlight any queries and comments.
  - Note that the audited Statement of accounts for 2020/21 will, prior to being presented to Council, be reviewed by this Committee during the autumn.

### **3. KEY ISSUES**

- 3.1 The Local Government (Wales) Measure 2011 identifies the review of the Council's Statement of Accounts as a specific function of the Governance & Audit Committee.
- 3.2 Under current legislation for Wales, the draft statement of accounts are to be produced and published by the Authority by the 31<sup>st</sup> May following the financial year they relate to.
- 3.3 The Authority has a good record of meeting its accounts closure deadlines but during the 2020/21 closure process the finance section has faced considerable disruption as a result of the continuing impact of the Covid-19 pandemic with staff resources being limited and the primary focus rightly being directed to ensuring the ongoing financial sustainability of the Council.
- 3.4 The regulations in place in Wales continue to allow the Council the flexibility to publish the statement of accounts after the statutory deadline subject to providing a statutory notice as per paragraph 10(4) of the regulations detailing the reasons for not meeting the deadline. This notice was made by the Council on the 28<sup>th</sup> May 2021. The notice can be viewed at

- 3.5 The Statement of Accounts, shown in **Appendix 1**, is a highly technical document and its form and content are heavily regulated. The main regulations come through the:
- Code of Practice on Local Authority Accounting in the United Kingdom;
  - Service Reporting Code of Practice; and
  - Supported by International Financial Reporting Standards (IFRS).
- 3.6 In complying with these Standards, the accounts do not always make easy reading. With this in mind a summary of the main financial statements has been prepared at **Appendix 2** to assist with the scrutiny process of the primary statements.
- 3.7 Alongside this the guide produced by CIPFA – **Understanding Local Authority Financial Statements** has been provided as a background paper which may assist members of the Governance and Audit Committee and other users to understand the format of the accounts.
- 3.8 The formal Statement of Accounts at **Appendix 1** include the following statutory primary statements:
- Movement in Reserves Statement
  - Income & Expenditure Statement
  - Balance Sheet
  - Cashflow Statement
- 3.9 Supporting explanatory notes are also included in sections 10 to 17 which aim to give further information on the amounts included in the primary statements.

#### **4. OPTIONS APPRAISAL**

- 4.1 The production of the statement of accounts is a statutory requirement and as such any option appraisal is not applicable.

#### **5. EVALUATION CRITERIA**

- 5.1 The production of the statement of accounts is a statutory requirement and as such any evaluation criteria is not applicable.

#### **6. REASONS**

- 6.1 To provide Governance and Audit Committee Members with an opportunity to review and provide comments on the draft 2020/21 Statement of Accounts of Monmouthshire County Council.

#### **7. RESOURCE IMPLICATIONS**

- 7.1 As outlined in the respective accounts to be found in the Appendices.

#### **8. WELLBEING OF FUTURE GENERATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING):**



8.1 There are no implications directly arising from the recommendations and decisions highlighted in this report.

**9. CONSULTEES**

Strategic Leadership Team  
Deputy Chief Executive (Chief Officer – Resources)

**10. BACKGROUND PAPERS**

*Appendix 1* - Draft 2020/21 Statement of Accounts – Monmouthshire County Council  
*Appendix 2* – Summary of 2020/21 primary financial statements

*Background paper 1* - Understanding Local Authority Financial Statements (CIPFA – 2016)

**11. AUTHORS:**

Jonathan S. Davies  
(Acting) Assistant Head of Finance

**12. CONTACT DETAILS**

Email: [jonathandavies2@monmouthshire.gov.uk](mailto:jonathandavies2@monmouthshire.gov.uk)  
Tel: (01633) 644114

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# MONMOUTHSHIRE COUNTY COUNCIL

## DRAFT STATEMENT OF ACCOUNTS

2020/21



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# 1 NARRATIVE REPORT

## 1.1 Introduction

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

### Key facts about Monmouthshire



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

The majority of the Council's administrative and political functions are carried out at County Hall at The Rhadyr, Monmouthshire.

### 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 2021) of the Council is 25 Conservative, 9 Labour, 6 Independent members 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 & Safeguarding

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, Future Monmouthshire.

#### Enterprise

Business growth & enterprise, Monlife, Facilities & Fleet, Neighbourhood services, Planning & housing.

#### Corporate

Corporate management, Non-distributed costs, Precepts & levies and Insurance

## 1.2 Financial Performance for the Year

### Revenue Budget for 2020/21

The net revenue budget of £170.7m 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 despite the extraordinary ongoing financial pressures. As a result of significant unbudgeted Welsh Government grants that were communicated to and received by the Authority late in the financial year and that have offset core budget funding, the Council generated a surplus of £4.119m which was used to replenish earmarked reserves, and ensure a level of financial resilience to deal with service pressures and the wider policy commitments that will shape future service delivery.

Soon after setting the 2020/21 budget the Council's operations, along with the rest of the world, were severely affected by the Covid-19 pandemic which placed unexpected changes and demands on the services that we deliver. In working with all parts of the Welsh Public Sector the Welsh Government provided significant one-off support to all areas through numerous funds, ranging from support to local businesses via the Business Restrictions Fund, the Business Support Grant provided to local businesses, and recognition through the Local Government Hardship Fund of the additional costs & loss of income incurred by the Council in dealing with response. These accounts only recognise the one-off resources provided to the Council to support its services.

Further details on the outturn position are provided in the June 2021 outturn report to Cabinet.

	Revised Budget £000	Actual £000	Variance £000
<b>Net Expenditure:</b>			
<b>Net cost of services (as per internal management reporting)</b>	<b>163,657</b>	<b>160,488</b>	<b>(3,169)</b>
Attributable costs – Fixed Asset Disposal	65	68	3
Interest and Investment Income	(252)	(231)	21
Interest Payable and Similar Charges	4,047	3,709	(338)
Charges Required Under Regulation	6,143	6,075	(68)
Borrowing Cost Recoupment	(3,375)	(3,538)	(163)
Capital Expenditure Financing	252	252	0
Earmarked Contributions to/(from) Reserves	169	4,288	4,119
<b>Net Revenue Budget</b>	<b>170,706</b>	<b>171,111</b>	<b>405</b>
<b>Financed by:</b>			
General government grants	(67,723)	(67,723)	-
Non-domestic rates	(30,037)	(30,037)	-
Council tax	(79,831)	(80,238)	(407)
Council Tax Benefit Support (included in NCS)	6,885	6,887	2
<b>Net Financing Budget</b>	<b>(170,706)</b>	<b>(171,111)</b>	<b>(405)</b>
<b>Council Fund (surplus)/deficit - Non-Schools</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Council Fund (surplus)/deficit - Schools</b>	<b>304</b>	<b>(3,853)</b>	<b>(4,157)</b>
<b>Council Fund (surplus)/deficit - Total</b>	<b>304</b>	<b>(3,853)</b>	<b>(4,157)</b>

The net cost of services in the table above of £160.48m is reported on a management accounting basis, i.e. the same basis as the budget reports to Cabinet during the year. The figure for the net cost of services in the Comprehensive Income and Expenditure (CIES) in Section 6 of £167.44m 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	2018/19 £000	2019/20 £000	2020/21 £000
Council Fund Balance	7,110	8,906	8,906
School Balances	(232)	(435)	3,418

Earmarked Reserves	5,550	5,182	9,334
Service Reserves	402	402	407
Trading Accounts	661	800	930
<b>Total Usable Reserves &amp; balances available for Revenue Purposes</b>	<b>13,490</b>	<b>14,854</b>	<b>22,995</b>

**Schools:** In a similar manner to the general revenue activities of the Council, Schools also received Welsh Government support in dealing with the impacts of the Covid pandemic during 2020/21, whilst also experiencing reduced spending on core service delivery during their periods of closure. The following table summarises the schools balances position by school type:

School Balances	2018/19 £000	2019/20 £000	2020/21 £000
Comprehensives	(635)	(931)	554
Primaries	242	347	2,838
Other	161	149	26
<b>Total</b>	<b>(232)</b>	<b>(435)</b>	<b>3,418</b>

### Capital expenditure & financing

In addition to revenue spending the Council also spent £18.7m on its assets which is detailed below along with the corresponding finance streams:

2019/20 £000		2020/21 £000
	<b>Expenditure</b>	
1,427	Schools modernisation programme	393
7,316	Infrastructure	9,482
6,225	Asset management schemes	2,755
659	Other	1,638
908	Inclusion schemes	926
477	ICT schemes	0
5,573	Regeneration schemes	2,509
831	Vehicles	1,003
<b>23,415</b>	<b>Total Expenditure</b>	<b>18,706</b>
	<b>Financing</b>	
(5,910)	Capital receipts	(1,042)
(8,673)	Borrowing and Finance Lease Commitments	(5,859)
(8,547)	Grants and Contributions	(11,553)
(286)	Revenue and Reserve Contributions	(252)
<b>(23,416)</b>	<b>Total Financing</b>	<b>(18,706)</b>

### Significant capital receipts

The most significant capital receipts received in 2020/21 were £2.1m for land at Chepstow Road, Raglan, £2.7m for Crick Road and £1.45m for the share of the former County Hall site, Cwmbran. All other receipts totalled £1.2m. The Council currently ring fences all capital receipts to support ongoing capital investment priorities in line with its Corporate plan.

### 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 2020/21 the valuations included Community Centres, Hubs & Public Contact Centres, Public Conveniences and Primary Schools. The programme for subsequent years is as follows:

- 2021/22 – Community Centres, Corporate Facilities, Recreational Spaces and Leisure Centres
- 2022/23 – Primary Schools, Recreational Spaces and Community Centres

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 Investment Property portfolio is assessed annually by the Authority's Estates section ensure the value is accurately reflected in the accounts.

During the year the value of our non-current assets has reduced from £399.0m to £392.7m, arising from recognising the in-year asset enhancing spend of £9.6m; the rolling programme of revaluations increasing their held value by £1.3m; depreciation of £(12.8)m; book value of disposals of £(2.6)m; transfers to current assets of £(1.4)m & transactions relating to consolidated arrangements £(0.3)m.

### Borrowing arrangements and sources of funds

The Council's overall borrowing, on a principal valuation basis, totalled £183.46m as at 31st March 2021 (£187.71m as at 31st March 2020), comprising of the following:

31st March 2020		31st March 2021
£000		£000
89,627	Public Works Loan Board	74,647
13,816	Market Loans & Bank loans	13,812
5,248	Welsh Government	5,062
76,023	Local Government bodies	86,944
3,000	Special Purpose Vehicle	3,000
<b>187,714</b>	<b>Total borrowing</b>	<b>183,466</b>

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

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

The Council Tax bill for Monmouthshire County Council in 2020/21 (including amounts raised for Police and Community Councils) was £1,717.44 (£1,629.72 in 2019/20) for properties in valuation Band D. We collected 96.6% in year of the total due (97.7% 2019/20). Our collection rate for Non-Domestic Rates was 92.8% in 2020/21 (97.7% in 2019/20). During the year £54,000 Council Tax and £27,000 Non-Domestic Rates' debts were written off (£168,000 and £200,000 in 2019/20).

### Pension Liabilities

We are required to state the cost of paying retirement pensions when we become committed to the costs, not when we actually pay them. An Actuary is used to estimate the figure for Monmouthshire and 2020/21 shows a net liability of £306,876,000 (£230,526,000 in 2019/20).

There is a increase in the combined net liability of the Greater Gwent pension funds of £76,350,000 from 1 April 2020 to 31 March 2021. This has resulted from a increase in the value of scheme liabilities of £177m offset by a increase in the value of scheme assets. The increase in liabilities is due to changes in financial assumptions (e.g. increased inflation, decreased discount rate, increased longevity/age presumptions).

The date of the latest actuarial valuation was 31 March 2019 and this updated the employers' contribution rates from April 2020 until 31 March 2023. Further details are given in section 14 of the notes to the Accounts.

## 1.3 The Financial Outlook

**2021/22:** In setting its 2021/22 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 3.89%, which increased the annual band D charge by £53.71 to £1,434.47 (excluding amounts raised for Police and Community Councils). It also approved £4.7m of savings measures to ensure that the approved budget is delivered.

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 £73.5m (including contributions to the Cardiff Capital Region City Deal initiative) forecast to be spent from 2021/22 to 2024/25.

**The Medium Term:** The medium term prognosis is still of concern with the current MTFP indicating a funding gap of £30m over the next three years if settlement from Welsh Government remains static. There are currently no indicative settlement figures published which significantly impedes and impacts on forward planning of budgets over the medium term. Demand led cost pressures continue to increase in areas such as Children's services, Adult Social Care, Children's additional learning needs and Transport.



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, and notably with other local authorities, Welsh Government and the Welsh Local Government Association (WLGA) and where funding distribution and projections are concerned.

## Covid19 Impact

2020/21 saw a continuation of the emergency response enabled in March 2020 which necessitated the Council to change how it delivers its services:

- Much of the administrative business undertaken continued with officers working remotely.
- Immediate business critical services were maintained i.e. waste collection, school hubs, social care, benefits etc. Staff within other services that have either been closed or the service reduced were redeployed as appropriate.
- The Council provided representation to the Gwent Strategic Coordinating Group and sub groups for strategic and operational decision making. The Council also established an Emergency Response Team which, alongside the Council's Cabinet and Senior Leadership Team, oversaw the response/delivery.

The financial challenges facing the Council and resulting from the Covid-19 pandemic were hugely significant during 2020/21 and will continue to be over the medium term as the economy recovers and demands on local services transform in line with the social changes that the pandemic has brought about.

The Council continues to incur significant costs in its response effort and this will continue as it transitions towards recovery. Furthermore and resulting from the restrictions that UK Government and Welsh Government have had to put in place to contain the spread of the virus we are suffering significant shortfalls in our income levels. Some of these will return more quickly than others as services are able to be safely turned back on.

In working with all parts of the Welsh Public Sector the Welsh Government provided significant one-off support to all areas through numerous funds which have been administered by the Council during the year. This has ranged from support to local businesses via Business Support Grants, payments made to care workers and specific Freelancer and Start up grants:

Support fund	£000s
Business Support Grants	39,468
Care Workers £500 Payments	1,367
Covid-19 Freelancer Grant	440
Covid-19 Start Up Grant	143
<b>Total</b>	<b>41,418</b>

It is inevitable that the Council will face significant financial challenges as we move into the recovery phase of the pandemic as demands on services change in light of a severely altered socio-economic landscape. Alongside this there will continue to be risks associated with Welsh Government support funding being reduced or stopped. It is therefore important that the Council looks to replenish earmarked reserves to strengthen ongoing financial resilience.

In considering the above and in apportioning the outturn position the future financial stability of the Council was considered, alongside the potential additional unknown costs that could occur in dealing with post Covid-19 recovery, whilst also giving financial resilience to service areas to deal with service pressures and the wider policy commitments that will shape future service delivery.

### Cardiff Capital Region City Deal (CCRCDC)

The Council continues to be an active member of the Cardiff Capital Region City Deal initiative. This Council will make a 6.1% contribution to the £120 million with the percentage being based on its proportion of the regional population, and fund the annual costs of this investment. The development and management of this £120 million is the responsibility of the CCRCDC Regional Cabinet. The capital contribution in 2020/21 of £122,862 (£0 in 2019/20) was less than anticipated due to projects not being completed as planned.

## 1.4 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 2021. The notes are sectioned to aid the user of the accounts to navigate the extensive supporting notes.

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**Peter Davies**  
**Chief Officer - Resources (Acting S151 Officer)**

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**Date**

## 2 STATEMENT OF RESPONSIBILITIES

### 2.1 The Authority's Responsibilities

The Authority is required to:

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

### 2.2 The Section 151 Officer's Responsibilities

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

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

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

The Section 151 Officer has also:

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

## APPROVAL OF STATEMENT OF ACCOUNTS

I certify that the accounts set out within sections 5 to 17 gives a true and fair view of the financial position of the Council as at the 31st March 2021 and its income and expenditure for the year ended 31st March 2021.

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**Peter Davies**  
**Deputy Chief Executive (S151 Officer)**

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**Date**

Monmouthshire CC

Annual Governance Statement 2020/21

June 2021

**Executive Summary**

The Statement itself demonstrates that Monmouthshire has appropriate 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 the majority of areas we have effective governance arrangements in place which are continually improving.

Audit Wales'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.

Progress against the 2019/20 action plan is shown at Appendix 1.

- 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 2019/20 action plan is shown at Appendix 1.

### 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 (Wales) Measure 2011 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.
- 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 Council's financial management arrangements conform to the governance requirements of the 'CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)'.
- 6 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 initially approved by Council in July 2011; the Code was revised and updated again in June 2020. A copy of the 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 revised Code sets out what governance arrangements are in place within Monmouthshire CC for each of the Governance Principles.

### The Purpose of the Governance Framework

- 7 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.
- 8 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.
- 9 The governance framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

## The Governance Framework

10 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

### Wellbeing of Future Generations (Wales) Act 2015

11 Monmouthshire has to demonstrate it is compliant with the Well-being of Future Generations (WFG)(Wales) Act 2015 and this compliments the way it functions in line with the above principles of good governance; the core behaviours being:

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

This needs 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.

- Long Term
- Prevention
- Integration
- Collaboration
- Involvement

**ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2021**

Monmouthshire Council priority goal (Well-being Objectives)	Contribution of Well-being Objectives to Well-being Goals						
	Prosperous Wales	Resilient Wales	Healthier Wales	More equal Wales	Wales of cohesive communities	vibrant culture and thriving Welsh Language	Globally responsible Wales
The best possible start in life	✓		✓	✓		✓	
Lifelong well-being	✓	✓	✓	✓	✓		
Maximise the Potential of the natural and built environment	✓	✓	✓		✓	✓	✓
Thriving and well-connected county	✓	✓	✓	✓	✓		✓
Future-focused Council	✓	✓			✓		✓

- 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. A mid term refresh was presented to Council in March 2020.
- 13 As part of the requirements of the Well-being of Future Generations (Wales) Act 2015 the Public Service Board (PSB) is 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.
- 14 The Public Service Board has approved four well-being objectives that underpin a clear purpose of "building sustainable and resilient communities".
- 15 An update on the emerging actions being developed to deliver the objectives contained in Monmouthshire's Well-being Plan was signed off by the PSB in April 2018. The Public Services Board Committee was renamed the Public Services Committee in March 2020 in order to scrutinise wider public service provision and where powers allow, to provide greater accountability of services delivered in collaboration or by external partners.
- 16 The PSB presented its annual report 2019/20, in July 2020 to the Public Services Committee.

**Coronavirus (Covid-19) Pandemic**

- 17 The Coronavirus pandemic (WEF March 2020) had initially caused significant organisational disruption including new emergency responsibilities, increased staff absence and a requirement for staff to work from home (where possible) while continuing to ensure statutory services were maintained as expected. This statement assesses the governance in place during 2020/21 with the majority key operations being affected by Coronavirus throughout the year.
- 18 In accordance with the Council's Corporate Emergency Management Plan (revised March 2019) an Emergency Response Team (ERT) was established along with a regional multi-agency Strategic Co-ordination Group (SCG) to deal with this pandemic. These groups started to meet on a daily basis during March 2020 and continued throughout 2020/21.



- 19 Once enacted, the Corporate Emergency Management Plan allowed for an emergency management structure and delegation of emergency powers to the ERT Gold Duty Officer in consultation with the Leader of the Council.
- 20 The pandemic has impacted on the Council's delivery of services as some staff were diverted to front line duties to ensure that critical services were prioritised. There have also been new areas of activity as part of the national response to Coronavirus for example providing emergency assistance to businesses in Monmouthshire.
- 21 There has been funding and logistical consequences of delivering the local government response. To ensure appropriate governance and accountability, these costs have been identified by staff and appropriately coded on the Council's Main Accounting System and reclaimed from Welsh Government.
- 22 In line with public health measures to mitigate the spread of Coronavirus and to enable the Council to focus on the delivery of critical services, all public meetings were initially suspended. This included Council meetings, meetings of full Cabinet and all committee and sub-committee meetings, including Select, Planning and Licensing. The Council felt it was important to re-instate public meetings as soon as it was safe to do so. Using appropriate technology, key meetings were held remotely which could be viewed by the public through live streaming or through You Tube channels later. MCC was the first Council in Wales to get its meetings back up and running (Investment Committee 24 April 20). Cabinet held a virtual and remote meeting on the 6<sup>th</sup> May 2020, Council was run virtually on 4<sup>th</sup> June 2020, Audit Committee June 2020, with other public meetings following.
- 23 Urgent decisions initially were made in accordance with the officer and Members' schemes of delegation as detailed in the Council's Constitution and urgent decision-making procedures.
- 24 As the use of technology came into operation, minimal Council meetings were cancelled; they were held remotely through live video links.
- 25 As much as possible, the systems of internal control have continued to operate during the pandemic. The Council's implementation of Office365 (Teams) has allowed the majority of employees to successfully work from home without major disruption.
- 26 In the Chief Internal Auditor's opinion, adequate assurance was obtained over the course of 2020/21 to result in an overall 'Reasonable' audit opinion to be issued for the Council's activities, although this was based on the limited work undertaken by the team. Internal Audit coverage was adversely affected during 2020/21 as it was significantly involved with fraud prevention activities following the Welsh Government business grants support and then supported the Track Trace and Prevent (TTP) operation led by the Council's Public Health Team. Reliance on previous year's audit work has also been taken into consideration in arriving at this year's opinion in that there have been no significant systems or staff changes. 57% of the approved revised audit plan was completed against the target of 82%; 9 audit opinions were issued. Further detail regarding the Internal Audit team's performance is included within the Internal Audit Annual Report 2020/21.
- 27 In conclusion, during 2020/21 the Coronavirus pandemic did not lead to significant internal control or governance issues which impacted on the overall review of effectiveness. This will be monitored during 2021/22 and reviewed as part of future Annual Governance Statements in future.

### **Review of Effectiveness**

- 28 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 Strategic 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.
- 29 The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

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

- i) The Monitoring Officer presented the revised and updated Council Constitution to the Democratic Services Committee in January 2021 and to full Council in March 2021;
- 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; Contract Procedure Rules were reviewed and updated during 2020/21 and approved by full Council within the Constitution in March 2021;
- iii) Whole Authority Strategic Risk Management Assessment and amendments to the Policy were approved by Cabinet in March 2020 & April 2021;
- iv) Formal risk management and ongoing review of the processes involved reported through Audit Committee July 2020 & March 2021
- v) The Audit Committee undertook a self evaluation exercise towards the end of 2019/20; summary reported to Audit Committee June 2020;
- vi) Annual Audit Committee report to Audit Committee July 2020 and Council September 2020;
- 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; Audit Committee
- 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 Audit Wales
- 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) Corporate Plan update 2019/20 – Council October 2020;
- xiii) Through the coronavirus pandemic establishing a series of interim strategies to provide clarity in direction and ensure accountability – 'Plan on a Page' to Cabinet May 2020, July 2020 & December 2020
- xiv) Whole Authority Safeguarding Position Statement during Covid – 19 – Cabinet May 2020; Annual Safeguarding Evaluation Report and Activity Plan – Council January 2021;
- xv) Estyn's report into Local Government Education Services in Monmouthshire County Council – Cabinet May 2020
- xvi) Annual appraisal of the effectiveness of the authority's performance management arrangements reported annually to Audit Committee.
- xvii) Chief Officer for Children and Young People's Annual Report presented to Council May 2019; Chief Officer for Social Care, Safeguarding & Health's Annual Report presented to Council June 2020; Corporate Parenting Annual Report to Council October 2019; Annual Statutory Report on Performance 2019/20 from the Director of Social Care, Safeguarding and Health – Council December 2020;
- xviii) Updated policies and strategies reported through Cabinet and Council

**31** 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**

- 32** The Code of Conduct for Members and a protocol on Member / Officer relations are set out in the Constitution, updated March 2021. The Council also has a local protocol for the self-regulation of member conduct.
- 33** 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. Due to Covid -19 restrictions, The Standards Committee met once during 2020/21.
- 34** Public Service Ombudsman Wales Annual Report (2019/20) was presented to Cabinet in November 2020.

Conduct Complaints about MCC Members received by the Public Services Ombudsman:

	2017-18	2018/19	2019/20
Not upheld	3	20	2
Referred to Standards Committee	0	0	0
Referred to Adjudication Panel	1	0	0
<b>TOTAL COMPLAINTS CLOSED</b>	<b>4</b>	<b>20</b>	<b>2</b>

- 35** 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 through independent DBS checks.
- 36** In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.
- 37** There were no successful "call-in" challenges to decisions on procedural grounds; 3 judicial reviews were commenced or dealt with at the pre-action stage in the period.
- 38** Policy and decision-making is facilitated through (i) Council and Cabinet; the meetings of which are open to the public and live streamed online 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 Public Services 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.
- 39** A Scrutiny and Executive Protocol is in place which is aligned to the updated constitution of March 2021 and provides parameters for effective executive and scrutiny relationships.
- 40** The Constitution is updated periodically by the Monitoring Officer; the latest update approved by Council was in March 2021. It can be found on the Council's website.
- 41** To ensure agreed procedures and all applicable statutes are complied with, the Monitoring Officer attends full Council meetings, Cabinet and SLT. To ensure sound financial management is a key factor

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in decisions, the Chief Officer Resources (Interim Head of Finance) attends SLT, Cabinet and Council meetings.

42 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
- registers of personal and business interests for Members
- declarations of interests for Chief Officers
- 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.

43 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

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

45 The Audit Committee has the opportunity to call in senior managers during the year and challenge them on why a procurement process went outside the Council's normal tendering processes. Following 2 consecutive **Limited** Assurance audit opinions, the Head of Strategic Projects was called into Audit Committee (March 2020) to justify the lack of improvement in internal controls re Fuel Cards. The Chief Officer Resources reported on progress regarding Anti Bribery, Fraud and Corruption (October 2020). An update on the use of Agency Workers audit was presented to Audit Committee (November 2020). Following previous **Limited** Assurance audit opinions, Heads of Service for Food Procurement and Caldicot Castle provided a progress report to Audit Committee (January 2021).

46 As a result of Covid-19 the Internal Audit Team was repurposed during most of the year to undertake extensive counter fraud activities on Welsh Government business grants and support TTP; a report was taken to Audit Committee explaining the situation, January 2021. 9 Internal Audit opinions were issued in 2020/21; **no** audit jobs resulted in **Limited** assurance.

47 The overall opinion on the adequacy of the internal control environment for 2020/21 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 2020/21 were as follows:

	2018-19	2019-20	2020-21
Substantial Assurance (Very Good)	2	2	2
Considerable Assurance (Good)	11	11	6
Reasonable Assurance	13	7	1
Limited Assurance (Unsatisfactory)	6	9	0
<b>Total</b>	<b>32</b>	<b>29</b>	<b>9</b>

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

- 49 The Internal Audit team did not have a full complement of staff for the full year for the reasons explained above. 57% of the 2020/21 revised audit plan was achieved, which was lower than the previous year (77%). 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 but this was based on a very limited number of opinions issued. The 2020/21 audit opinion was supported by the knowledge that there were appropriate governance, risk management and internal control assurances in place in the previous year, 2019/20, with no significant changes. The Assistant Head of Finance left MCC in January 2020 but the post was covered by the Central Accountancy Finance Manager and Chief Officer Resources.
- 50 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; the outcome of which was that the team are generally compliant.
- 51 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 & 2011. Performance and Improvement Objectives reported to Council in October 2020 through the Corporate Plan Annual Update 2019/20.
- 52 The strategies which support this Framework include the Asset Management Plan, People Strategy, Local Development Plan, Financial Plan, Digital Strategy, Economy & Enterprise Strategy which are delivered through service business plans and employee aims & objectives, evaluated and risk assessed.
- 53 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**

- 54 The agendas are published in advance of all meetings on the Council's website; corresponding minutes are published post meeting.
- 55 The scrutiny /select reports on recommendations/outcomes from scrutiny activity are presented to Cabinet quarterly. The scrutiny function has a 'Scrutiny Service Business Plan'. The plan is built into the Council's improvement framework. At Monmouthshire, scrutiny is undertaken by 5 select committees.
- Children and Young People's Select Committee
  - Adults Select Committee
  - Economy and Development Select Committee
  - Strong Communities Select Committee
  - Public Service Select Committee
- 56 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 and a Scrutiny and Executive Protocol have been developed to support Members to carry out their responsibilities effectively 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.
- 57 Social media, Twitter, Facebook and You Tube for example, is used to engage local people and communicate the corporate message. Scrutiny has a Twitter account to help engage more effectively



with the public on democracy. Chief Officers, Members and the Communications team are very proactive in engaging with the public.

- 58** Public engagement events and You Tube continued in 2020/21 for the budget proposals. The Council has encouraged the community within Monmouthshire to actively contribute to making stepped changes to improve the way in which services are provided. This links back to the principles of the Well-being of Future Generations Act which sets out five ways of working including involvement.
- 59** In addition to regular internal communications, throughout the pandemic the Chief Executive has extensively engaged with the public providing updates on essential Covid-19 related statistics and Council service provision.
- 60** In May 2018, Monmouthshire Public Services Board, adopted their Well-being Plan in line with the requirements of the Well-being of Future Generations (Wales) Act. The plan was informed by the Monmouthshire Well-being Assessment which sought the views of Monmouthshire residents and draws together findings from data, academic research and policy papers and the views of local people. This Plan is challenged publicly through Public Services Select Committee, July 2020.
- 61** The “Our Monmouthshire” approach, which was essential to the Well-being Assessment 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*”. The well-being assessment was also used as evidence to inform the Council’s Corporate Plan, making sure it addresses some of the really big challenges that Monmouthshire faces in coming years.
- 62** 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 live streamed. All public meetings of the Council are live streamed 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.
- 63** 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.
- 64** The Council’s website contains links to the following areas of open data 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
- List of Secondary Schools

- 65** The Medium Term Financial Plan (MTFP) supports the vision for Monmouthshire and extensive public engagement continued in 2020/21 for the 2021/22 budget and Medium Term Financial Plan which engaged with the public in their own community; this included website, social media, drop in sessions YouTube (January 2021) and open meetings. These were key to providing people with the opportunity to become informed; Cabinet October 2020, January 2021.
- 66** Public engagement and consultation is key to the WFG Act; one of the five ways of working is Involvement. 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 in 2020/21, July 2020.

- 67 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**

- 68 The Council's five priority goals, which are also the Council's well-being objectives, are set out in its Corporate Plan 2017-2022, "A Monmouthshire that works for everyone" which was approved by Council in February 2018. A mid-term refresh was presented to Council in March 2020. The 2019/20 Corporate Plan annual report was presented to Council in October 2020. Building sustainable and resilient communities is the unifying purpose of the diverse range of services the Council delivers. This is shared with our partners on the PSB, which is responsible for setting well-being objectives for the County.

- 69 Monmouthshire County Council is a member of the Monmouthshire PSB, where we work with other public services and the voluntary sector on the delivery of the local well-being plan. This includes countywide well-being objectives that are a focus for public services that are part of the 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.

- 70 The Well-being Plan sets out the vision of the PSB. The four identified objectives are to:

- 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.

- 71 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

- 72 In March 2018 Council approved the Council's Corporate Plan 2017-2022, which incorporated the Council's well-being objectives, and endorsed the Area Plan. The well-being objectives 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 are now incorporated within the Corporate Plan; the 2019/20 update was presented to Council October 2020.

- 73 The Corporate Plan Objectives for 2017 to 2022 are supported by service business plans to operationally deliver these objectives. Service plans are made available on the Council's Hub intranet site. These are quality assessed as part of the service planning process. All service plans were developed to align the delivery of the Council's Corporate Plan. Through the pandemic in 2020/21 the Council's established performance framework has been adjusted and prioritised in its application, where necessary, to reflect the Council's response. Through the coronavirus pandemic a series of interim strategies to provide clarity in direction and ensure accountability have been established– Cabinet May 2020, July 2020 & December 2020. To support this, structures and mechanisms were put in place to track and evaluate progress.

- 74** Audit Wales presented its Certificate of Compliance for the audit of Monmouthshire's 2020/21 Improvement Plan to the Audit Committee in June 2020. It has carried out work with all councils on improvement assessment, the WFG Act, the service user perspective and scrutiny as well as some local work. It concluded that the Council meets its statutory requirements for continuous improvement and there are no formal recommendations.
- 75** Reports were taken through the scrutiny process during the year which included links to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents are available through the Council's website.
- 76** WFG Act continued to be a key theme and foundation through the reporting processes in 2020/21.
- 77** The Council is embracing the benefits of digital communications including social media use, for example "My Monmouthshire", which enables people to interact and transact with the Council using mobile devices. The Council's website includes more transactional functions. In 2018-19 the Council also launched a "chatbot" to further broaden the channels people can use to interact with their local authority. During 2020/21 there was extensive use of Twitter, Facebook and You Tube to raise awareness of forthcoming events, to provide live streaming of Cabinet, Council, scrutiny and other political meetings, to promote the activities and services provided and to show support and encouragement for community groups.
- 78** 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 2020/21. Outcomes are measured via the Digital Programme Office Service plan and performance planning process.
- 79** To ensure the best use is made of resources and that taxpayers and service users receive excellent value for money, there are a number of mechanisms within the Council to support this. The option appraisals for the 21<sup>st</sup> Century Schools considered cost and quality to determine the best outcome for the service; budget mandates were in place to monitor and capture the savings assessments; the IT Board reviewed business cases for future IT investment.
- 80** Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year; June 2020, July 2020, October 2020, January 2021 & March 2021. 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.
- 81** The MTFP process for 2021/22 to 2024/25 was reviewed and approved by Cabinet in October 2020 and January 2021. The Draft Capital Budget Proposals 2021/22 to 2024/25 were taken to Cabinet in January 2021. Draft Revenue Budget Proposals 2021/22 also went to Cabinet in January 2021. Final Proposals went to Cabinet in March 2021. 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.
- 82** An authority-wide performance measurement system for the Council, the "data hub", hosted on the Council's intranet site continues to be updated. This enables Members and officers to track and monitor data in key strategic plans through "dashboards". This also allows performance to be compared against other council areas, where applicable. The "data hub" has been reviewed and streamlined to ensure information is up to date and focussed on the most pertinent performance data.
- 83** Audit Wales presented the Audit Wales Certificate of Compliance for the audit Monmouthshire County Council's assessment of performance for 2019/20 to Audit Committee in November 2020. This was an update on the current effectiveness of the Authority's performance management arrangements. Audit Wales concluded that the Council has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.



- 84** The Equality Impact Assessment and Sustainable Development checklists were 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, WFG Act and Welsh Language (Wales) Measure 2011. A range of these were undertaken during 2020/21 which have been published on the website accompanying decision making reports.
- 85** The Council has a long-standing commitment to equality and diversity and under the Equality Act 2010, has to produce a Strategic Equality Plan. The Council's third Strategic Equality Plan 2020-2024 sets the Council's objectives to ensure it delivers better outcomes for people with protected characteristics. An annual monitoring report for 2019/20 has been produced and scrutinised by Strong Communities Select Committee in March 2021.
- 86** The Council has a Welsh Language Strategy for 2017 – 2022, which sets out a vision of how Welsh language will look in Monmouthshire in 5 years, and is accompanied by targets to help achieve that vision. Also the Welsh Language Monitoring Report 2019/20 was presented to Strong Communities Select in September 2020 to note compliance and progress made with the Welsh Language Standards allocated to Monmouthshire County Council.

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

- 87** 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).
- 88** Contract Procedure Rules exemptions are normally reported to the Audit Committee every six months; a report will be taken to Governance and Audit Committee during 2021/22 outlining the previous 18 months of exemptions requested. Managers are challenged in year to justify their procurement outside the Council agreed procedures.
- 89** Regular reporting into Cabinet, Scrutiny and Audit Committee enables the achievement of the Council's objectives to be challenged and appropriate actions put in place to address any identified issues so that the intended outcomes can be achieved. The Strategic Risk Register was reviewed by Audit Committee in July 2020. The Whole Authority Strategic Risk Assessment 2020/21 was also reported to Audit Committee (March 2021) and signed off by Cabinet April 2021.
- 90** 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 214 complaints received in 2019/20, 207 were resolved informally with 13 being formally investigated, 5 of which were referred the Ombudsman, with only 1 under investigation. 169 comments were received along with 240 compliments; (Audit Committee February 2021).

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

- 91** 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.

- 92** Developing the digital capabilities of people and systems to enable effectiveness, efficiency and enhanced customer services is important within Monmouthshire and is measured via the Digital Programme Service Business Plan. To further enhance service delivery and better deal with cyber security / information risks the Digital Programme Office has been split into the Information Security and Technology Team and the Digital Design and Innovation Team.
- 93** 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.
- 94** 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.
- 95** A Scrutiny Member Development Training Programme is in place which provides ongoing specific skills based training for Members and includes scrutiny induction; this is agreed by the Scrutiny Chairs' Group. The training programme forms part of the Scrutiny Service Plan.
- 96** Appropriate and relevant job descriptions were in place for the Chief Executive, Strategic Leadership Team (SLT), Monitoring Officer and Head of Finance.

#### **Partnerships/collaboration working**

- 97** 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. The Authority is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the General Data Protection Regulation 2018. The Information Sharing protocol has been developed to ensure information is only shared appropriately, safely and compliantly.
- 98** 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.
- 99** As a key example of our commitment to effective governance, arrangements have been developed for the PSB Select Committee, now the Public Services Committee from March 2020.
- 100** 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.

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

- 101** 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.

- 102** In July 2017 Audit Wales 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" (Good Governance when Determining Significant Service Changes report, March 2017).
- 103** Audit Wales presented its Certificate of Compliance for the audit of Monmouthshire's 2020/21 Improvement Plan to the Audit Committee in June 2020 and concluded that the Council is meeting its statutory requirements.
- 104** 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 has been developed and presented to Audit Committee (January 2020).
- 105** 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, July 2020.
- 106** 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 internal control environment.
- 107** 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.
- 108** 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**

- 109** The Council's Strategic Risk Management Policy was updated and approved by Cabinet in March 2019; progress was reported into Audit Committee in July 2020 & March 2021. 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.
- 110** 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 its 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 and audit committees. In order to mitigate the risks, proposed actions are recorded and also aligned back into the respective service business plan. The risk assessment is a living document and is updated over the course of the year as new information comes to light.

**111** The Council's Strategic Risk Assessment for 2020/21 contains 18 risks. These were reviewed throughout the year with the latest version was presented to Audit Committee in March 2021. The majority were rated initially as medium risks. Following mitigation there were 4 low risks, 9 medium risks and 5 high risks.

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

**112** The South East Wales Education Achievement Service (EAS) Business Plan 2021/22 was presented to Cabinet in March 2021. The plan sets out the priorities, programmes and outcomes to be achieved by the EAS on behalf of the South East Wales Consortium.

**113** 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

**114** 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.

**115** In September 2019, the updated Digital Infrastructure Action Plan was approved by Cabinet.

**116** 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.

**117** Significant improvements have been made to cyber security arrangements since the onset of Covid-19 which has increased digital working methods.

**118** 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.

- 119** 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.
- 120** 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 as well as linking in with MCC's Service Business Plans.
- 121** 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. The Audit Committee presents its Annual report to Council.
- 122** The Whole Authority Report complaints, comments and compliments 2019/20 was presented to Audit Committee in February 2021 which identified the number and types of feedback received and dealt with from 1 April 2019 until 31 March 2020.

### Information Governance

- 123** Monmouthshire County Council (MCC) has restructured its Information Security and Governance offering from June 2021 in response to an increase in digital working and to maintain cyber resilience to protect our information. MCC continues to ensure training and awareness of governance issues is focussed on high risk service departments as well as through continuous updates and Information Security training events. This is to ensure compliance with the General Data Protection Regulation 25<sup>th</sup> May 2018- specifically following the "12 Steps to Compliance" as recommended by the Information Commissioner's Office (ICO). A structured approach to information security and governance is operated internally via the Information Governance Group chaired by Senior Information Risk Officer (SIRO) as well as through collaboration with the wider SRS partners providing our technology infrastructure. GDPR Operational Leads have been established, along with Digital Champions linking in with teams, individuals and volunteers to ensure compliance and messages are communicated.
- 124** MCC have a dedicated intranet site for general advice as well as assistance with GDPR legislative requirements, including templates for privacy notices, records of processing activities (ROPA's) and Data Processing Impact Assessments (DPIA's).
- 125** To keep the public informed, MCC has now published its online privacy notices for relevant service areas. Significant work is underway through 2021/2 to consolidate and update all privacy notices to make them more transparent and sustainable to maintain. A comprehensive list of all data systems is maintained centrally along with information audits for every service area, linking into the ROPA's.
- 126** 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) and WARP (Warning Advice and Security Point) 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

- 127** 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:
- Deliver awareness raising training sessions on the importance of compliance with new and revised Contract Procedure Rules and Financial Procedure Rules;
  - Code of Corporate Governance to be formally approved by Cabinet

**Action Plan 2019/20**

**128** Appendix 1 shows how the 2019/20 Action plan areas for improvement have been addressed during 2020/21.

**Monitoring & Evaluation**

**129** We propose over the coming year to continually review our governance arrangements to ensure they remain effective and appropriate. Steps will be taken, where appropriate, to further enhance our governance arrangements. We are satisfied that these steps will address any need for improvements identified in the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:** .....2021

**Councillor Richard John                      Leader**

**Signed:** .....2021

**Paul Matthews                                      Chief Executive**

## Progress against the Action Plan 2019/20

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 training sessions on the importance of compliance with the new and revised Contract Procedure Rules and Financial Procedure Rules;	Internal Audit have continued to deliver training sessions within schools and on the manager's induction programme.  Internal Audit will work with the new procurement partnership to ensure the revised and updated CPRs are rolled out across MCC.
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.  The Code of Corporate Governance has been updated and was presented to Audit Committee in June 2020.  This now needs formal Cabinet approval.
Principle F: Managing risks and performance through robust internal control and strong public financial management	The Council will work through the Audit Wales proposals for improvement in the following areas: <ul style="list-style-type: none"> <li>▪ Scrutiny: Fit for the Future?</li> <li>▪ Review of Asset Management</li> <li>▪ Information Management</li> <li>▪ Whole Authority review of children's safeguarding</li> </ul>	A corporate plan has been developed that sets out a clear direction for the Council up to 2022.  The role and purpose of service planning has been reviewed and a revised process established aligned to the corporate plan.  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  The Council's Strategic Risk Management Policy was updated

## Movement In Reserves Statement for the Year Ended 31st March 2021

	Note	Council Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Joint Arrangement - CCRCD	Total Reserves £000
Balance at 1st April 2019		6,877	6,613	4,581	18,072	(57,643)	2,493	(37,077)
<b>Movement in reserves during 2019/20</b>								
Total Comprehensive Income and Expenditure		(23,337)	-	-	(23,337)	60,554	142	37,360
Adjustments between accounting basis & funding basis under regulations	10.2	24,700		(1,374)	23,327	(23,327)		-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		1,363	-	(1,374)	(10)	37,228	142	37,360
Transfers to/(from) Earmarked Reserves	10.4	230	(230)		-			-
Increase/(Decrease) in 2019/20		1,593	(230)	(1,374)	(10)	37,228	142	37,360
Balance at 31st March 2020 carried forward		8,471	6,383	3,208	18,061	(20,415)	2,635	283
<b>Movement in reserves during 2020/21</b>								
Total Comprehensive Income and Expenditure		(4,419)	-	-	(4,419)	(64,201)	34	(68,586)
Adjustments between accounting basis & funding basis under regulations	10.2	12,561	-	6,373	18,934	(18,934)		0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		8,142	-	6,373	14,515	(83,135)	34	(68,586)
Transfers to/(from) Earmarked Reserves	10.4	(4,289)	4,289	-	-	-	-	0
Increase/(Decrease) in 2020/21		3,853	4,289	6,373	14,515	(83,135)	34	(68,586)
Prior period adjustment: CCRCD							29	29
Balance at 31st March 2021 carried forward		12,324	10,672	9,581	32,577	(103,550)	2,698	(68,276)



## Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2021

2019/20				2020/21			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
73,298	(13,317)	59,981	Children & Young People		77,070	(17,822)	59,248
71,689	(17,367)	54,322	Social Care & Health		79,142	(24,684)	54,459
63,253	(28,015)	35,238	Enterprise		66,531	(34,438)	32,093
6,649	(865)	5,784	Chief Executives Unit		6,401	(1,418)	4,984
40,854	(22,658)	18,196	Resources		41,831	(24,341)	17,490
3,591	(2,748)	843	Corporate		2,350	(3,023)	(673)
150	(308)	(158)	Cardiff Capital Region City Deal (CCRCD)	16.6	288	(448)	(159)
<b>259,483</b>	<b>(85,278)</b>	<b>174,206</b>	<b>Cost of Services</b>	<b>11.1</b>	<b>273,613</b>	<b>(106,173)</b>	<b>167,441</b>
			<b>Other operating expenditure:</b>				
			<i>Precepts &amp; Levies:</i>				
11,779	0	11,779	Gwent Police Authority		12,647	0	12,647
4,383	0	4,383	South Wales Fire & Rescue Authority		4,584	0	4,584
2,699	0	2,699	Community and Town Councils		2,952	0	2,952
106	0	106	National Parks		106	0	106
94	0	94	Internal Drainage Boards		94	0	94
300	(229)	71	Gains/losses on the disposal of non-current assets		2,254	(2,188)	65
		<b>19,131</b>	<b>Total Other operating expenditure</b>				<b>20,447</b>
17,189	(9,850)	7,340	Financing and investment income and expenditure	11.3	17,778	(13,142)	4,635
			Interest & Investment income: CCRCD			(7)	(7)
			Change in Fair Value of Investment Properties: CCRCD		464		464
			<b>Taxation &amp; non-specific grant income:</b>				
0	(75,628)	(75,628)	Council Tax	11.5	228	(80,466)	(80,238)
0	(30,682)	(30,682)	Non-domestic rates redistribution	11.5	0	(30,037)	(30,037)
0	(71,205)	(71,205)	General government grants	11.6	0	(77,988)	(77,988)
		0	Recognised Capital Grants & Contributions: CCRCD			(275)	(275)
33		33	Tax Expenses: CCRCD			(57)	(57)
		<b>23,195</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>4,385</b>
			<b>Other Comprehensive Income and Expenditure:</b>				
		(4,139)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	12.1			(47)
		401	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income				(327)
		(56,816)	(Gains)/losses on remeasurement of pension assets / liabilities	14.3			64,575
		<b>(60,554)</b>	<b>Total Other Comprehensive Income and Expenditure</b>				<b>64,201</b>
		<b>(37,360)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>68,586</b>

## Balance Sheet as at 31st March 2021

31st March 2020 £000s		Note	31st March 2021 £000s
241,222	Other land and buildings	12.1	229,354
10,470	Vehicles, plant, furniture and equipment	12.1	10,373
71,151	Infrastructure	12.1	73,613
4,459	Community assets	12.1	4,459
2,844	Assets under construction	12.1	4,270
0	Surplus assets not held for sale	12.1	10
4,792	Heritage Assets	12.7	4,792
63,427	Investment Property	12.5	65,697
220	Intangible Assets		141
91	Long-Term Investments	13.1	1,362
2,993	Long Term Debtors	13.5	2,903
<b>401,670</b>	<b>Long term assets</b>		<b>396,974</b>
5,658	Short Term Investments	13.1	23,444
482	Inventories		442
28,511	Short Term Debtors	13.5	33,460
22,377	Cash and Cash Equivalents	15.3	19,158
2,060	Assets Held for Sale	12.6	2,569
0	CCRCD: Deferred Tax asset		88
<b>59,088</b>	<b>Current Assets</b>		<b>79,160</b>
(1,475)	Cash and Cash Equivalents	15.3	(1,193)
(95,123)	Short Term Borrowing	13.1	(98,504)
(24,768)	Short Term Creditors	13.6	(36,405)
(4,534)	Provisions	13.7	(4,757)
<b>(125,899)</b>	<b>Current Liabilities</b>		<b>(140,859)</b>
(230,526)	Liability related to defined benefit pension scheme	10.9	(306,876)
(502)	Provisions	13.7	(448)
(92,591)	Long Term Borrowing	13.1	(84,962)
(2,734)	Long Term Creditors: CCRCD		(2,637)
(2,352)	Other Long Term Liabilities	13.1	(2,377)
(3,852)	Capital Grants Receipts in Advance	11.6	(4,214)
(2,018)	Revenue Grants Receipts in Advance		(2,037)
<b>(334,576)</b>	<b>Long Term Liabilities</b>		<b>(403,550)</b>
<b>283</b>	<b>Net Assets</b>		<b>(68,276)</b>
8,471	Council Fund Balance	10.3	12,324
6,383	Earmarked Reserves	10.4	10,671
3,207	Capital Receipts Reserve	10.6	9,581
392	Usable Reserves: CCRCD		181
<b>18,453</b>	<b>Usable Reserves</b>		<b>32,758</b>
41,523	Revaluation Reserve	10.7	38,654
(230,526)	Pensions Reserve	10.9	(306,876)
167,534	Capital Adjustment Account	10.8	166,634
5,479	Deferred Capital Receipts Reserve	10.11	2,692
(517)	Financial Instrument Adjustment Account		(517)
(355)	Financial Instrument Revaluation Reserve		(28)
(3,553)	Accumulating Absence Adjustment Account	10.10	(4,110)
2,243	Unusable Reserves: CCRCD		2,517
<b>(18,171)</b>	<b>Unusable Reserves</b>		<b>(101,034)</b>
<b>283</b>	<b>Total Reserves</b>		<b>(68,276)</b>

## Cash Flow Statement for the Year Ended 31st March 2021

31st March 2020			31st March 2021
£000		Note	£000
23,195	Net (surplus) or deficit on the provision of services	15.1	4,385
(35,955)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	15.1	(38,523)
14,723	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15.1	22,126
1,963	<b>Net cash flows from Operating Activities</b>	15.1	(12,013)
21,405	Purchase of property, plant and equipment, investment property and intangible assets		12,235
11,607	Purchase of short-term and long-term investments		15,421
0	Other payments for investing activities		0
(4,537)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(7,415)
(19,310)	Proceeds from short-term and long-term investments		236
(10,487)	Other receipts from investing activities		(9,811)
(1,322)	<b>Net Cash (Inflow)/Outflow from Investing Activities</b>		10,666
	<b>Financing Activities</b>		
546	Repayments of short and long-term borrowing		15,504
31	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		34
(8,863)	Cash receipts of short and long-term borrowing		(11,255)
0	Other receipts from financing activities		0
(8,285)	<b>Net Cash (Inflow)/Outflow from Financing Activities</b>		4,283
(7,643)	<b>Net (increase) / decrease in cash and cash equivalents</b>		2,936
13,259	Cash and cash equivalents at the beginning of the reporting period		20,902
20,902	<b>Cash and cash equivalents at the end of the reporting period</b>	15.3	17,966

**Notes to the Accounts  
for the Year Ended  
31st March 2021**

## 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 2019 £000	Movement in Reserve £000	Balance at 31st March 2020 £000	Movement in Reserve £000	Balance at 31st March 2021 £000
<b>Usable Reserves:</b>						
Council Fund balance: Authority	10.3	7,110	1,796	8,906	0	8,906
Council Fund balance: LMS School Balances	10.5	(232)	(203)	(435)	3,853	3,418
Earmarked reserves	10.4	6,613	(230)	6,383	4,288	10,671
Capital Receipts Reserve	10.6	4,581	(1,373)	3,207	6,373	9,581
Usable Reserves: CCRCD		250	142	392	(211)	181
<b>Total Usable Reserves</b>		<b>18,321</b>	<b>133</b>	<b>18,453</b>	<b>14,304</b>	<b>32,757</b>
<b>Unusable Reserves:</b>						
Revaluation Reserve	10.7	38,948	2,575	41,523	(2,869)	38,654
Capital Adjustment Account	10.8	166,977	557	167,534	(900)	166,634
Financial Instruments Adjustment Account		(631)	114	(517)	0	(517)
Pension Reserve	10.9	(268,213)	37,687	(230,526)	(76,350)	(306,876)
Deferred Capital Receipts Reserve	10.11	8,168	(2,689)	5,479	(2,787)	2,692
Financial Instrument Revaluation Reserve		46	(401)	(355)	327	(28)
Accumulated Absences Adjustment Account	10.10	(2,939)	(614)	(3,553)	(557)	(4,110)
Unusable Reserves: CCRCD	16.6	2,243	0	2,243	273	2,517
<b>Total Unusable Reserves</b>		<b>(55,400)</b>	<b>37,228</b>	<b>(18,171)</b>	<b>(82,863)</b>	<b>(101,034)</b>
<b>Total Authority Reserves</b>		<b>(37,077)</b>	<b>37,361</b>	<b>282</b>	<b>(68,558)</b>	<b>(68,276)</b>

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

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

Movements in 2020/21:	Council Fund Balance £000	Usable Reserves £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation and impairment of Property, Plant and Equipment assets	17,719	0	(17,719)
Charges for impairment of Heritage Assets	1	0	(1)
Revaluation movements on Heritage Assets	0	0	0
Revaluation movements on Property Plant and Equipment (charged to SDPS)	266	0	(266)
Revaluation movements on Assets Held for Sale (charged to SDPS)	69	0	(69)
Movements in the market value of Investment Properties	(2,806)	0	2,806

Amortisation and impairment of intangible assets	79	0	(79)
Capital grants and contributions applied	(9,842)	0	9,842
Revenue expenditure funded from capital under statute	1,105	0	(1,105)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	4,593	0	(4,593)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Statutory provision for the financing of capital investment (MRP)	(6,075)	0	6,075
Capital expenditure charged against the Council Fund	(252)	0	252
<b>Adjustments involving the Capital Receipts Reserve:</b>			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(4,628)	7,415	(2,786)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,042)	1,042
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0
<b>Adjustments involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	25,801	0	(25,801)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,026)	0	14,026
<b>Adjustment involving the Accumulated Absences Account:</b>			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	557	0	(557)
<b>Adjustment between the Capital Adjustment Account and the Revaluation Reserve:</b>			
Depreciation of non-current asset revaluation gains	0	0	0
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>12,561</b>	<b>6,373</b>	<b>(18,934)</b>

<b>Movements in 2019/20:</b>	<b>Council Fund Balance £000</b>	<b>Usable Reserves £000</b>	<b>Unusable Reserves £000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation and impairment of Property, Plant and Equipment assets	14,523	-	(14,523)
Charges for impairment of Heritage Assets	189	-	(189)
Revaluation movements on Heritage Assets	0	-	0
Revaluation movements on Property Plant and Equipment (charged to SDPS)	518	-	(518)
Revaluation movements on Assets Held for Sale (charged to SDPS)	0	-	0
Movements in the market value of Investment Properties	560	-	(560)
Amortisation and impairment of intangible assets	186	-	(186)
Capital grants and contributions applied	(8,658)	-	8,658
Revenue expenditure funded from capital under statute	4,161	-	(4,161)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,290	-	(1,290)

<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Statutory provision for the financing of capital investment (MRP)	(5,564)	0	5,564
Capital expenditure charged against the Council Fund	(286)	-	286
<b>Adjustments involving the Capital Receipts Reserve:</b>			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(1,847)	4,537	(2,689)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(5,910)	5,910
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(113)	-	113
<b>Adjustments involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	32,284	-	(32,284)
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,155)	-	13,155
<b>Adjustment involving the Accumulated Absences Account:</b>			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	614	-	(614)
<b>Adjustment between the Capital Adjustment Account and the Revaluation Reserve:</b>			
Depreciation of non-current asset revaluation gains	-	-	-
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>24,700</b>	<b>(1,374)</b>	<b>(23,327)</b>

### 10.3 Usable Reserves available for Revenue Purposes

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

Each of the Authority's Schools is directly governed by a Board of Governors, which is responsible for managing the school's finances. The balance on the Council Fund includes £3,418,000 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 2019 £000	In Year Movement £000	At 31st March 2020 £000	In Year Movement £000	At 31st March 2021 £000
Amount of Council Fund Balance held by Schools under Local Management Schemes	(232)	(203)	(435)	3,853	3,418
Amount of Council Fund Balance generally available for new expenditure	7,110	1,796	8,906	0	8,906
<b>Total Council Fund Balance</b>	<b>6,877</b>	<b>1,594</b>	<b>8,471</b>	<b>3,853</b>	<b>12,324</b>
Earmarked Revenue Reserves	6,613	(230)	6,383	4,288	10,671
<b>Total Usable Reserves available for Revenue Purposes</b>	<b>13,490</b>	<b>1,364</b>	<b>14,854</b>	<b>8,141</b>	<b>22,995</b>

### 10.4 Transfers to/from Earmarked Reserves

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

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

The transfers to and from Earmarked Reserves in 2020/21 can be summarised as follows:

	At 1st April 2019 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2020 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2021 £000
Invest to Redesign	1,083	278	(194)	1,168	280	(64)	1,384
Priority Investment	405			405	1,500		1,905
Insurance and risk management	1,019		(83)	935			935
IT Transformation	479		(225)	254	600		854
Treasury equalisation	990			990		(400)	590
Capital Investment	643		(16)	627			627
Redundancy and Pensions	333		(88)	245	700	(88)	857
Capital Receipt Generation	279		(98)	181	300	(65)	416
<b>Other reserves</b>							
Elections	83	35		118	174		292
Museums acquisition	53			53			53
Solar Farm Maintenance & Community Fund	41	23		64	23		87
Castlegate	80			80	233		312
Newport Leisure Park	62			62	126		188
Sustainability - PV Invertor Replacement Reserve	0			0	15		15
Covid19 Hardship Fund Equalisation Reserve	0			0	819		819
<b>Service Reserves:</b>							
Local Resilience Forum	115	84	(2)	198			198
Grass Routes Buses	151	5		156	5		161
Schools sickness & maternity cover	136		(88)	48			48
<b>Trading Accounts:</b>							
Youth Offending Team	150			150			150
Outdoor education centres	0			0			0
Building Control	14		(13)	1			1
Rural Development Plan	413	116		530	92		621
Highways Plant & Equipment Replacement	34	75	(39)	69	75	(44)	100
Homeless Prevention	50			50	8		58
<b>Total</b>	<b>6,613</b>	<b>617</b>	<b>(846)</b>	<b>6,383</b>	<b>4,950</b>	<b>(661)</b>	<b>10,671</b>

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

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

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

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

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



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

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

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

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

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

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

## 10.5 School Balances

The balance on the Council Fund includes £3,418,120 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 2019	In Year Movement	At 31st March 2020	In Year Movement	At 31st March 2021
	£	£	£	£	£
<b>Comprehensives</b>					
Caldicot	(65,012)	(114,680)	(179,693)	409,100	229,408
Chepstow	50,662	(114,232)	(63,570)	(23,231)	(86,801)
King Henry VIII	(82,798)	(142,902)	(225,700)	423,196	197,496
Monmouth	(538,325)	75,795	(462,530)	676,722	214,192
<b>Sub Total Comprehensives</b>	<b>(635,473)</b>	<b>(296,019)</b>	<b>(931,493)</b>	<b>1,485,787</b>	<b>554,294</b>
<b>Primaries</b>					
Archbishop R Williams	73,405	10,311	83,716	122,680	206,397
Cantref	88,391	16,802	105,193	94,604	199,797
Castle Park	(23,773)	25,926	2,153	119,700	121,853
Cross Ash	54,151	10,007	64,157	18,313	82,470
Deri View	80,001	(6,044)	73,956	74,153	148,109
Dewstow	108,642	27,813	136,455	101,356	237,811
Durand	29,087	(16,396)	12,691	65,193	77,884
Gilwern	55,251	9,298	64,549	102,302	166,852
Goytre Fawr	2,738	32,156	34,893	56,646	91,540
Kymin View	5,607	32,348	37,955	97,350	135,305
Llandogo	(83,516)	(93,019)	(176,535)	89,705	(86,830)

Llanfair Kilgeddin CV	0	0	0	0	0
Llanfoist	14,341	10,530	24,871	68,562	93,433
Llantilio Pertholey	(9,643)	(11,373)	(21,016)	88,231	67,215
Llanvihangel Crucorney	34,342	15,343	49,684	54,986	104,670
Magor Vol Aided	(54,651)	35,866	(18,785)	135,987	117,202
New Pembroke Primary	(13,239)	14,444	1,205	124,302	125,507
Osbaston Church in Wales	6	(11,256)	(11,250)	51,859	40,609
Our Lady's & St Michael's Catholic Primary	(14,170)	30,030	15,859	38,534	54,393
Overmonnow	(18,473)	(15,456)	(33,928)	75,032	41,104
Raglan	(108,452)	75,340	(33,112)	141,989	108,878
Rogiet	20,014	(24,418)	(4,404)	82,499	78,095
Shirenewton	132,093	(3,203)	128,890	47,356	176,246
St Mary's (Chepstow)	(63,592)	17,074	(46,518)	67,378	20,860
The Dell	16,389	(13,357)	3,032	45,378	48,410
Thornwell	(53,722)	6,572	(47,150)	112,037	64,887
Trellech	71,983	(21,035)	50,948	64,743	115,691
Undy	(129,534)	(16,391)	(145,925)	152,295	6,370
Usk CV	9,910	36,032	45,942	97,113	143,055
Ysgol Gymraeg Y Fenni	51,306	(55,714)	(4,408)	38,775	34,367
Ysgol Gymraeg Ffin	(32,980)	(12,903)	(45,883)	61,521	15,638
<b>Sub Total Primaries</b>	<b>241,912</b>	<b>105,324</b>	<b>347,236</b>	<b>2,490,578</b>	<b>2,837,815</b>
<b>Other</b>					
Mounton House	141,505	30,555	172,060	(172,060)	(0)
Pupil Referral Unit	19,653	(42,584)	(22,931)	48,943	26,012
<b>Sub Total Other</b>	<b>161,158</b>	<b>(12,029)</b>	<b>149,129</b>	<b>(123,117)</b>	<b>26,011</b>
<b>Total</b>	<b>(232,404)</b>	<b>(202,724)</b>	<b>(435,128)</b>	<b>3,853,248</b>	<b>3,418,120</b>

## 10.6 Capital Receipts Reserve

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

2019/20 £000		2020/21 £000
4,581	Balance as at 1st April	3,207
1,847	Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,689
2,689	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	2,726
(5,910)	Less: use of the Capital Receipts Reserve to finance new capital expenditure	(1,042)
<b>3,207</b>	<b>Balance as at 31st March</b>	<b>9,580</b>

## 10.7 Revaluation Reserve

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

Revalued downwards or impaired;

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

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

2019/20 £000		2020/21 £000
38,948	Balance at 1 April	41,523
5,411	Upward revaluation of assets	1,818
(1,272)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,772)
(1,564)	Difference between fair value depreciation and historical cost depreciation	(2,336)
0	Accumulated gains on assets sold or scrapped	(579)
<b>41,523</b>	<b>Balance at 31 March</b>	<b>38,654</b>

## 10.8 Capital Adjustment Account

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

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

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

2019/20 £000		2020/21 £000
166,977	Balance at 1 April	167,534
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(14,523)	Charges for depreciation and impairment of property, plant and equipment assets	(17,719)
0	Revaluation movements on heritage assets	0
(189)	Charges for impairment of heritage assets	(1)
(518)	Revaluation movements on Property, Plant and Equipment	(266)
0	Revaluation movements on Assets Held for Sale	(69)
(186)	Amortisation & impairment of intangible assets	(79)
(4,161)	Revenue expenditure funded from capital under statute	(1,105)
(1,290)	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	(4,013)
1,564	Adjusting amounts written out of the Revaluation Reserve	2,336
5,910	Use of the Capital Receipts Reserve to finance new capital expenditure	1,042
8,658	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	9,842
5,564	Statutory provision for the financing of capital investment charged against the Council Fund	6,075
286	Capital expenditure charged against the Council Fund	252
(560)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,806

167,534	Balance at 31 March	166,634
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### 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.

2019/20 £000		2020/21 £000
(268,213)	Balance at 1 April	(230,526)
56,816	Remeasurement gains or (losses) on pension assets and liabilities	(64,575)
(32,284)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(25,801)
13,155	Employer's pensions contributions and direct payments to pensioners payable in the year	14,026
<b>(230,526)</b>	<b>Balance at 31 March</b>	<b>(306,876)</b>

### 10.10 Accumulated Absences Account

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

2019/20 £000		2020/21 £000
(2,939)	Balance at 1 April	(3,553)
2,939	Settlement or cancellation of accrual made at the end of the preceding year	3,553
(3,553)	Amounts accrued at the end of the current year	(4,110)
<b>(3,553)</b>	<b>Balance at 31 March</b>	<b>(4,110)</b>

### 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 2021 is primarily due to the Old Abergavenny cattle market site disposed of under a finance lease.

2019/20 £000		2020/21 £000
8,168	Balance at 1 April	5,479
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(2,689)	Transfer to the Capital Receipts Reserve upon receipt of cash	(2,787)
<b>5,479</b>	<b>Balance at 31 March</b>	<b>2,692</b>

## 11 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

### 11.1 Expenditure and Funding Analysis

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

2019/20				2020/21		
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
51,883	8,098	59,981	Children & Young People	56,093	3,155	59,248
50,087	4,234	54,322	Social Care & Health	51,327	3,132	54,459
24,376	10,862	35,238	Enterprise	21,688	10,405	32,093
4,735	1,049	5,784	Chief Executives Unit	4,524	460	4,984
7,191	11,005	18,196	Resources	6,454	11,036	17,490
16,412	(15,569)	843	Corporate	20,403	(21,076)	(673)
0	(158)	(158)	Cardiff Capital Region City Deal (CCRCD)	0	(159)	(159)
<b>154,685</b>	<b>19,521</b>	<b>174,206</b>	<b>Cost of Services</b>	<b>160,488</b>	<b>6,953</b>	<b>167,441</b>
<b>(156,481)</b>	<b>5,470</b>	<b>(151,011)</b>	<b>Other Income &amp; Expenditure</b>	<b>(160,489)</b>	<b>(2,567)</b>	<b>(163,055)</b>
<b>(1,796)</b>	<b>24,991</b>	<b>23,195</b>	<b>Surplus or Deficit</b>	<b>(0)</b>	<b>4,385</b>	<b>4,385</b>
(7,111)			Opening General Fund Balance	(8,906)		
(1,796)			Surplus or Deficit on General Fund	(0)		
<b>(8,906)</b>			<b>Closing General Fund Balance</b>	<b>(8,906)</b>		

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

2019/20					2020/21			
Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000		Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000
6,623	2,284	(809)	8,098	Children & Young People	8,174	1,117	(6,136)	3,155
1,317	3,739	(821)	4,234	Social Care & Health	1,049	2,239	(156)	3,132
6,662	4,205	(5)	10,862	Enterprise	7,465	2,548	392	10,405
398	592	59	1,049	Chief Executives Unit	174	390	(104)	460
2,061	1,001	7,943	11,005	Resources	2,864	549	7,623	11,036
2,768	723	(19,060)	(15,569)	Corporate	0	(609)	(20,467)	(21,076)
0	0	(158)	(158)	Cardiff Capital Region City Deal (CCRCD)	0	0	(159)	(159)
<b>19,829</b>	<b>12,543</b>	<b>(12,851)</b>	<b>19,521</b>	<b>Cost of Services</b>	<b>19,726</b>	<b>6,233</b>	<b>(19,007)</b>	<b>6,953</b>
<b>(14,302)</b>	<b>6,586</b>	<b>13,186</b>	<b>5,470</b>	<b>Other Income &amp; Expenditure</b>	<b>(16,580)</b>	<b>5,542</b>	<b>8,471</b>	<b>(2,566)</b>
<b>5,527</b>	<b>19,129</b>	<b>334</b>	<b>24,991</b>	<b>Adjustments between the Funding &amp; Accounting Basis</b>	<b>3,147</b>	<b>11,775</b>	<b>(10,536)</b>	<b>4,386</b>

## 11.2 Expenditure & Income analysed by nature

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

2019/20		2020/21
£000		£000
132,489	Employee benefits expenses	131,994
117,623	Other services expenses	132,394
21,459	Depreciation, amortisation and impairment	21,637
19,070	Precepts & levies	20,382
4,088	Interest payments	3,719
1,337	Gain/loss on disposal of non-current assets	4,593
<b>296,066</b>	<b>Total Expenditure</b>	<b>314,719</b>
(51,115)	Fees, charges & other service income	(42,290)
(440)	Interest and investment income	(255)
(106,310)	Income from council tax & NNDR	(110,560)
(113,158)	External grants and contributions	(152,600)
(1,848)	Gain/loss on disposal of non-current assets	(4,628)
<b>(272,871)</b>	<b>Total Income</b>	<b>(310,333)</b>
<b>23,195</b>	<b>Surplus or Deficit on the Provision of Services</b>	<b>4,385</b>

## 11.3 Financing and Investment Income and Expenditure

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

31st March 2020			Note	31st March 2021			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
4,088	-	4,088	Interest payable and similar charges	13.2	3,719	-	3,719
6,586	-	6,586	Pensions interest cost and expected return on pensions assets	14.3	5,542	-	5,542
-	(473)	(473)	Interest receivable and similar income	13.2	-	(222)	(222)
-	(17)	(17)	Interest receivable and similar income: CCRC share		-	(7)	(7)
4,149	(7,025)	(2,876)	Income and expenditure in relation to investment properties and changes in their fair value		5,806	(10,315)	(4,508)
2,367	(2,301)	66	(Surpluses)/deficits on trading undertakings not included in the Net Cost of Services	11.4	2,711	(2,581)	130
-	(33)	(33)	Other investment income		-	(25)	(25)
<b>17,189</b>	<b>(9,850)</b>	<b>7,340</b>	<b>Total Financing and Investment Income and Expenditure</b>		<b>17,778</b>	<b>(13,149)</b>	<b>4,629</b>

## 11.4 Significant Trading Operations

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

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

2019/20			Trading Unit	2020/21		
£000 Expenditure	£000 Turnover	£000 (Surplus) / Deficit		£000 Expenditure	£000 Turnover	£000 (Surplus) / Deficit
952	(999)	(47)	Grounds Maintenance	1,108	(1,163)	(55)
570	(403)	167	Building Control	608	(416)	192
405	(245)	160	Markets	392	(368)	24
102	(179)	(77)	Industrial Units	176	(207)	(31)
338	(475)	(137)	Trade Refuse	427	(427)	0
<b>2,367</b>	<b>(2,301)</b>	<b>66</b>	<b>Total</b>	<b>2,711</b>	<b>(2,581)</b>	<b>130</b>

## 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 £46,331.92 for 2020/21 (£46,096.27 for 2019/20).

This average basic amount for a Band D property, £1,717.44 (£1,629.72 in 2019/20), 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	515	3,350	7,080	9,101	7,225	7,762	5,409	1,759	668
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:

2019/20 £000		2020/21 £000
(75,619)	Council tax collectable	(80,466)
(10)	Provision for non-payment of council tax	228
<b>(75,628)</b>	<b>Total Council Tax proceeds</b>	<b>(80,238)</b>

### National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate, 0.535p per £ in 2020/21 (0.526p per £ in 2019/20) 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 £25,952,192 (£25,064,453 for 2019/20) was based on an average rateable value of £62,146,606 (£61,980,991 for 2019/20).

The Authority acts as the Welsh Government's agent and collects rates due from ratepayers in its area and then pays the proceeds into the NNDR pool administered by the Welsh Assembly Government. The Welsh Government redistributes the sums payable to the local authorities on the basis of a fixed amount per head of population. The total amount redistributed from the National Pool to the Council in 2020/21 was £30.04m (£30.7m in 2019/20).



A net creditor of £1,042,517 at 31st March 2021 (£1,341,174 creditor as at 31st March 2020) is included in the balance sheet which represents the amount by which the cash received from 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 2020/21:

2019/20 £000		2020/21 £000
2,275	WG General Capital Grant	2,337
952	Section 106 Developer Contributions	507
6,321	WG Grants	8,623
11	Other Contributions	0
<b>9,559</b>	<b>Total</b>	<b>11,467</b>
	<b><i>Credited to the Comprehensive Income and Expenditure Statement:</i></b>	
(901)	Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute	(1,202)
(8,658)	Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income	(10,265)
<b>(9,559)</b>	<b>Total</b>	<b>(11,467)</b>

### Capital Grants and Contributions Received in Advance

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

2019/20 £000		2020/21 £000
	<b><i>Developer Contributions held in Advance:</i></b>	
3,852	S106 Developer contributions	4,214
<b>3,852</b>	<b>Total</b>	<b>4,214</b>

### Revenue Grants and Contributions

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

2019/20 £000		2020/21 £000
	<b>Revenue Grants credited to services</b>	
	<b><i>Central Government:</i></b>	
17,996	Housing Benefit Subsidy	17,553
	<b><i>Welsh Government:</i></b>	
0	Welsh Government Covid-19 Support	19,974
3,886	Education Improvement Grant (PDG)	3,959
3,298	Sixth Form Funding (DCELLS)	3,452
2,039	Supporting People	2,116
1,146	Children & Communities	1,117
0	MYST (Children's Services Care)	990
1,010	Teachers Pension Grant (transferred into RSG 2020/21)	0
522	Waste Management	509
970	Concessionary Fares (PTSG)	622
650	Families First	651



473	Rural Development Plan	362
0	Floods and SUDS	541
0	Government Tech Innovate	315
7,036	Other WG grants	5,546
	<b>Home Office:</b>	
186	Support /Afghan / Syrian / Unaccompanied Asylum Seekers	203
111	Police and Crime Commissioner	52
2,862	<b>Other Grants &amp; Contributions</b>	1,078
<b>42,186</b>	<b>Total Revenue Grants credited to services</b>	<b>59,039</b>
	<b>Non-Specific Grant Income</b>	
30,682	Non-Domestic Rates	30,037
62,548	Revenue Support Grant	67,723
<b>93,229</b>	<b>Total Non-Specific Grant Income</b>	<b>97,760</b>

## 12 NON-CURRENT ASSET & CAPITAL FINANCING NOTES

### 12.1 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 2021 and 31st March 2020.

Movements in 2020/21:	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
<b>Cost or Valuation:</b>								
At 1st April 2020	251,758	21,829	95,742	4,459	0	2,844	376,634	1,259
Additions	3,604	2,906	6,820	(3)	-	1,425	14,753	-
Revaluation movements taken to Revaluation Reserve	(3,406)	(7)	-	0	-	-	(3,413)	(18)
Revaluation movements taken to Surplus/Deficit on Provision of Services	(691)	-	-	-	-	0	(691)	-
Impairment movements taken to Surplus/Deficit on Provision of Services	(2,168)	(790)	(2,079)	3	0	-	(5,035)	-
Reclassified (to)/from Held for Sale	(1,627)	(733)	-	(1)	10	-	(2,351)	-
Disposals			(2,255)	(0)			(2,256)	
CCRCO Assets	(2,169)	-	-	-	-		(2,169)	-
<b>At 31st March 2021</b>	<b>245,300</b>	<b>23,205</b>	<b>98,228</b>	<b>4,459</b>	<b>10</b>	<b>4,269</b>	<b>375,472</b>	<b>1,241</b>
<b>Accumulated Depreciation:</b>								
At 1st April 2020	(10,536)	(11,359)	(24,592)	0	0	0	(46,487)	0
Depreciation charge	(8,243)	(2,163)	(2,279)	-	-	-	(12,684)	(53)
Depreciation written out on revaluation to Revaluation Reserve	2,146	7	-	-	0	-	2,153	-
Depreciation written out on revaluation to Surplus/Deficit on Provision of Services	425	-	-	-	0	-	425	53
Depreciation written out on impairment to Surplus/Deficit on Provision of Services	-	-	-	-	-	-	0	-
Reclassified to/(from) Held for Sale	263	683	-	-	-	-	945	-
Disposals			2,255				2,255	
<b>At 31st March 2021</b>	<b>(15,945)</b>	<b>(12,832)</b>	<b>(24,615)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(53,392)</b>	<b>0</b>
<b>Net Book Value:</b>	<b>229,355</b>	<b>10,372</b>	<b>73,613</b>	<b>4,459</b>	<b>10</b>	<b>4,269</b>	<b>322,080</b>	<b>1,241</b>

Movements in 2019/20	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
<b>Cost or Valuation:</b>								

At 1st April 2019	250,654	20,632	91,831	4,319	110	3,019	370,564	1,378
Additions	6,493	2,885	7,308	143	-	2,009	18,839	-
Revaluation movements taken to Revaluation Reserve	(239)	(52)	-	0	-	-	(292)	(119)
Revaluation movements taken to Surplus/Deficit on Provision of Services	(4,796)	-	-	-	-	0	(4,796)	-
Impairment movements taken to Surplus/Deficit on Provision of Services	(2,423)	(376)	(223)	(3)	0	-	(3,025)	-
Reclassified (to)/from Held for Sale	0	(1,259)	-	-	(110)	-	(1,369)	-
Disposals	-	-	(3,174)	(0)	-	-	(3,174)	-
Other reclassifications	(99)	-	-	-	0	-	(99)	-
CCRCO Assets	2,169	-	-	-	-	(2,183)	(14)	-
<b>At 31st March 2020</b>	<b>251,758</b>	<b>21,830</b>	<b>95,742</b>	<b>4,459</b>	<b>0</b>	<b>2,844</b>	<b>376,633</b>	<b>1,259</b>
<b>Accumulated Depreciation:</b>								
At 1st April 2019	(12,046)	(10,229)	(25,746)	-	-	-	(48,021)	(44)
Depreciation charge	(7,158)	(2,319)	(2,021)	-	-	-	(11,498)	(53)
Depreciation written out on revaluation to Revaluation Reserve	4,380	52	-	-	0	-	4,431	-
Depreciation written out on revaluation to Surplus/Deficit on Provision of Services	4,278	-	-	-	0	-	4,278	98
Depreciation written out on impairment to Surplus/Deficit on Provision of Services	-	-	-	-	-	-	0	-
Reclassified to/(from) Held for Sale	-	1,137	-	-	-	-	1,137	-
Disposals	-	-	3,174	-	-	-	3,174	-
Other reclassifications	11	-	-	-	0	-	11	-
<b>At 31st March 2020</b>	<b>(10,536)</b>	<b>(11,359)</b>	<b>(24,592)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(46,487)</b>	<b>0</b>
<b>Net Book Value:</b>	<b>241,222</b>	<b>10,470</b>	<b>71,150</b>	<b>4,459</b>	<b>0</b>	<b>2,844</b>	<b>330,146</b>	<b>1,260</b>

## 12.2 Revaluations of Property, Plant & Equipment

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

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

- The 2020/21 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.
- Unless otherwise agreed with the Authorities Estates section all assets requiring valuations have been revalued in the 5 year period ending 31st March 2021. The valuations carried out during 2020/21 primarily include Community Centres, Hubs & Contact Centres, Public Conveniences & Primary Schools.
- Two asset valuations due to be carried out by the 31st March 2021 have not yet been completed and as a result are not reflected in these draft statements. These relate to Abergavenny Town hall and Abergavenny Theatre. The valuations will be completed during July 2021 and will be reflected in the final statement of accounts.

	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	275	10,373	73,613	4,458	10	4,271	93,000
<b>Valued at current value as at:</b>							
31st March 2021	18,470	-	-	-	-	-	18,470
31st March 2020	37,742	-	-	-	-	-	37,742
31st March 2019	78,957	-	-	-	-	-	78,957
31st March 2018	53,701	-	-	-	-	-	53,701
31st March 2017	40,210	-	-	-	-	-	40,210
<b>Total Cost or Valuation</b>	<b>229,354</b>	<b>10,373</b>	<b>73,613</b>	<b>4,458</b>	<b>10</b>	<b>4,271</b>	<b>322,079</b>

### 12.3 Schools Non-Current Assets

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

The Authority runs the voluntary controlled schools on behalf of 3rd party organisations such as charities and religious organisations who own the underlying assets. The Authority does not record these school assets on its balance sheet other than Raglan Primary (£3,913,125 as at 31st March 2021) as the transfer of legal ownership to the third party is still ongoing.

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 other than Osbaston Primary (£1,646,450 as at 31st March 2021) as the transfer of legal ownership to the third party is still ongoing.

The net book value of school non-current assets as at 31st March 2021, shown in the Authority's balance sheet, is £163,484,094 (£170,725,078 as at 31st March 2020).

### 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 28% 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 2021 being £1,240,744.

### 12.5 Investment Properties

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

2019/20 £000		2020/21 £000
(4,983)	Rental income from investment property	(4,845)
2,401	Direct operating expenses arising from investment property	1,725
<b>(2,582)</b>	<b>Net (gain)/loss</b>	<b>(3,120)</b>

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

Three asset valuations due to be carried out by the 31st March 2021 have not yet been completed and as a result are not reflected in these draft statements. These relate to Castlegate Business park, Newport Leisure park and Oak Grove Solar farm. The valuations will be completed during July 2021 and will be reflected in the final statement of accounts.

2019/20 £000		2020/21 £000
64,682	Balance at start of the year	63,427
235	Additions	141
(1,018)	Disposals	(2,458)
(560)	Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure	2,806
88	Transfers (to)/from Property, Plant and Equipment	1,781
<b>63,427</b>	<b>Balance at end of the year</b>	<b>65,697</b>

Capital receipts totalling £5,102,490 were credited to the Capital receipts reserve during 2020/21 in relation to investment properties (£4,206,058 in 2019/20).

### Fair Value Hierarchy

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

2019/20				Type of Property	2020/21			
Quoted Prices in active markets for identical assets	Other Observable inputs	Significant Unobservable inputs	Total		active markets for identical assets	Other Observable inputs	Significant Unobservable inputs	Total
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			95	95
	29,531		29,531	Agricultural Properties		29,737		29,737
		1,126	1,126	Retail Units			1,236	1,236
		1,709	1,709	Industrial Properties			1,940	1,940
		4,642	4,642	Solar Farm			4,642	4,642
		26,330	26,330	Properties acquired for rental income			26,267	26,267
<b>0</b>	<b>29,531</b>	<b>33,896</b>	<b>63,428</b>		<b>0</b>	<b>29,737</b>	<b>34,179</b>	<b>63,916</b>

There have been no transfers between levels during the year.

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

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

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

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

### Level 3 Investment Properties

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

2019/20 £000		2020/21 £000
38,331	Balance at start of the year	33,896
48	Transfers (to)/from Level 3	0
(19)	Additions	8
0	Disposals	0
(4,464)	Net gains/(losses) from fair value adjustments included in Surplus or Deficit on the Provision of Services	275
<b>33,896</b>	<b>Balance at end of the year</b>	<b>34,179</b>

### Fair Value Measurement

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

Type of Property	Valuation Technique used to measure Fair Value	Unobservable Inputs	Range	Sensitivity
Freehold Reversions	Income approach, by means of a term and reversion method	Yield	4%	The Fair Value of the Property will increase as the yield reduces.
Retail Units		Yield	7% - 10%	
Industrial Properties		Yield	12%	
Solar Farm		Yield	6%	
Investment Assets		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 2021 are shown below:

2019/20 £000		2020/21 £000
-----------------	--	-----------------

2,100	Balance outstanding at start of year	2,060
0	Additions	0
232	Assets newly classified as held for sale: From Plant, Property & Equipment	1,416
0	Assets declassified as held for sale: To Plant, Property & Equipment	(10)
0	Revaluation gains	1,344
0	Revaluation losses	(107)
0	Impairment losses	0
(272)	Assets sold	(2,135)
<b>2,060</b>	<b>Balance outstanding at year-end</b>	<b>2,569</b>

## 12.7 Heritage Assets

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

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

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

	Property Heritage Assets £000	Museum Exhibits £000	Civic Regalia, Artwork & Collect'n £000	Total £000
<b>Cost or Valuation:</b>				
1st April 2019	100	4,464	180	4,744
Additions	237	0	-	237
Revaluation increases/ (decreases) recognised in the SDPS	0	-	-	0
Impairment losses/(reversals) recognised in the SDPS	(189)	-	-	(189)
Reclassified from property, plant and equipment	0	-	-	0
<b>31st March 2020</b>	<b>149</b>	<b>4,464</b>	<b>180</b>	<b>4,792</b>
<b>Cost or Valuation:</b>				
Additions	1	-	-	1
Revaluation increases/ (decreases) recognised in the SDPS	0	-	-	0
Impairment losses/(reversals) recognised in the SDPS	(1)	-	-	(1)
Reclassified from property, plant and equipment	-	-	-	0
<b>31st March 2021</b>	<b>149</b>	<b>4,464</b>	<b>180</b>	<b>4,792</b>

### Property Heritage Assets

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

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

- Tintern Station, Tintern

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

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

### Museum Exhibits

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

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

### Civic Regalia, Artwork & Collections

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

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

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

## 12.8 Capital Expenditure and Capital Financing

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

31st March 2020 £000		31st March 2021 £000
186,342	Opening Capital Financing Requirement	189,451
	<b>Capital investment:</b>	
	<b>Enhancing value:</b>	
14,802	Property, plant and equipment	9,569
(19)	Investment properties	8
55	Intangible assets	0
49	Heritage assets	0
	<b>Not enhancing value:</b>	
3,025	Property, plant and equipment	5,035
253	Investment properties	133
0	Intangible assets	0
0	Assets held for sale	0
189	Heritage assets	1
5,062	Revenue Expenditure Funded from Capital under Statute	3,964
	<b>Sources of finance:</b>	



(5,910)	Capital receipts	(1,042)
(2,275)	General Capital Grant	(2,423)
(5,320)	Capital Grants and Contributions	(8,623)
(952)	S106 Contributions	(507)
(286)	Direct revenue contributions	(252)
	<b>Other:</b>	
(5,564)	Minimum revenue provision	(6,075)
0	Capital receipt set aside	0
<b>189,451</b>	<b>Closing Capital Financing Requirement</b>	<b>189,236</b>
	<b>Explanation of movements in year:</b>	
2,403	Increase in underlying need to borrowing - supported by Government financial assistance	2,417
6,270	Increase in underlying need to borrowing - unsupported by Government financial assistance	3,442
(5,564)	Less: Minimum revenue provision	(6,075)
<b>3,109</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>(216)</b>

## 12.9 Capital Commitments

At 31st March 2021, the Authority has not entered into any major contracts (i.e. those individually above £200,000) for the construction of Property, Plant and Equipment in 2021/22 (£0 at 31st March 2020).

## 12.10 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 2020/21 was £6,075,366 (£5,564,000 in 2019/20).

## 12.11 Leases - Authority as Lessor

### Operating Leases

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

The minimum lease payments receivable includes rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. During the financial year £2,819,107 of minimum lease payments were receivable by the Authority (£2,223,357 in 2019/20).

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

2019/20 £000		2020/21 £000
2,137	Not later than one year	2,391
6,716	Later than one year and not later than five years	6,276
12,793	Later than five years	10,819
<b>21,646</b>		<b>19,485</b>

## 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.

Present Value of Minimum Lease Payments to the Authority	2019/20			2020/21	
	Gross Amount outstanding from Lessee			Gross Amount outstanding from Lessee	
	£000			£000	
156	160	Not later than one year	156	160	
592	640	Later than one year and not later than five years	592	640	
2,004	2,720	Later than five years	1,906	2,560	
<b>2,753</b>	<b>3,520</b>		<b>2,655</b>	<b>3,360</b>	

The present value of the minimum lease payments has reduced during 2020/21 by the £160,000 receivable in year, offset by finance lease interest receivable.

## 12.12 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 £354,511 (£326,411 in 2019/20).

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

2019/20 £000		2020/21 £000
281	Not later than one year	297
582	Later than one year and not later than five years	652
155	Later than five years	181
<b>1,018</b>		<b>1,130</b>

## 13 FINANCIAL INSTRUMENTS, CURRENT ASSETS & LIABILITIES NOTES

### 13.1 Categories of Financial Instruments

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

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

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, certificate of deposits, call accounts, 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 and some assets held at fair value through other comprehensive income 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 investment comprised seed funding for the company and is revalued at £60,000 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 2021:

Long-Term 31st March 2020 £000	Short-Term 31st March 2020 £000		Note	Long-Term 31st March 2021 £000	Short-Term 31st March 2021 £000
	Restated	<b>Financial Assets</b>			
		<b>Investments at amortised Cost:</b>			
32	3,000	Principal invested	13.4	1,179	20,458
		Accrued Interest			
		<b>Investments at fair value through other comprehensive income:</b>			
	2,658	Equity Investments elected FVOCI			2,986
		<b>Investments at fair value through profit &amp; loss:</b>			
60		Unquoted equity investments	13.4	183	
<b>91</b>	<b>5,658</b>	<b>Total Investments</b>		<b>1,362</b>	<b>23,444</b>
		<b>Cash &amp; Cash Equivalents at amortised cost:</b>			
	22,363	Principal	15.3		19,158
	14	Accrued Interest			
<b>0</b>	<b>22,377</b>	<b>Total Cash &amp; Cash Equivalents</b>		<b>0</b>	<b>19,158</b>

		<b>At amortised cost:</b>			
70	11,857	Trade Receivables			9,879
	(611)	Loss allowance			(597)
2,710	98	Lease Receivables		2,557	100
214	(9)	Loans made for service purposes		210	1
<b>2,993</b>	<b>11,336</b>	<b>Included in Debtors</b>	<b>13.5</b>	<b>2,766</b>	<b>9,383</b>
<b>3,084</b>	<b>39,371</b>	<b>Sub-Total Financial Assets</b>		<b>4,128</b>	<b>51,985</b>
	2,542	<b>Current assets which are not Financial Instruments</b>			3,098
	17,175	Debtors which are not Financial Instruments	13.5	137.14995	24,078
<b>3,084</b>	<b>59,088</b>	<b>Total Financial Assets</b>		<b>4,265</b>	<b>79,161</b>

Long-Term 31st March 2020 £000	Short-Term 31st March 2020 £000		Note	Long-Term 31st March 2021 £000	Short-Term 31st March 2021 £000
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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 2021:

		Financial Liabilities			
		<b>Loans at amortised Cost:</b>			
(92,563)	(94,325)	Principal sum borrowed		(84,934)	(97,821)
	(797)	Accrued Interest			(683)
(28)	(1)	EIR adjustments		(28)	(1)
<b>(92,591)</b>	<b>(95,123)</b>	<b>Total Borrowings</b>	<b>13.4</b>	<b>(84,962)</b>	<b>(98,504)</b>
		<b>Loans at amortised Cost:</b>			
	(1,475)	Cash & cash equivalents	15.3		(1,193)
<b>0</b>	<b>(1,475)</b>	<b>Total Cash &amp; Cash Equivalents</b>		<b>0</b>	<b>(1,193)</b>
		<b>Liabilities at amortised Cost:</b>			
(708)		PFI and finance lease liabilities		(674)	
(1,644)		Other Long Term Liabilities		(1,703)	
<b>(2,352)</b>	<b>0</b>	<b>Total Other Long Term Liabilities</b>		<b>(2,376)</b>	<b>0</b>
		<b>Liabilities at amortised Cost:</b>			
(7,034)	(2,014)	Trade Payables			(1,134)
<b>(7,034)</b>	<b>(2,014)</b>	<b>Included in Short Term Creditors</b>	<b>13.6</b>	<b>0</b>	<b>(1,134)</b>
<b>(101,977)</b>	<b>(98,612)</b>	<b>Total Financial Liabilities</b>		<b>(87,338)</b>	<b>(100,831)</b>
0	(22,754)	Short term creditors which are not Financial Instruments	13.6		(35,271)
(232,599)	(4,534)	Other Current & long term liabilities which are not Financial Instruments:		(316,212)	(4,758)
<b>(334,577)</b>	<b>(125,899)</b>	<b>Total Balance Sheet Liabilities</b>		<b>(403,550)</b>	<b>(140,859)</b>

Equity instruments elected to fair value through OCI						
31st March 2020 £000	31st March 2020 £000	31st March 2020 £000		31st March 2021 £000	31st March 2021 £000	31st March 2021 £000
Fair value	OCI	Dividends		Fair value	OCI	Dividends
1,295	(254)	66	Kames Capital diversified monthly income fund	1,539	243	67

914	(92)	37	Investec Asset Management Ltd diversified income fund	1,001	88	37
449	(56)	15	CCLA LAMIT Property Fund	446	(3)	19
<b>2,658</b>	<b>(401)</b>	<b>119</b>	<b>Total Balance Sheet Asset</b>	<b>2,986</b>	<b>327</b>	<b>124</b>

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

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

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

31st March 2020 £000					31st March 2021 £000
	Financial Liabilities measured at:	Fair value through P&L	Fair value through OCI	Fair value through OCI - elected	Amortised cost
18	Interest expense - finance lease /private finance initiative debtors	0	0	0	15
0	Losses on de-recognition	0	0	0	0
0	Losses from changes in fair value	0	0	0	0
1	Impairment losses	0	0	0	0
4,068	Other Interest expense	0	0	0	3,688
4,088	Subtotals	0	0	0	3,703
<b>4,088</b>	<b>Total Interest payable and similar charges</b>				<b>3,703</b>

	Financial assets measured at:	Fair value through P&L	Fair value through OCI	Fair value through OCI - elected	Amortised cost
(64)	Interest income relating to finance lease debtors	0	0	0	(64)
(151)	Interest from deferred receipts	0	0	0	0
(119)	Dividend income (elected equity instruments)	0	0	(124)	0
0	Gains on derecognition	0	0	0	0
0	Gains from changes in fair value	0	0	0	0
0	Impairment loss reversals	0	0	0	0
(139)	Other Interest income	0	0	0	(43)
(473)	Subtotals	0	0	(124)	(107)
<b>(473)</b>	<b>Total Interest &amp; Investment income</b>				<b>(231)</b>
<b>3,614</b>	<b>Net impact on surplus/deficit on provision of services</b>				<b>3,472</b>

(Restated)	Impact on other comprehensive income:	Fair value through P&L	Fair value through OCI	Fair value through OCI - elected	Amortised cost
0	Gains on revaluation	0	0	330	0
(401)	Losses on revaluation	0	0	(3)	0
0	Amounts recycled to surplus/deficit on provision of services	0	0	0	0
(401)	Subtotals	0	0	327	0
<b>(401)</b>	<b>Impact on other comprehensive income</b>				<b>327</b>

### 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 2021, 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 2021, 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.
- Discount rates for “Lender’s Option Borrower’s Option” (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- 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 2021.
- 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 2020 £000 (Restated)*	Fair Value 31st March 2020 £000		Balance sheet position	Fair Value Level	Balance Sheet 31st March 2021 £000	Fair Value 31st March 2021 £000
<b>Financial liabilities held at amortised cost:</b>						
(187,714)	(210,863)	Borrowings	Borrowing (ST & LT)	2	(183,466)	(204,695)
(708)	(678)	PFI and finance lease liabilities	Other LT Borrowing	3	(674)	(695)
<b>(188,422)</b>	<b>(211,541)</b>	<b>Subtotal</b>			<b>(184,140)</b>	<b>(205,390)</b>
<b>Financial liabilities held at amortised costs for which fair value is not disclosed:</b>						
(1,475)		Cash & Cash equivalent	C & C E		(1,193)	
(2,014)		Trade payables	Short term creditors		(1,134)	
(1,644)		Net agency creditor and lease deposits	Other LT Borrowing		(1,703)	

(193,556)		<b>Total financial liabilities</b>		(188,169)	
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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 2020 £000 (Restated)*	Fair Value 31st March 2020 £000				Fair Value Level	Balance Sheet 31st March 2021 £000	Fair Value 31st March 2021 £000
		<b>Financial assets held at fair value:</b>					
2,658	2,658	Equity investments elected FV through OCI	ST Investments	<b>2</b>	2,986	2,986	
60	60	Unquoted equity investments held at FVP&L	LT Investments	<b>3</b>	183	183	
<b>2,718</b>	<b>2,718</b>	<b>Subtotal</b>				<b>3,168</b>	<b>3,168</b>
		<b>Financial assets held at amortised cost:</b>					
2,753	2,662	Lease receivables	LT debtors	<b>3</b>	2,657	2,799	
2,630	2,573	Trade receivables - deferred receipt	LT debtors				
<b>5,470</b>	<b>5,380</b>	<b>Subtotal</b>				<b>5,825</b>	<b>5,967</b>
		<b>Financial assets held at amortised cost for which fair value is not disclosed:</b>					
22,377		Cash & Cash equivalent	C&CE		19,158		
5,658		Short term investments	ST Investments		23,444		
11,857		Trade Receivables	Short term debtors		9,879		
214		Loans made for service purposes	Long term debtors		210		
<b>45,576</b>		<b>Total financial assets</b>				<b>58,517</b>	

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 £3m 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).

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 2020	Balance Short-term 31st March 2020	Counterparty Group	Investment Vehicle	Average	Country	Balance Long-term 31st March 2021	Balance Short-term 31st March 2021
£'000	£'000			rating		£'000	£'000
0	3,000	UK Government	Term Deposit with DMADF	AA+	United Kingdom	0	20,000
0	0	Local Authority	Term Deposit	AA+	United Kingdom	0	0
0	0	Bank	Term Deposit	A+	United Kingdom	0	16,015
<b>0</b>	<b>3,000</b>					<b>0</b>	<b>36,015</b>
		<b>Credit risk Not applicable *</b>					
0	2,658	Pooled funds			United Kingdom	0	2,986
91	0	Unquoted Equity			United Kingdom	1,239	274
<b>91</b>	<b>5,658</b>	<b>Total Investments</b>				<b>1,239</b>	<b>39,275</b>

\* 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 131% (2020: 365%) 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 2021, £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 2021 the carrying value was £2,657,000. The fair value was £2,799,000 reflecting the difference in interest rates used for the two estimates.

#### 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 net short term borrowing is no more than 50% of the Council’s net total borrowing.

The maturity analysis of financial instruments is as follows:

31st March 2020				31st March 2021		
£000	£000	£000		£000	£000	£000
Borrowings	Investments	Net		Borrowings	Investments	Net
			<b>The Loans Mature as follows:-</b>			
0	(2,718)	(2,718)	No defined maturity	0	(3,626)	(3,626)
95,201	(3,000)	92,201	Less than one year	96,623	(20,000)	76,623
7,921	0	7,921	Between one and two years	5,012	0	5,012
13,207	0	13,207	Between two and five years	13,446	0	13,446
13,739	(32)	13,708	Between five and ten years	11,507	(1,179)	10,327
12,717	0	12,717	Between ten and twenty years	12,917	0	12,917
44,928	0	44,928	More than twenty years	43,961	0	43,961
<b>187,714</b>	<b>(5,750)</b>	<b>181,965</b>	<b>Total</b>	<b>183,466</b>	<b>(24,806)</b>	<b>158,660</b>

The Counterparty analysis of Borrowing is shown below:

31st March 2020		31st March 2021
£000		£000
89,627	Public Works Loan Board	74,647
13,816	Market Loans & Bank loans	13,812

5,248	Welsh Government	5,062
76,023	Local Government bodies	86,944
3,000	Special Purpose Vehicle	3,000
<b>187,714</b>	<b>Total</b>	<b>183,466</b>

The financial liabilities due to Welsh Government at the 31st March 2021 are the outstanding balances from interest free loans provided to fund energy saving Street Lighting capital schemes and 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 current 2020/21 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 2021/22, on borrowings and investments held at the 31st March 2021, 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 2020	Effect of a 1% increase in interest rates	31st March 2021
£000		£000
650	Increase in interest payable on borrowings	829
(29)	Increase in interest receivable on investments	(190)
0	Decrease in fair value of investments held at FVP&L	0

621	<b>Impact on Surplus or Deficit on the Provision of Services</b>	639
(13,459)	Decrease in fair value of fixed rate borrowing *	(12,630)

\* 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 were 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 charge 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 2021, 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 2020					31st March 2021			
Long Term £000	Short Term £000	Impairment £000	Net £000		Long Term £000	Short Term £000	Impairment £000	Net £000
				<b>Central Government Bodies:</b>				
0	3,671	0	3,671	Welsh Government		9,444		9,444
0	1,274	0	1,274	HM Customs & Excise		1,083		1,083
0	1,238	0	1,238	NNDR Debtor		2,306		2,306
0	708	0	708	Council Tax and Housing Benefit Subsidy		406		406
0	0	0	0	Other				0
				<b>Other entities and individuals:</b>				
0	4,871	(22)	4,849	Other Local Authorities		4,956	(4)	4,952
0	2,655	0	2,655	Deferred Capital receipts				0
2,710	195	0	2,905	Finance Lease	2,557	100		2,657
0	6,657	(55)	6,602	Revenue debtors		8,114	(55)	8,059
0	2,671	(1,667)	1,004	Council tax arrears		3,925	(1,895)	2,031
0	842	(154)	688	Corporate sundry debtors		1,323	(235)	1,088
0	1,540	(664)	876	Housing benefit overpayments		1,284	(649)	635
0	2,729	(2)	2,727	NHS Bodies		1,756		1,756
0	901	(168)	733	Social Services debtors		784	(154)	630
0	256	(172)	84	Rent arrears		275	(204)	71
0	752	0	752	Capital debtors		16		16
204	0	0	204	Housing Advances	201			201
79	455	0	534	Other	146	883		1,029

2,993	31,416	(2,904)	31,505	<b>Total Debtors</b>	2,903	36,656	(3,196)	36,363
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The aged analysis of short term debtors outstanding as at 31st March 2021 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
<b>Central Government Bodies:</b>						
Welsh Government	9,035	409	0	0	0	9,444
HM Customs & Excise	1,083					1,083
NNDR Debtor	1,025		969	300	12	2,306
Council Tax and Housing Benefit Subsidy	406					406
Other						0
<b>Other entities and individuals:</b>						
Other Local Authorities	1,893	2,545	210	307	0	4,956
Deferred Capital receipts						0
Finance Leases	100					100
Revenue debtors	8,019		34	27	34	8,114
Council tax arrears	0		2,333	700	892	3,925
Corporate sundry debtors	67	673	369	123	92	1,323
Housing benefit overpayments			333	296	655	1,284
NHS Bodies	9	1,492	245	10	0	1,756
Social Services sundry debtors	64	170	247	123	181	784
Capital debtors	16					16
Rent arrears	33	21	43	33	145	275
Housing Advances						0
Other	883					883
<b>Total</b>	<b>22,633</b>	<b>5,310</b>	<b>4,783</b>	<b>1,919</b>	<b>2,010</b>	<b>36,656</b>

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2021 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	0	0	0	0
NHS Bodies	0	0	4	0	0	4
Revenue debtors	0	0	17	14	24	55
Council Tax Arrears	0	0	516	487	892	1,894
Social Services sundry debtors	48	24	33	5	44	154
Corporate sundry debtors	0	0	89	79	67	235
Rent arrears	0	4	23	33	144	204
Housing benefit overpayments	0	0	66	64	519	649
<b>Total</b>	<b>48</b>	<b>28</b>	<b>748</b>	<b>682</b>	<b>1,690</b>	<b>3,196</b>

### 13.6 Creditors

It is the Authority's policy to pay creditors promptly, without undue delay and within mutually agreed terms. 97.88% of payments were paid within a 30 day target settlement date (93.44% in 2019/20).

The nature and value of payments due to be made by the Council in the year but not actually made as at 31st March 2021 is summarised below:

31st March 2020 £000		31st March 2021 £000
2,852	Central Government Bodies	10,222
3,383	Other Local Authorities	2,874
409	NHS Bodies	411
2,307	Capital Creditors	4,922
15,817	Other entities & individuals	17,975
<b>24,768</b>	<b>Total</b>	<b>36,405</b>

### 13.7 Provisions and Contingent Liabilities

The value of provisions as at 31st March 2021, together with their movement for the year, is summarised below:

	Note	As at 1st April 2020 £000	Additional Provisions Made £000	Amounts Used £000	Unused Amounts Reversed £000	As at 31st March 2021 £000
Insurance Claims	13.7a	794	851	(794)	0	851
Insurance Claims - MMI	13.7b	32	0	0	0	32
Accumulating Compensated Absences	13.7c	3,553	557	0	0	4,109
Shared Resource Service (Public) Debt	13.7d	86	0	0	0	86
School Redundancies		482	0	(482)	0	0
CCRCDC Consolidation		89	38	0	0	127
<b>Total</b>		<b>5,036</b>	<b>1,446</b>	<b>(1,276)</b>	<b>0</b>	<b>5,205</b>

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

Current 31st March 2020 £000	Long Term 31st March 2020 £000		Current 31st March 2021 £000	Long Term 31st March 2021 £000
397	397	Insurance Claims	546	305
16	16	Insurance Claims - MMI	16	16
3,553	0	Accumulating Compensated Absences	4,109	0
86	0	Shared Resource Service (Public) Debt	86	0
482	0	School Redundancies	0	0
0	89	CCRCDC Consolidation	0	127
<b>4,534</b>	<b>502</b>	<b>Total</b>	<b>4,757</b>	<b>448</b>

#### a) Insurance Claims

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

To satisfy IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a full actuarial assessment of open insurance claims was carried out at 30th September 2015 by the Authority's insurance brokers. The Authority has used this data to project future potential liabilities on the basis of current claims received, policy excesses and stop losses (the capped loss we can incur in any policy year). This assessment has allowed the Authority to reflect the estimated cost of liabilities at 31 March 2021. 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 Section 151 Officer. 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 2021 was £851,000 (£794,000 at 31st March 2020) and the balance on the insurance and risk management reserve as at 31st March 2021 was £846,000 (£846,000 as at 31st March 2020). 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:

31st March 2020		31st March 2021
£000		£000
622	Public Liability	632
172	Employer's Liability	219
1,040	<b>Total</b>	<b>851</b>

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

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

In addition to the levy paid for settled claims, a percentage payment is also applied to outstanding claims which are subsequently settled against the Authority. As at the 31st March 2021, a provision of £31,137 has been made for outstanding claims of this nature, unchanged from 2019/20.

#### 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 2021 was £4,109,744 (£3,552,832 at 31st March 2020).

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

Financial administration of the Shared Resource Service (Public) transferred to Torfaen CBC on 1st April 2019. As part of the winding up of the 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 still remains uncertain at the balance sheet date and therefore an FRS12 provision of £86,254 has been maintained as at 31st March 2021.

#### **e) Asbestos Indemnity (Contingent Liability)**

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. 2 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 £6.679 million as updated by RPI (£6.582 million as at 31st March 2020) , 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 2021) is £124,456 (previously £124,456 for the period 21st January 2008 to 31st March 2020).



## 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.

The Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in two separate pension schemes; the Greater Gwent Pension Fund (Local Government Pension Scheme (LGPS)) and the Teachers' Pensions Scheme (TPS), both of which provide defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council.

#### *Teachers Pension Scheme (TPS) – Unfunded Defined Benefit Scheme Accounted for as a Defined Contribution Scheme*

Whilst this is an unfunded multi-employer defined benefit scheme it is required to be accounted for as if it were a defined contribution scheme, because the arrangements are such that the liabilities cannot ordinarily be identified specifically to the Council. A notional fund is used as the basis for calculating the employer's contribution rate paid by local authorities and valuations of the notional fund are undertaken every four years. This scheme is administered by the Teachers' Pensions Agency (TPA). No liability for future payments of these benefits is recognised in the Council's Balance Sheet.

The Authority's payments to the scheme relating to 2020/21 totalled £5,991,000 (£4,992,000 in 2019/20) in respect of teachers' retirement benefits.

Under this scheme there are separate arrangements for the award of discretionary post employment benefits upon early retirement – these are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made.

There were £495,227 of contributions remaining payable to the scheme at the year end (£479,000 at 31st March 2020). The Council is not responsible for any other employers' obligations under this pension plan.

#### *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 are 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 2021 is split as follows, along with the weighted average duration of each group:

2019/20			2020/21		Average Age 31st Mar 2021 in Years
£000's	%		£000's	%	
242,171	44%	Active	367,088	51%	51
101,334	19%	Deferred	138,897	19%	51
202,078	37%	Pensioners	216,972	30%	68
<b>545,583</b>	<b>100%</b>	<b>Total</b>	<b>722,957</b>	<b>100%</b>	<b>19.6</b>

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

#### 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.

An allowance was made for the McCloud judgement in last year's results Schedule and no further adjustment has been made within this year's result Schedule. The previous allowance within the balance sheet will simply be rolled forward and therefore included within the closing position at the accounting Date. No explicit additional adjustment for McCloud has been added to the current service cost for 2020/21 (or the projected service cost for 2021/22).

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

Local Government Pension Scheme	Teachers' Unfunded Discretionary Benefits		Local Government Pension Scheme	Teachers' Unfunded Discretionary Benefits
2019/20 £000's	2019/20 £000's		2020/21 £000's	2020/21 £000's
		<b>Comprehensive Income and Expenditure Account</b>		
		<b>Net Cost of Services:</b>		
24,341	0	current service cost	20,168	0
1,357	0	past service cost / (gain) including curtailments	91	0
0	0	settlement gain	0	0
<b>25,698</b>	<b>0</b>	<b>Total Net Cost of Services</b>	<b>20,259</b>	<b>0</b>
		<b>Financing and Investment Income and Expenditure:</b>		
14,982	109	interest cost on pension liabilities	12,905	(86)
(8,505)	0	interest income on plan assets	(7,449)	0
0	0	Impact of asset ceiling on net interest	0	0
<b>32,175</b>	<b>109</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>25,715</b>	<b>(86)</b>
		<b>Other Comprehensive Income and Expenditure:</b>		

(56,332)	(484)	(Gains) and losses on remeasurement	64,244	331
0	0	Effect of business combinations and disposals	0	0
<b>(56,332)</b>	<b>(484)</b>	<b>Total Other Comprehensive Income and Expenditure</b>	<b>64,244</b>	<b>331</b>
<b>(24,157)</b>	<b>(375)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>89,959</b>	<b>245</b>
		<b>Movement in Reserves Statement</b>		
(32,175)	(109)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(25,715)	86
		<b>Actual amount charged against the Council Fund for pensions in the year:</b>		
12,724	431	employers' contributions payable to scheme	13,617	409

#### 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 2021 is £12,905,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2021 are £418,000.

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

A draft report of the results of the latest full actuarial valuation of the Greater Gwent (Torfaen) Pension Scheme, based on the position of the fund at 31st March 2019, was released in December 2019. In between formal valuations which occur every three years the actuary assesses the extent of the employers pension assets and liabilities. The Actuaries report for 31st March 2020 including the projections for 20/21 is therefore based on this 31st March 2019 full valuation.

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 2021	31st March 2020	31st March 2019
Rate of increase in salaries	3.2%	2.2%	2.9%
Rate of increase in pensions (inline with CPI)	2.9%	1.9%	2.5%
Rate for discounting scheme liabilities	2.0%	2.3%	2.4%
<b>Life Expectancy:</b>			
Current male pensioner aged 65 (years)	20.7	20.6	21.5
Current female pensioner aged 65 (years)	23.4	22.9	23.9
Future male pensioner aged 65 in 20 years' time (years)	22.1	21.6	23.6
Future female pensioner aged 65 in 20 years' time (years)	25.4	24.6	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 2021	Approximate % increase to Employer	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	75,080
0.5% increase in the Salary Increase Rate	1%	7,381
0.5% increase in the Pension Increase Rate	9%	66,132

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 2020		Category	Quoted in Active markets	31st March 2021	
£000	%			£000	%
47,772	14.8%	Equities	Yes	62,764	14.8%
		<b>Investment funds &amp; Unit Trusts</b>			
186,585	57.8%	Equities	No	245,139	57.8%
54,190	16.8%	Bonds	No	71,196	16.8%
23,466	7.3%	Other	No	30,830	7.3%
8,129	2.5%	Property	No	10,680	2.5%
2,838	0.9%	Cash accounts	No	3,729	0.9%
0	0.0%	Alternatives	No	0	0.0%
<b>322,980</b>	<b>100.0%</b>	<b>Total</b>		<b>424,338</b>	<b>100.0%</b>

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

### The Movement in Fund Assets

Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits		Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits
2019/20 £000	2019/20 £000		2020/21 £000	2020/21 £000
353,171	0	As at 1st April	322,980	0
0	0	Settlement costs	0	0
8,505	0	Interest on plan assets	7,449	0
12,724	431	Employers contributions	13,617	409
3,352	0	Contributions by scheme participants	3,539	0
(39,633)	0	Gains / (losses) on remeasurement of assets	91,626	0
0	0	Administration expenses of plan assets	0	0
(15,139)	(431)	Benefits paid	(14,873)	(409)

322,980	0	As at 31st March	424,338	0
<b>The Movement in Fund Liability</b>				
(616,635)	(4,749)	As at 1st April	(549,563)	(3,943)
(24,341)	0	Current service cost	(20,168)	0
(1,357)	0	Past service (cost) / gain (including curtailments)	(91)	0
0	0	Settlement gains	0	0
0	0	Curtailment costs	0	0
(14,982)	(109)	Interest on pension liabilities	(12,905)	(86)
(3,352)	0	Contributions by scheme participants	(3,539)	0
95,965	484	Gains / (losses) on remeasurement of liabs	(155,870)	(331)
15,139	431	Benefits paid	14,873	409
0	0	Effect of business combinations & disposals	0	0
(549,563)	(3,943)	As at 31st March	(727,263)	(3,951)

There were £1,124,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2019 £1,119,000 was payable) and £2,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£2,000 at 31 March 2019).

Within the £727,263,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2021 (£549,563,000 31 March 2020), there are £3,957,000 of unfunded liabilities (£3,993,000 as at 31st March 2020). £328,000 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 2021, the fund's actuaries have estimated that the Authority had the following assets and liabilities:

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>Local Government Pension Scheme</b>					
Present value of scheme liabilities	(531,153)	(544,485)	(616,635)	(549,563)	(727,263)
Fair value of scheme assets	319,333	331,910	353,171	322,980	424,338
<b>Surplus / (deficit) in the scheme</b>	<b>(211,820)</b>	<b>(212,575)</b>	<b>(263,464)</b>	<b>(226,583)</b>	<b>(302,925)</b>
<b>Teachers Unfunded Discretionary Benefits</b>					
Present value of scheme liabilities	(5,417)	(5,070)	(4,749)	(3,943)	(3,951)
Fair value of scheme assets	0	0	0	0	0
<b>Surplus / (deficit) in the scheme</b>	<b>(5,417)</b>	<b>(5,070)</b>	<b>(4,749)</b>	<b>(3,943)</b>	<b>(3,951)</b>
<b>Total</b>					
Present value of scheme liabilities	(536,569)	(549,555)	(621,384)	(553,506)	(731,214)
Fair value of scheme assets	319,333	331,910	353,171	322,980	424,338
<b>Surplus / (deficit) in the scheme</b>	<b>(217,236)</b>	<b>(217,645)</b>	<b>(268,213)</b>	<b>(230,526)</b>	<b>(306,876)</b>
<b>Year on year increase in net liability (or deficit)</b>		<b>(409)</b>	<b>(50,568)</b>	<b>37,687</b>	<b>(76,350)</b>

There is a increase in the combined net liability of the Greater Gwent pension funds of £76,350,000 from 1 April 2020 to 31 March 2021. This has resulted from a increase in the value of scheme liabilities of £177m offset by a increase in the value of scheme assets. The increase in liabilities is due to changes in financial assumptions (e.g. increased inflation, decreased discount rate, increased longevity/age presumptions).

## 15 NOTES TO THE CASH FLOW STATEMENT

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

2019/20 £000		2020/21 £000
23,195	Net (surplus) or deficit on the provision of services	4,385
	<b>Non-cash transactions:</b>	
(11,498)	Depreciation of non-current assets	(12,684)
(3,732)	Impairment and downward valuations	(5,372)
(186)	Amortisation of intangible non-current assets	(79)
229	Increase/decrease in impairment for provision for bad debts	(409)
52	Increase/(decrease) in inventories	(40)
(1,309)	Increase/(decrease) in debtors	4,990
2,267	(Increase)/decrease in creditors	(11,436)
(850)	(Increase)/decrease in provisions	(132)
(19,129)	Pension liability	(11,775)
51	CCRCD: Capital & Revenue Grants recognised	201
(1,290)	Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised	(4,593)
(560)	Movement in the value of investment properties	2,806
	<b>Items classified in another classification in the cash flow statement</b>	
(2,085)	Other payments for investing activities	2,909
10,487	Other receipts from investing activities	9,811
(31)	Other payments for financing activities	(34)
(921)	Other receipts for financing activities	(753)
7,274	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,193
1,963	<b>Net cash flows from Operating Activities</b>	<b>(12,013)</b>

### 15.2 Returns on Investments and Servicing of Finance

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

2019/20 £000		2020/21 £000
	<b>Returns on Investments received:</b>	
(448)	Interest received	(219)
(33)	Other interest and investment income	(25)
	<b>Servicing of Finance paid:</b>	
4,301	Interest paid	3,801
18	Interest element of finance lease rental payments	15
3,838		3,572

### 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 2020	In Year Movement	At 31st March 2021
	£000	£000	£000
<b>Current Assets</b>			
Cash held by the Authority	424	(251)	172
Bank current accounts	0	0	0
Short-term call account deposits	21,953	(2,967)	18,986
<b>Current Liabilities</b>			
Bank current account overdrafts	(1,475)	282	(1,193)
<b>Total</b>	<b>20,902</b>	<b>(2,937)</b>	<b>17,965</b>

## 16 OTHER NOTES TO THE ACCOUNTS

### 16.1 Members Allowances

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

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

2019/20 £000		2020/21 £000
595	Basic allowance	608
202	Special responsibility allowance	208
26	Travel allowance	2
0	Subsistence allowance	0
6	ICT Costs	4
<b>829</b>	<b>Total</b>	<b>822</b>

### 16.2 Audit Costs

The Authority has incurred the following costs during 2020/21 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:

2019/20 £000		2020/21 £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
40	Fees payable to the appointed auditor for certification of grant claims & returns	40
<b>319</b>	<b>Total</b>	<b>319</b>

### 16.3 S31 and S33 Pooled Budget Arrangements

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

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

#### a) Mardy Park Rehabilitation Scheme

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

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

The income and expenditure for the pooled fund arrangements for the financial year ended 31st March 2021 was:

2019/20 £000		2020/21 £000
	<b>Funding</b>	
(257)	Monmouthshire County Council	(262)
(194)	Monmouthshire Local Health Board	(197)



(451)	<b>Total Funding</b>	(459)
	<b>Expenditure</b>	
326	Employee related	326
72	Premises related	78
3	Transport related	1
30	Supplies & Services	35
40	Agency & Contracted	39
<b>471</b>	<b>Total Expenditure</b>	<b>479</b>
<b>20</b>	<b>Net (Under)/over spend</b>	<b>20</b>

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

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

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

Torfaen County Borough Council is the host for the Partnership, who recorded gross expenditure of £4,106,000 (£3,398,000 for 2019/20) and gross income of £4,106,000 (£3,398,000 for 2019/20) for the financial year ended 31st March 2021. Monmouthshire County Council's contribution for the year was £382,000 (£323,000 for 2019/20).

#### **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 £3,768,000 (£3,687,000 for 2019/20) and gross income of £3,612,000 (£3,489,000 for 2019/20) for the financial year ended 31st March 2021. Monmouthshire County Council's total contribution for the year was £1,171,000 (£1,166,000 for 2019/20).

#### **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 £16,623,000 (£16,458,000 for 2019/20) and gross income of £16,637,000 (£16,571,000 for 2019/20) for the financial year ended 31st March 2021. Monmouthshire County Council's total contribution for the year was £1,411,000 (£1,361,000 for 2019/20).

#### **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 £95,841,580 (£104,976,167 for 2019/20) and funding of £95,841,580 (£104,976,167 for 2019/20) for the financial year ended 31st March 2021. Monmouthshire County Council's total contribution for the year was £8,870,266 (£9,737,712 for 2019/20).

## 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 council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 16.1. During 2020/21, works and services to the value of £14.895m (£19.118m in 2019/20) were commissioned from other public bodies and companies in which eight members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition, grants totalling £92,309 (£117,743 in 2019/20) were made to voluntary organisations in which two members had positions on the governing body. No grants were made to organisations whose senior management included close members of the families of members. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the register of members' interest, open to public inspection at the Council headquarters during office hours at its offices at County Hall, Usk, Monmouthshire, NP15 1GA.

### 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 Social Care Safeguarding & 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 2020/21 and held the following position during the year:

- **Member of the Cardiff Capital Region Investment Committee**
- **Shared Resource Services - Board Member**
- **Innovation Point Wales - Non-Executive Director**

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

- **Non-Executive Director to Dragon Waste Limited**

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

- **Shared Resource Services - Business Solutions - Director**

The Deputy Chief Executive (Chief Officer for Resources) has an indirect involvement with:

- **Cardiff Capital Region - City Deal**
- **Science and Innovation Advisory Council**
- **UKRI's Research England Board**
- **Prince's Trust - Wales**

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 2021:

2019/20					2020/21			
Income £000	Expend £000	Assets £000	Liabilities £000		Income £000	Expend £000	Assets £000	Liabilities £000
(209)	618	5,143	(178)	<b>Welsh Church Act Fund</b>	(604)	258	5,542	(230)

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.

0	0	114	(114)	<b>Llanelly Hill Social Welfare Centre</b>	0	0	68	(68)
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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)	0	6	(1)	<b>Chairman's Charity</b>	(6)	0	7	(1)
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The Chairman's Charity supports and raises funds for the Chairman's nominated Charity of the year.

				<i>Funds for which Monmouthshire County Council acts as custodian trustee:</i>				
(27)	54	636	(4)	<b>Monmouthshire Farm School Endowment</b>	(42)	16	656	(2)
(1,094)	930	833	(669)	<b>Appointeeship - Personal Monies</b>	(1,332)	1,119	1,045	(833)

## 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 (CCRC), 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. Further details of the arrangement are outlined below.

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 2020.

31st March 2020		31st March 2021
£000 Final		£000 TBC
168	Net Assets/(Liabilities)	TBC
183	Profit/(Loss) before Taxation	TBC
183	Profit/(Loss) after Taxation	TBC
0	Dividends	TBC

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 £1,597,524 were made to Dragon Waste Limited during 2020/21 (£2,166,743 during 2019/20).

The Authority owed £281,345 to Dragon Waste Limited at the 31st March 2021 (£177,005 owed to Dragon Waste as at 31st March 2020) in respect of Waste Management contract income.

Further information can be found in Dragon Waste Limited Financial Statements for the year ended 31 March 2019 which are available from the Company Secretary, Pennon Group Plc, Peninsula House, Rydon Lane, Exeter, Devon, England, EX2 7HR.

#### SRS Public

The Authority entered into a public sector collaborative arrangement, known as the Shared Resource Service, with Torfaen County Borough Council (TCBC) and Gwent Police Authority in May 2011, Newport City Council and Blaenau Gwent Borough Council have joined the partnership subsequently. The arrangement has resulted in a Shared Resources Centre (SRC) being set up for the purpose of providing IT services to each member authority. A memorandum of understanding is in place to provide robust governance arrangements. The arrangement is not a separate legal entity and ownership of the SRS premises resides with TCBC. The arrangement is funded by core contributions from partners, income from desk licences and rack rentals from schools and external income. Monmouthshire's core contribution during 2020/21 included in the Council's Accounts totalled £2.133m (£2.169m in 2019/20).

The Authority owed £3,541 to SRS Public at the 31st March 2021 (£2,933 owed as at 31st March 2020).

Financial administration of the Shared Resource Service (Public) was transferred to Torfaen CBC on 1st April 2019. As part of the winding up of the 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 £86,254 has been maintained 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.

The Company's latest available trading results are the draft estimates for the year ending 31st March 2021.

31st March 2020		31st March 2021
£000 Final		£000 Draft
139	Net Assets/(Liabilities)	133
(139)	Profit/(Loss) before Taxation	(3)
(139)	Profit/(Loss) after Taxation	(3)
0	Dividends	0

There were no transactions between Monmouthshire County Council and SRS (BS) during 2020/21 (nil in 2019/20).

Financial administration of SRS (BS) transferred to Torfaen Borough Council on the 19th October 2019.

### Melin Homes & Y Prentis

Y Prentis is 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 31st May 2021.

The company is exempt from audit under section 477 of the companies act 2006 for the financial year ending May 2021.

30th Sept 2019		31st May 2021
£000		£000
Final		Draft
313	Total Assets/(Liabilities)	308
12	Profit/(Loss) before Taxation	8
12	Profit/(Loss) after Taxation	8
0	Dividends	0

There were no transactions between Monmouthshire County Council and Y Prentis during 2020/21 (nil in 2019/20). A capital receipt of £2.7m was received by Monmouthshire County Council during the year from Melin Homes as part of the sale of land relating to Crick Rd development.

### 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 2021.

31st March 2020		31st March 2021
£000		£000
Final		Draft
280	Total Assets/(Liabilities)	244
27	Profit/(Loss) before Taxation	(2)
27	Profit/(Loss) after Taxation	(2)
0	Dividends	0

Payments of £43,000 were made to the EAS during 2020/21 (£1,049,000 during 2019/20). There were no balances owing to/from the EAS at 31st March 2021 (nil at 31st March 2020).

### 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 2020.

31st March 2020		31st March 2021
£000		£000
Final		Draft

268	Total Assets/(Liabilities)	305
(19)	Profit/(Loss) before Taxation	(2)
(19)	Profit/(Loss) after Taxation	(2)
0	Dividends	0

Payments of £182,244 were made to Gwent Archives during 2020/21 (£182,244 during 2019/20). There were no balances owing to/from Gwent Archives at 31st March 2021 (nil at 31st March 2020).

#### 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 2021.

31st March 2020		31st March 2021
£000 Final		£000 Draft
2,247	Total Assets/(Liabilities)	2,363
138	Profit/(Loss) before Taxation	63
138	Profit/(Loss) after Taxation	63
0	Dividends	0

A payment of £210,382 was received from Gwent Crematorium during the 2020/21 financial year (£140,255 during 2019/20). There were no balances owing to/from Gwent Crematorium at 31st March 2021 (nil at 31st March 2020).

#### 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 2020.

31st March 2020		31st March 2021
£000 Final		£000 TBC
322	Total Assets/(Liabilities)	TBC
(8)	Profit/(Loss) before Taxation	TBC
(8)	Profit/(Loss) after Taxation	TBC
0	Dividends	TBC

Payments of £27,000 were made to Project Gwyrdd during 2020/21 (£27,000 during 2019/20). There was £27,000 owing to Project Gwyrdd at 31st March 2021 (nil at 31st March 2020).

#### 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 a contribution of £122k was made in 2020/21 (Nil contribution in 2019/20). There were no balances owing to/from the joint committee at 31st March 2021 (nil at 31st March 2020).

### CSC Foundry

During 2020/21 MCC had 'Significant Influence' over CSC Foundry Ltd which is a subsidiary of CCRC. As at 31st March 2021 CSC Foundry had £3.0m invested with the Authority which is classified within Short term borrowing in the Balance sheet (£3.0m in 2019/20).

## 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 2021	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
Post Holder	£	£	£	£	£	£
Chief Executive Officer	119,955	0	0	<b>119,955</b>	27,710	<b>147,665</b>
Chief Officer - Children and Young People	88,095	0	0	<b>88,095</b>	20,350	<b>108,445</b>
Chief Officer - Enterprise	81,304	0	0	<b>81,304</b>	25,634	<b>106,938</b>
Chief Officer - Social Care, Safeguarding	88,095	0	0	<b>88,095</b>	20,350	<b>108,445</b>
Chief Officer - Resources & Acting Section 151 Officer	88,095	0	0	<b>88,095</b>	20,350	<b>108,445</b>
Head of Law & Monitoring Officer	75,859	0	0	<b>75,859</b>	17,523	<b>93,382</b>
Head of Policy & Governance	70,353	0	0	<b>70,353</b>	16,252	<b>86,605</b>
<b>Total</b>	<b>611,756</b>	<b>0</b>	<b>0</b>	<b>611,756</b>	<b>148,169</b>	<b>759,925</b>

Year ended 31st March 2020	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
Post Holder	£	£	£	£	£	£
Chief Executive Officer	116,744	0	0	<b>116,744</b>	26,968	<b>143,712</b>
Chief Officer - Children and Young People	85,737	0	0	<b>85,737</b>	19,805	<b>105,542</b>
Chief Officer - Enterprise	83,355	0	0	<b>83,355</b>	19,255	<b>102,610</b>
Chief Officer - Social Care, Safeguarding	84,546	0	0	<b>84,546</b>	19,530	<b>104,076</b>
Chief Officer - Resources & Acting Section 151 Officer	81,959	0	0	<b>81,959</b>	18,851	<b>100,810</b>
Head of Law & Monitoring Officer	72,638	0	0	<b>72,638</b>	16,779	<b>89,417</b>
Head of Policy & Governance	66,089	0	0	<b>66,089</b>	15,267	<b>81,356</b>
<b>Total</b>	<b>591,068</b>	<b>0</b>	<b>0</b>	<b>591,068</b>	<b>136,455</b>	<b>727,523</b>

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



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

Employers' pension contributions were paid at a rate of 23.1% of pensionable pay for staff within the Local Government Pension Scheme (23.1% for 2019/20). Expense allowances are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2020/21 (Nil in 2019/20).

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 2020/21, the median employee position has been calculated as £24,012, equating to spinal point 16 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5:1

In 2019/20, the median employee position was calculated as £22,911, equating to spinal point 15 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5.10:1

For the purposes of reporting remuneration, voluntary aided schools' employees have been included in the remuneration notes 16.7 to 16.9, 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 2021, was:

2019/20		Remuneration Band	2020/21	
Number of employees	(Of which are teaching staff)		Number of employees	(Of which are teaching staff)
0	0	£130,000 - £134,999	1	1
0	0	£125,000 - £129,999	0	0
0	0	£120,000 - £124,999	0	0
1	0	£115,000 - £119,999	2	0
2	1	£110,000 - £114,999	0	0
0	0	£105,000 - £109,999	0	0
0	0	£100,000 - £104,999	0	0
0	0	£95,000 - £99,999	1	1
1	1	£90,000 - £94,999	1	1
2	1	£85,000 - £89,999	4	1
5	2	£80,000 - £84,999	1	0
2	0	£75,000 - £79,999	5	2
8	3	£70,000 - £74,999	12	2
14	8	£65,000 - £69,999	12	11
14	9	£60,000 - £64,999	17	15
<b>49</b>	<b>25</b>	<b>Total</b>	<b>56</b>	<b>34</b>

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

Bandings above include the effect of senior officers shown in note 16.7.

Employers' pension contributions were paid at a rate of 23.1% of pensionable pay for staff within the Local Government Pension Scheme (23.1% for 2019/20) and 23.68% of pensionable pay for staff within the Teachers' Pension Scheme (20.7% in 2019/20).

## 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.

2019/20			Exit package Cost band	2020/21		
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
47	8	388	£0 - £20,000	29	8	203
14	1	409	£20,001 - £40,000	1	0	27
0	0	0	£40,001 - £60,000	1	3	193
2	0	129	£60,001 - £80,000	2	1	194
1	1	170	£80,001 - £100,000	0	2	169
2	0	268	£100,001 - £150,000	0	0	0
2	0	314	£150,001 - £200,000	0	0	0
<b>68</b>	<b>10</b>	<b>1,678</b>	<b>Total</b>	<b>33</b>	<b>14</b>	<b>786</b>

## 16.10 Events after the Balance Sheet date

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

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

No such unadjusting events have been identified subsequent to the balance sheet date.



## 17 STATEMENT OF ACCOUNTING POLICIES

### 17.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31st March 2021.

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

These practices, under Section 21 of the Local Government Act 2003, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

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, under the assumption that the Council will continue in existence for the foreseeable future.

Unless otherwise stated the convention used in this document is to round to amounts the nearest thousand pounds. All totals are the rounded totals of unrounded figures and, therefore, may not be the strict sums of the figures presented in the text or tables. Throughout the Statements all credit balances are shown with parentheses e.g. (£1,234).

### 17.2 Accounting Standards issued not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2020/21 Code.

- **Definition of a Business: Amendments to IFRS 3 Business Combinations**
- **Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7**
- **Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

These changes are not expected to have a material impact on the Councils financial statements.

• **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 2022. The adoption of IFRS 16 will likely have a material impact to the accounts but the exact impact is not yet known.

### 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 de minimus level of £1,000 is applied to accruals of both income and expenditure with the exception of automatically system generated accruals or those required where it is necessary to ensure accuracy for grant claims or agency work.

#### 17.4 Cash and Cash Equivalents

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

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

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

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

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

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

#### 17.6 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out 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.

- Council Tax Reduction Scheme (CTRS) – a number of points are considered relevant in determining to present this item of expenditure as gross in the Cost of Services segment of the Comprehensive Income and Expenditure Statement rather than netting it off Council Tax income in the Taxation and Non-Specific Grant Income segment. The most persuasive and significant of these being that, as there is no specific reference to the proper accounting treatment of CTRS in the CIPFA Accounting Code of Practice or Guidance Notes, reliance has been placed on IPSAS 23 - Revenue from Non-Exchange Transactions (taxes and transfers). This standard is relevant to public sector bodies, and states that taxation revenue shall be determined at a gross amount; it shall not be reduced for expenses paid through the tax system.

## 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 2021 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 and Investment Property	The valuations carried out for the Council by its valuers this year recognises that the Covid-19 pandemic and the measures & restrictions implemented to tackle it continue to impact economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the valuations are not reported as being subject to 'material valuation uncertainty' as they were last year. It is recognised however that there is potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19 and the valuers therefore simply highlight the importance of the valuation date.	If the actual results differ from the assumptions the value of PPE and Investment Property will be over or understated. This would be adjusted when the assets were next revalued.
Revaluation of Property, plant & equipment	Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset.	If the actual results differ from the assumptions the value of PPE will be over or understated. This would be adjusted when the assets were next revalued.

Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. Further information is provided in note 14 concerning the risks and sensitivity of changes in the pension assets and liabilities.
Provisions	The Council has included provisions for known insurance claims as at 31st March 2021. 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 2021 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 2021, the Authority had an outstanding balance of short term debtors totalling £36.7m. Against this debtors balance, there is an impairment allowance of £3.2m. 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, certificate's of deposit 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 respect of the Cardiff Capital Region City Deal (CCRCDC), 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 de minimus for capitalisation of Fixed assets, will not be treated as Finance leases.

Lease payments are apportioned between:

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

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

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

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

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

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

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

Lease rentals receivable are apportioned between:

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

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

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

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

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

## **17.20 Overheads and Support Services**

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

## **17.21 Property, Plant and Equipment**

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

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

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

### *Measurement*

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

### **Impairment**

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

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

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

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

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

### *Depreciation*

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

Depreciation is calculated on the following bases:

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

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

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

### *Components*

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

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

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

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

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

Assets held for Sale Assets are assets where the:

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 17.24 Provisions, Contingent Liabilities and Contingent Assets

### *Provisions*

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

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

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

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

### *Contingent Liabilities*

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

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

### *Contingent Assets*



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

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

#### **17.25 Reserves**

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

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

#### **17.26 Revenue Expenditure Funded from Capital under Statute**

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

#### **17.27 VAT**

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

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## Appendix 2 – Summary of 2020/21 primary financial statements

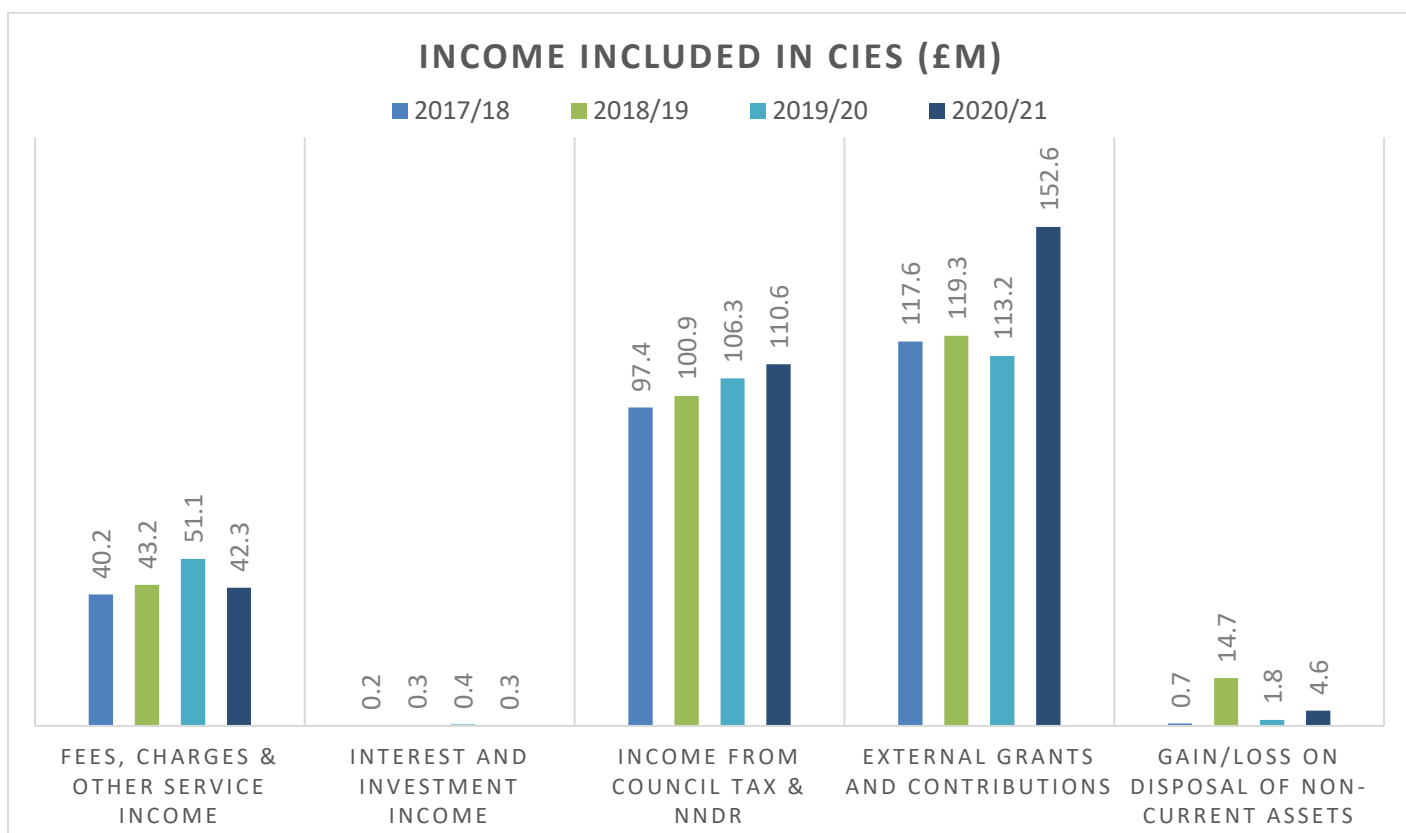
### Comprehensive Income & Expenditure Statement (CIES) (Sections 6 & 11)

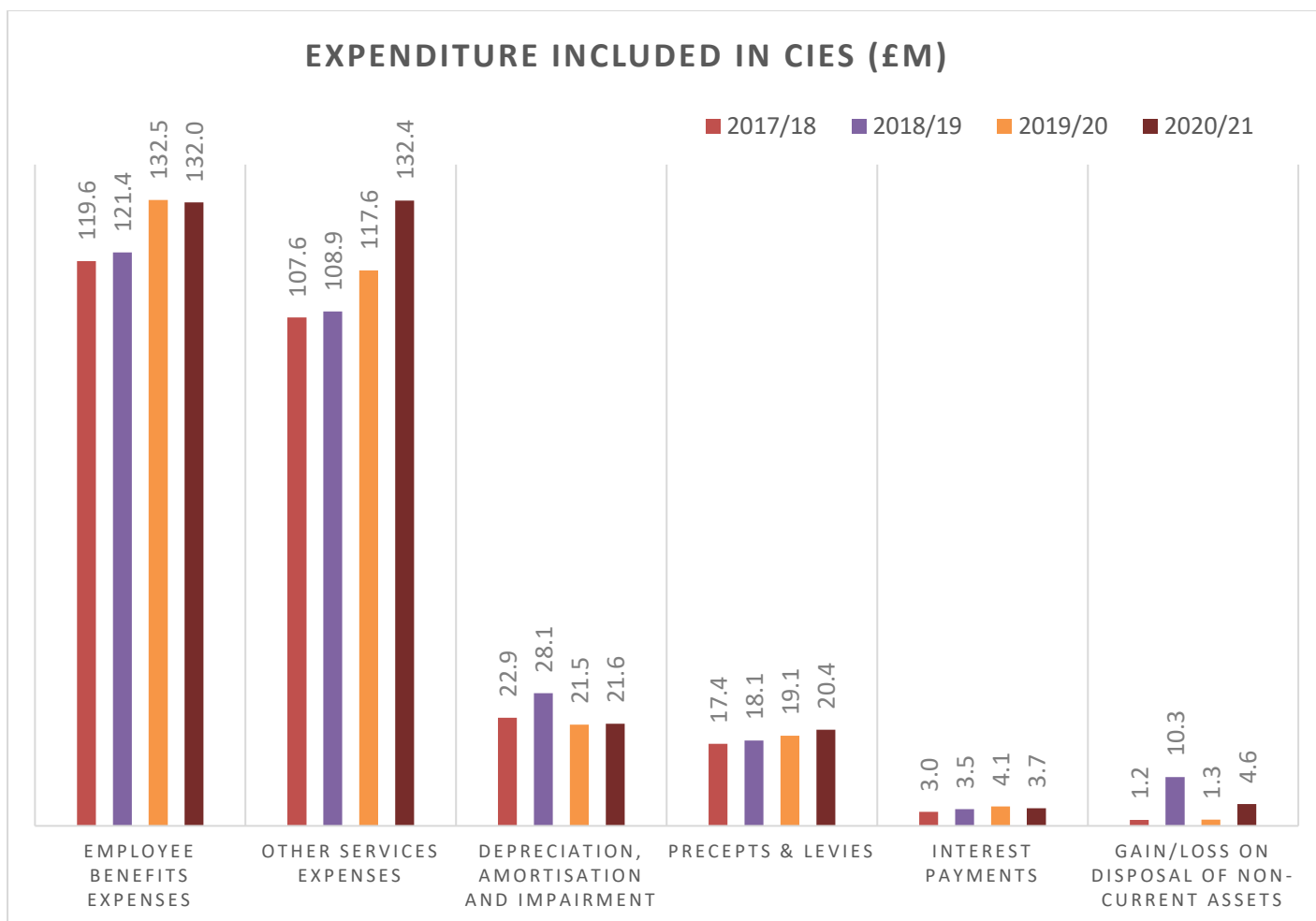
The CIES shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This will be considerably different to the monitoring reports received by Cabinet during the year which are based on expenditure to be funded from taxation. The CIES will include the following items not included within the monitoring reports presented to Cabinet periodically:

- **Capital charges** for depreciation, amortisation, impairment, revaluation movements and capital grants applied
- **Pension service costs** - the financial statements need to reflect the fair value of the 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
- **Accumulated absences** – the CIES includes an adjustment for accrued employee holiday benefits so that the cost is charged to revenue in the financial year in which the holiday absence occurs
- **Other** – regulations stipulate the format of the CIES and consequently some items of income or expenditure are shown within different classifications to the monitoring reports

The following charts illustrate the movement in the “accounting” income and expenditure which make up the Surplus/deficit on the provision of services (SDPS) within the CIES. Further information can be found in notes 11.1 & 11.2 of the accounts.

### Income & Expenditure analysed by nature





The increase in *other service expenses*, reduction in *fees & charges* and increase in *external grants* can all largely be explained by the direct impact of Covid-19 on the Authority. A total of £22.7m in extraordinary grant support was received from Welsh Government during the year to support additional costs of £13.3m and income losses of £9.4m.

## Movement in Reserves (Sections 5 & 10)

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable' and 'non-usable' reserves.

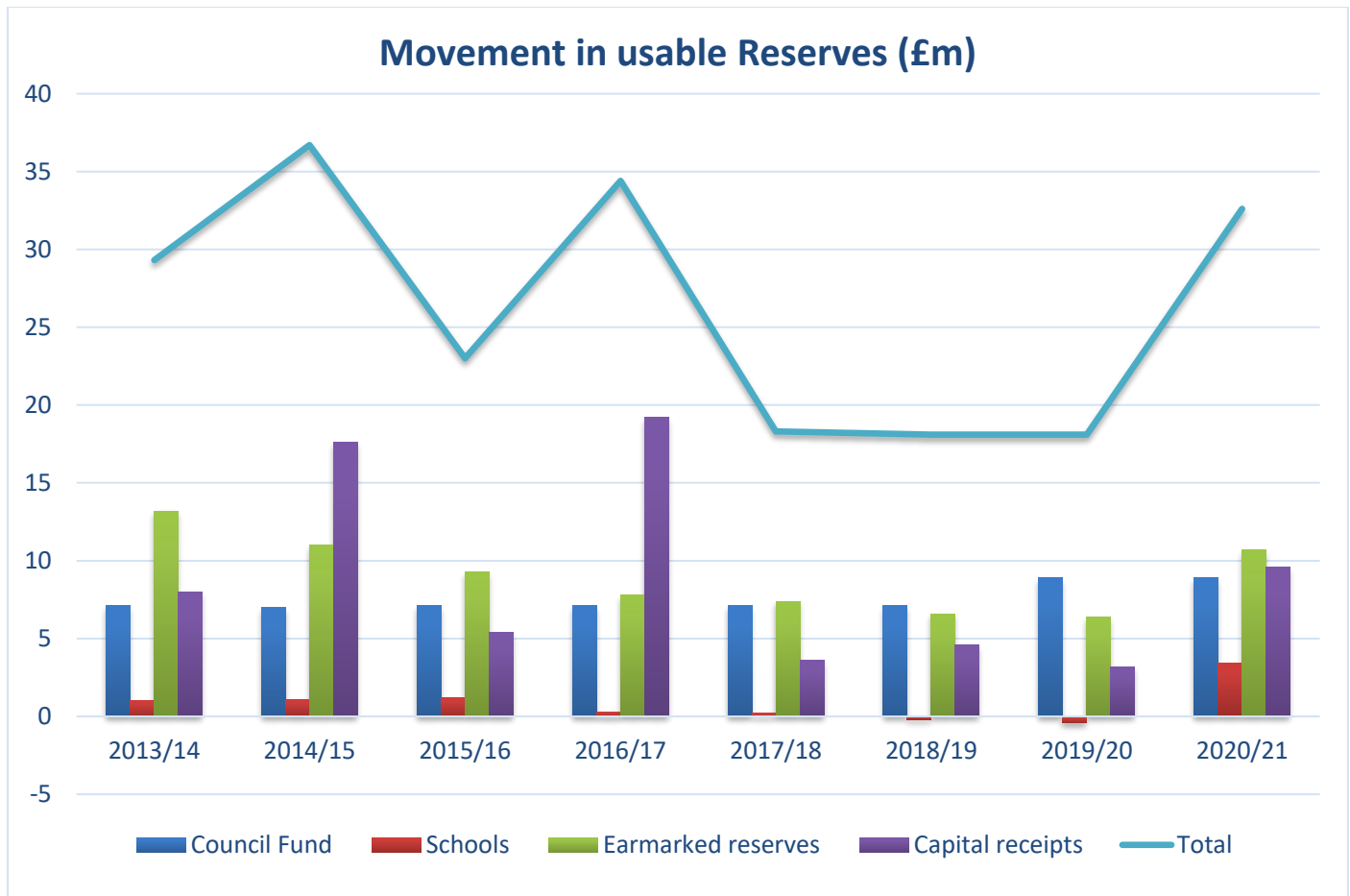
**Usable reserves** are those that represent resources which the authority might use to support service delivery subject to prudence and statutory limitations on use and include:

- Council fund balance
- Schools balances
- Earmarked reserves
- Capital receipts reserve

**Unusable reserves** are not available to use to support service delivery at the reporting date. It 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.

The below chart shows the movement in **Usable reserves** over the past eight financial years. The capital receipts reserve is by far the most variable usable reserve which can be expected given that it has

supported significant capital investment in the Authority's schools modernisation programme over the period.



Both Earmarked reserves and Schools reserves have seen replenishment during 2020/21 which has reversed a sustained period of decline. This is largely as a result of one-off support provided by Welsh Government to aid with Covid-19 pressures alongside a reduced level of activity during the period as a result of ongoing Covid-19 restrictions.

### Balance Sheet (Sections 7, 12, 13 & 14)

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.

There is a difference of £68.6m between the Council's assets (things we own e.g. property, investments, stocks and debtors) and its liabilities (what we owe to others).

This difference represents a deficit of assets over liabilities and is a measure of *Total Worth* – i.e. what the council would be worth if bought / acquired by someone else.

The main driver in the change of total worth during 2020/21 comes from the significant remeasurement of pension fund liabilities which has increased by £76.4m. Further explanation can be found in note 14.8 of the statement of accounts but in summary is as a result of the remeasurement of scheme liabilities during the year based on a revised set of assumptions (i.e. increased inflation, decreased discount rate, increased longevity/age presumptions).

A summary of the Council's Balance sheet is shown below:

31st March 2020 £m		31st March 2021 £m	Change £m
<b><i>What we own and are owed (Assets):</i></b>			
398.6	Non-current assets	392.7	(5.9)
5.8	Investments	24.8	19.0
22.4	Cash & Cash equivalents	19.2	(3.2)
31.5	Debtors	36.4	4.9
2.1	Assets held for sale	2.6	0.5
0.4	Inventories & other assets	0.4	0.0
<b>460.8</b>	<b>Total Assets</b>	<b>476.1</b>	<b>15.3</b>
<b><i>What we owe (Liabilities):</i></b>			
(92.6)	Long term Borrowing – to finance capital expenditure	(85.0)	7.6
(95.1)	Short term borrowing – to support day to day cash flow & finance capital expenditure	(98.5)	(3.4)
(32.5)	Creditors & provisions	(44.2)	(11.7)
(230.5)	Liability for meeting future pension costs	(306.9)	(76.4)
(9.8)	Other liabilities	(9.8)	0.0
<b>(460.5)</b>	<b>Total Liabilities</b>	<b>(544.4)</b>	<b>(83.9)</b>
<b>0.3</b>	<b>Total Worth (Assets less Liabilities)</b>	<b>(68.3)</b>	<b>(68.6)</b>
<b><i>Usable Reserves (available to support service delivery)</i></b>			
8.5	Council Fund Balance	12.3	3.8
6.4	Earmarked Reserves	10.7	4.3
3.2	Capital Receipts Reserve	9.6	6.4
0.4	Joint Arrangements	0.2	(0.2)
<b>18.5</b>	<b>Total Usable Reserves</b>	<b>32.8</b>	<b>14.3</b>
<b><i>Unusable Reserves (not available to support service delivery)</i></b>			
41.5	Revaluation Reserve	38.6	(2.9)
(230.5)	Pensions Reserve	(306.9)	(76.4)
167.5	Capital Adjustment Account	166.6	(0.9)
5.5	Deferred Capital Receipts Reserve	2.7	(2.8)
(0.5)	Financial Instrument Adjustment Account	(0.5)	0.0
(0.4)	Financial Instrument Revaluation Reserve	0.0	0.4
(3.5)	Accumulating Absence Adjustment Account	(4.1)	(0.6)
2.2	Joint Arrangements	2.5	0.3
<b>(18.2)</b>	<b>Total Unusable Reserves</b>	<b>(101.1)</b>	<b>(82.9)</b>
<b>0.3</b>	<b>Total Reserves</b>	<b>(68.3)</b>	<b>(68.6)</b>

# understanding local authority financial statements

2016

# \ introduction

Local authority financial statements have a key part to play in accountability to taxpayers and other stakeholders as to how public money is used. However, the complexity of the financial statements has not always helped this accountability, particularly allowing the amounts in the statements to be easily reconciled to management accounting and in-year monitoring of budgets.

The introduction of the Expenditure and Funding Analysis to the 2016/17 Code is intended to allow a clear link to be made between in-year monitoring and General Fund information and final outturn as set out in the audited financial statements, thus closing the accountability loop from budgets through to outturn.

A key to achieving the aims of the changes will be to use the information not just in the narrative section of the financial statements to explain performance during the year, but more widely to all stakeholders, including elected members as citizens' representatives, in a range of formats and media to provide a definitive position on financial performance. Local authorities are also urged to look to their balance sheets as a part of this explanation and the key messages that can be drawn out.

At the same time it is important that opportunities are taken to cut the clutter and remove immaterial disclosures or through the use of technical appendices to separate out the more complex disclosures. Working in partnership CIPFA/LASAAC will itself continue to review opportunities for improvement and explore links with other published information to ensure that the definitive position remains clear.

This briefing note is intended to help chief financial officers and other senior staff to present the financial statements to members and other stakeholders by explaining how the formats can be used to convey key information. It is also designed to give elected members and stakeholders an introduction to the format of the accounts and provide them with key questions on the financial statements.

An important element of financial reporting which will assist local authorities to tell the story of their financial performance is the narrative report (management commentary in Scotland). This report accompanies the financial statements and should provide a commentary on how the authority has used its resources to achieve desired outcomes in line with its objectives and strategies. It should provide an explanation of the main messages of financial performance, financial position and cash flows in the financial statements.

This publication includes extract financial statements to demonstrate key issues. It is important to note that the Code sets out the minimum requirements for the financial statements of the authority, but authorities are free to include more detail if they think it will help them to explain the accounts to members and other stakeholders.

This publication also highlights the opportunities to simplify presentation and make the messages clearer in a number of areas:

- comparisons with budgets (General Fund and Housing Revenue Account performance)
- reserves position, and
- cash flows.



# comparisons with budgets

For members, probably the most important issue will be whether the authority has a surplus or deficit on General Fund or Housing Revenue Account (HRA) balances against its budget for the year.

The financial statements will enable individual authorities to demonstrate performance both in the way in which they organise themselves and, more importantly, in how they budget against the General Fund to provide services.

## **The introduction of the new expenditure and funding analysis**

The financial statements primarily follow accounting standards rather than local government legislation. Although some information is provided on General Fund and HRA balances this hasn't always been easy to identify in the past. However, the new Expenditure and Funding Analysis provides users of the financial statements with more information to make that analysis (for example, by comparison with their budget reports).

The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA).

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pensions benefits earned by the employees. Statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year.

The Expenditure and Funding Analysis:

- shows for each of the authority's services or directorates a comparison of the net resources applied and the net charge against council tax, and
- provides an opportunity to explain significant differences between the two within the authority's framework for accountability.

The Expenditure and Funding Analysis promotes accountability and stewardship by providing a more direct link with the annual decision making process of the authority and its budget ie the General Fund. The changes are more transparent and follow the performance framework of the authority.

The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement. To demonstrate accountability and to meet segmental reporting requirements it is necessary to reconcile to the statutory position on the General Fund balance. The service analysis for both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement are now both provided in the way in which an authority organises itself and manages financial performance.

The Expenditure and Funding Analysis needs to be positioned in the financial statements where it is most accessible and relevant to its users. This means it could be placed before the main statements, to accompany the Comprehensive Income and Expenditure Statement, or even included as the first note. An authority will be able to decide for itself.

## Expenditure and Funding Analysis (extract)

The Expenditure and Funding Analysis analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

20X0/20X1	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
People Directorate	47,385	898	48,283
Neighbourhoods	5,929	13,608	19,537
Business Change	30	224	254
Corporate and Central Services	19,358	833	20,191
<b>Net Cost of Services</b>	<b>72,702</b>	<b>15,563</b>	<b>88,265</b>
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
<b>Surplus or Deficit</b>	<b>44</b>	<b>14,544</b>	<b>14,588</b>
Opening General Fund and HRA Balance at 31 March 20X0	(25,247)		
Less Deficit on General Fund and HRA Balance in Year	44		
<b>Closing General Fund and HRA Balance at 31 March 20x1*</b>	<b>(25,203)</b>		

\*for a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

# comprehensive income and expenditure statement

The Comprehensive Income and Expenditure Statement shows how resources have been generated and expended in accordance with International Financial Reporting Standards. It shows whether the authority's operations resulted in a surplus or deficit. The key lines that summarise performance are highlighted below.

## Comprehensive Income and Expenditure Statement (extract)

The Comprehensive Income and Expenditure 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 [or rents]. Authorities raise taxation [and rents] to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement 20X0/X1	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
People Directorate	74,297	(26,014)	48,283
Neighbourhoods	58,225	(38,688)	19,537
Business Change	11,624	(11,370)	254
Corporate and Central Services	24,021	(3,830)	20,191
<b>Cost of Services</b>	<b>168,167</b>	<b>(79,902)</b>	<b>88,265</b>
Other Operating Expenditure (Note 9)	2,218	–	2,218
Financing and Investment Income and Expenditure (Note 10)	11,340	(2,359)	8,981
Taxation and Non-specific Grant Income and Expenditure (Note 11)	–	(84,876)	(84,876)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>14,588</b>
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(36,597)
(Surplus) or Deficit on Revaluation of Available-for-Sale Financial Assets			(101)
Remeasurement of the Net Defined Benefit Liability (Asset)			(8,444)
<b>Other Comprehensive Income and Expenditure</b>			<b>(45,142)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(30,554)</b>

Expenditure of continuing operations, analysed by service segment, these lines are reconciled to the General Fund in the Expenditure and Funding Analysis

Operational costs of providing the services of the authority.

Total income and expenditure of the authority for the year, this line is also reconciled to the General Fund in the Expenditure and Funding Analysis

From 2016/17 local authorities are required to report their service segments based on the way in which they operate and manage services. There is no longer a requirement for that service analysis to be based on the definition of total cost or the service expenditure analysis in the *Service Reporting Code of Practice* in the financial statements. This new format means that the service section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

Where an authority uses alternative service reporting formats it will need to select the presentation most commonly used by the individual or group within the authority who has the most significant role in allocating resources and assessing performance of services when considering the allocation of resources.

This format of the Comprehensive Income and Expenditure Statement is also more meaningful for both local authority members and users of the financial statements as it follows their budget and performance monitoring and other key documents such as their council tax leaflets.

Treatment of overheads will depend on an authority's arrangements for accountability. If an authority operates and manages some or all of its corporate and support services separately then these service segments would be shown separately on the face of the Comprehensive Income and Expenditure Statement and not apportioned.

The test is whether the expenditure relating to these activities is reported to key decision makers as separate activities or spread across services as overheads for the financial statements. Therefore, there is no longer an absolute requirement to apportion support service overheads to services. However, local authorities will not need to change any of their financial reporting requirements for internal management processes. Whatever you are doing internally determines the structure for external reporting statements.

The Comprehensive Income and Expenditure Statement is then split into two parts.

The first part reflects the full economic cost of providing the services of the authority with the results summarised at the Surplus or Deficit on the Provision of Services line, highlighted above. It represents the operating costs of providing the services of the authority in the year. In the private sector this would be equivalent to the profit or loss of a company.

The second part, other comprehensive income and expenditure, shows the gains or losses in the measurement of the assets and liabilities of the authority. These gains or losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pensions assets and liabilities.

# movement in reserves statement

The Comprehensive Income and Expenditure Statement shows the income and expenditure on the authority's services in the year in accordance with International Financial Reporting Standards as adopted by the Code. However, the amount chargeable to council tax and an authority's General Fund is limited by statutory requirements and requires a number of adjustments. The statutory adjustments largely relate to arrangements for funding local authority capital expenditure or the timing with which some items are charged to council tax. The reserves of the authority represent its net worth; the usable reserves show the resources currently available to spend on services.

The movements in the financial position of the authority are summarised in the Movement in Reserves Statement.

The Movement in Reserves Statement shows how:

- the authority has generated and expended resources in the year; and
- the resourcing position is adjusted under statutory rules to show the funds available to be spent at year end.

The Movement in Reserves Statement prescriptions have been reduced to the absolute minimum in the Code. Authorities can provide additional rows to these minimum requirements if they consider that they need to do so to provide a true and fair presentation of their reserves.

## Movement in Reserves Statement (extract)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve* £000	Major Repairs Reserve** £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 20X0</b>	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
<b>Movement in reserves during 20X0/X1</b>								
<b>Total Comprehensive Income and Expenditure</b>	(14,983)	395	–	–	–	(14,588)	45,142	30,554
Adjustments from income & expenditure charged under the accounting basis to the funding basis	14,835	(291)	(750)	–	–	13,794	(13,794)	–
<b>Increase or (decrease) in 20X0/X1</b>	<b>(148)</b>	<b>104</b>	<b>(750)</b>	<b>–</b>	<b>–</b>	<b>(794)</b>	<b>31,348</b>	<b>30,554</b>
<b>Balance at 31 March 20X1 carried forward</b>	<b>21,970</b>	<b>3,233</b>	<b>9,315</b>	<b>1,600</b>	<b>450</b>	<b>36,568</b>	<b>1,381,915</b>	<b>1,418,483</b>

\* Capital Fund Scotland

\*\* Applicable in England Only

An overall increase in usable reserves can arise despite a loss being shown in the Comprehensive Income and Expenditure Statement where statutory provisions allow a different charge to revenue from the authority expenditure incurred (eg replacement of depreciation by minimum revenue provision (MRP)). The adjustment to usable reserves is balanced by a movement in unusable reserves.

Unusable reserves such as the Capital Adjustment Account and the Pensions Reserve with debit balances will need to be funded in the future, even if it is over a long period, so increases in these balances show an increasing burden on future taxpayers.

# balance sheet

The balance sheet in local authorities is very similar to other public sector or private sector balance sheets. The balance sheet presents an authority's financial position, ie its net resources at the financial year end. The balance sheet is composed of two main balancing parts: its net assets and its total reserves. The net assets part shows the assets the authority would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the authority.

For local authorities balance sheet presentation is split between the usable reserves and unusable reserves. Usable reserves are those which the authority can utilise to support future service provision. Unusable reserves cannot be used to support services and include gains and losses where amounts can only become available to support services if the assets are sold. These gains and losses are referred to as unrealised.

## Balance sheet (extract)

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, ie 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 represents 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'.

Balance Sheet	Notes	31 March 20X1	
			£000
Property, plant and equipment	12	628,924	The authority's property portfolio
Highways Network Asset	13	1,028,700	The Highways Network Asset (not applicable to district councils). This will be the largest asset balance in a local highways authority balance sheet
Heritage assets	14	3,379	
Investment property	15	4,020	
Intangible assets	16	709	
Long-term investments	17	948	
Long-term debtors	17	3,798	Long term assets ie those expected to provide benefits to the authority beyond 12 months
<b>Long-term assets</b>		<b>1,670,478</b>	
Short-term investments	17	24,060	
Assets held for sale	22	1,409	Current assets ie those anticipated to be consumed in 12 months – the normal operating cycle for the authority
Inventories	18	1,769	
Short-term debtors	20	15,351	
<b>Current assets</b>		<b>42,589</b>	Reconciles to the cash and cash equivalents balance in the cash flow statement
Bank overdraft		(13,767)	
Short-term borrowing	17	(9,500)	
Short-term creditors	23	(21,960)	Current liabilities ie those liabilities anticipated to be settled within 12 months
<b>Current liabilities</b>		<b>(45,227)</b>	
Provisions	24	(4,297)	
Long-term borrowing	17	(89,733)	
Other long-term liabilities	17	(155,327)	Long-term liabilities ie those liabilities that are anticipated to be settled beyond 12 months
<b>Long-term liabilities</b>		<b>(249,357)</b>	
<b>Net assets</b>		<b>1,418,483</b>	Total assets less total liabilities



# \ reserves

Reserves – including the General Fund and (where relevant) the Housing Revenue Account – are an indication of the resources available to an authority to deliver services at the balance sheet date. The key messages that members will be looking for in terms of reserves – especially the General Fund and the HRA – are how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services.

Information on the level of reserves can be found in the balance sheet and related notes, and in the Movement in Reserves Statement (and related notes). This latter statement will be more useful in explaining the changes that have taken place during the year.

	Notes	31 March 20X1 £'000
Usable reserves	24	36,568
Unusable Reserves	25	1,381,915
		<u>1,418,483</u>

The minimum requirement in presenting resources is to include only two lines – usable reserves (such as General Fund) and unusable reserves (such as the Revaluation Reserve and the Capital Adjustment Account).

If there are some reserves you do want to show on the balance sheet, that's fine, as long as these totals are shown.

While the balance sheet aims to show those reserves over which members have control, don't forget that some of the unusable reserves will become a charge against the revenue account – or usable reserves – over time. And in some cases, such as the Unequal Pay Back Pay Account, this might be within a year or two.

As indicated above, not all reserves can be used to deliver services, and the Code reflects this by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use. Unusable reserves such as the Revaluation Reserve and the Capital Adjustment Account are not subject to such member influence.

# cash flows

The final statement required by the Code is the cash flow statement.<sup>1</sup> The cash flow statement shows changes in cash flows of the authority during the financial year. It shows net cash flows split into three activities: operating, investing and financing. The cash flow statement shows the resulting movement in the authority's cash and cash equivalents. Cash and cash equivalents include short term investments that are readily convertible and which are subject to only insignificant risk of changes in value.

## Cash Flow Statement (extract)

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 (ie borrowing) to the authority.

	20X0/X1 £000	
Net (surplus) or deficit on the provision of services	14,588	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(36,267)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,523	Three groups of transactions: <ul style="list-style-type: none"> <li>■ Operating</li> <li>■ Investing</li> <li>■ Financing</li> </ul>
Net cash flows from Operating Activities (Note 26)	(10,156)	
Investing Activities (Note 27)	(24,585)	
Financing Activities (Note 28)	35,140	
Net increase or decrease in cash and cash equivalents	399	
Cash and cash equivalents at the beginning of the reporting period	(14,166)	
<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>(13,767)</b>	Cash and cash equivalents figure in the balance sheet

<sup>1</sup> Note the format of the cash flow statement shown is produced under the indirect method.

# a checklist of questions to ask about a local authority's financial statements

To assist with the understanding of local authority financial statements a checklist about the core financial statements and the Expenditure and Funding Analysis has been included below.

<b>Checklist</b>	
<b>Expenditure and Funding Analysis</b>	
1	Have any significant differences between budget reports and net expenditure chargeable to General Fund and Housing Revenue Account balances been explained?
2	Are the major statutory adjustments clearly explained and easily understood?
<b>Comprehensive Income and Expenditure Statement</b>	
3	Is the purpose of the Comprehensive Income and Expenditure Statement clear (ie does it show actual financial performance under accounting standards before fiscal adjustments)?
4	Do the service net expenditure figures clearly demonstrate the financial performance of the services on the face of the Comprehensive Income and Expenditure Statement during the year?
5	Are the material items of income and expenditure in the Comprehensive Income and Expenditure Statement presented separately on the face of the Statement or explained in the notes?
6	Do the notes to the Comprehensive Income and Expenditure Statement provide easily understandable information relating to the Statement (or lines within the Statement)?
7	Are there any unexplained significant variances between current and previous year information?
<b>Movement in Reserves Statement</b>	
8	Can the major movements in net worth that occur within the Movement in Reserves Statement be easily identified? Are these explained within the financial statements or Narrative Report?
9	Do the opening balances in the Movement in Reserves Statement match with the closing balances of the preceding year? Are any adjustments to opening balances explained on the face of the Statement and/or in the notes?
10	Is there a clear explanation of the statutory adjustments in the adjustments from income and expenditure charged under the accounting basis to the funding basis line in the Movement in Reserves Statement? (Note this may be linked with the Expenditure and Funding Analysis.)
11	Do the entries on the statutory adjustment line net to nil?
12	Do the related notes on reserves clearly explain the line or columnar items not explained in the Statement?

## Checklist

13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support an authority's financial plans in the immediate future and over the medium term?
<b>Balance Sheet</b>	
15	Does the property, plant and equipment information tell the story of the authority's property portfolio during the year (including the major movements in that portfolio ie major disposals and acquisitions)? Do these balances reflect the authority's asset management strategy?  (Note the same question can be asked for local authorities with substantial portfolios of investment properties.)
16	For highways authorities – do the movements in the Highways Network Asset represent the transport management/investment decisions of the authority?
17	Has there been any substantial movement in the pension asset or liability? If yes, has the reason for such a movement been explained and the subsequent consequences described in the financial statements or the Narrative Report?
18	Have there been any new provisions or significant movements in provisions in the year? If yes, have the reasons for making these provisions been set out in the financial statements or any material movements been explained?
19	Have there been any significant movements in the authority's borrowings during the year? Are these movements reflected in your council's borrowing strategy and what impact will this have on the prudential indicators or future investment plans?
20	Are there any significant movements in an authority's investment portfolio? Do these agree with the plans in the authority's treasury management strategies and statutory investment plans?
21	Are there any other significant movements in balances in the balance sheet that are not clearly explained?
22	Do the balance sheet reserves agree with the totals in the Movement in Reserves Statement?
<b>Cash Flow Statement</b>	
23	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
24	Are the council's cash balances reflected adequately in the council's treasury management strategies?

# reminders and questions raised on the IFRS-based code

## **IFRS – what is it?**

International Financial Reporting Standards (IFRSs) are a suite of accounting standards used across the world. The Code of Practice on Local Authority Accounting is based on IFRS standards as adapted or interpreted for local authority circumstances.

## **The pension deficit is meaningless – why do we have to show it?**

The deficit doesn't have to be funded from this year's budget, but it's still a true cost estimated by actuaries – it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. So it's a real call on future funding arising from past activity. Not showing this would hide the liability that the authority has incurred.

This also applies to other reserves. Like the Pension Reserve, the Capital Adjustment Account, the Unequal Pay Back Pay Account and similar reserves all do one thing: they hold expenditure that the authority has incurred but not yet financed. Think of them as being a bit like a credit card balance – these amounts will have to be funded in future, either from taxation or from usable reserves.

Concerns have been expressed that all these reserves make the balance sheet incomprehensible. But all that needs to be shown on the balance sheet itself are 'usable reserves' and 'unusable reserves' – the details can all go in a note. This will help to declutter the balance sheet.

## **The financial statements do not clearly demonstrate traditional measures of local authority performance ie General Fund and HRA balances**

The IFRS-based Code sets out that local authority financial statements are intended to be used for assessing the stewardship of local authority resources and for making economic decisions. Thus the information is intended for two purposes. The Comprehensive Income and Expenditure Statement presents information on the real economic cost of providing services in the year and it does not show the movement in General Fund and HRA balances. This reconciliation is provided in the Movement in Reserves Statement, whose bottom line shows the General Fund and HRA resources available at year end. CIPFA has reviewed options for making this even clearer. The new Expenditure and Funding Analysis brings together both the accounting measures of performance and the performance against General Fund for council tax setting purposes.

## **The accounts are too long!**

Yes, the accounts can be long, but local authorities have a complex story to tell. But notes only need to be produced if they are material – leaving out notes that aren't material or required by legislation is a good start. CIPFA/LASAAC as standard setter is continuously challenging the need to introduce disclosures and reporting requirements for local government.

## **What changes were made to the 2016/17 Code?**

CIPFA and CIPFA/LASAAC consulted widely in preparation for these changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore have two main strands:

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

# further reading

*Financial Statements: A Good Practice Guide for Local Authorities* (CIPFA, 2013)

*Clear out the Clutter* (Public Finance, April 2014)

*Simplified Accounts: Small Isn't Always Beautiful* (Public Finance, September 2015)

*Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA, issued annually)

*Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners*  
(CIPFA, issued annually)



Registered office:

77 Mansell Street, London E1 8AN

T: 020 7543 5600 F: 020 7543 5700

[www.cipfa.org](http://www.cipfa.org)

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**SUBJECT: INTERNAL AUDIT  
OPERATIONAL PLAN, 2021/22  
DRAFT**

**DIRECTORATE: Resources  
MEETING: Governance & Audit Committee  
DATE: 29<sup>th</sup> July 2021  
DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To receive and consider the draft Internal Audit Operational Audit Plan for 2021/22.

## 2. RECOMMENDATION(S)

That the Governance and Audit Committee reviews, comments on and approves the Draft Internal Audit Plan 2021/22.

## 3. KEY ISSUES

3.1 The Operational Plan is based on the Internal Audit Strategic Plan which outlines a programme of work that would enable the Internal Audit Team to cover all material audit risks across all services of the Council over a period of time.

3.2 The planning process takes into account all possible systems, processes, sections and establishments that could possibly be audited within Monmouthshire. Key parts of this process involve an annual review of the corporate risk register and consultation with Chief Officers and Heads of Services across the Authority inviting them to highlight any emerging or changing risk profiles within their own service areas.

3.3 Consideration is given to over 300 possible areas to audit across all services provided by Monmouthshire which are risk assessed and allocated a high, medium or low risk. The audit team staff resources would then be allocated to cover the higher ranked risks as a priority. That said, inevitably there will be reviews which the audit team have to undertake annually such as annual governance statement, mandatory grant claim audits and audit advice, which have also been incorporated into the plan, along with follow up reviews, finalisation work and planned work from previous year not undertaken.

3.4 An allocation of time will be included in the plan for special investigations where the team might receive allegations of fraud, theft, non compliance. The plan also needs to be flexible enough to respond to changes to risk

profiles and other developments in year; the audit management team will continually monitor this situation.

- 3.5 For 2021/22, the total available days amounted to 1383, based on 5.3 FTEs auditors in the team for the full year. An allowance for leave, sickness, maternity leave, training, management time and admin is deducted from this to give the total number of operational audit days in the year.
- 3.6 Total operational audit resources amounts to 812 days, which will be allocated across service directorates on a risk basis (summary shown at Appendix 1). This includes 115 days for special investigations and unplanned work. The work will be undertaken by 5.3 FTE audit staff. The available resource is based on all staff being in place for the whole of the year.
- 3.7 Although the time allocated to special investigations is usually a pressure point the 2021/22 allocation of days has been maintained to ensure appropriate coverage is given across service areas.
- 3.8 Chief Officers and Heads of Service were given the opportunity to contribute to and shape this plan. The first quarter generally includes finalisation of 2020/21 work which was at draft report stage at year end, work planned for 2020/21 but not completed, NFI co-ordination along with the collation of the Annual Governance Statement.
- 3.9 This plan may change as the year progresses if the risk profile of audit work changes. Any significant change will be brought back to the Governance and Audit Committee for approval. The Governance and Audit Committee will be kept updated with the progress against the agreed plan via quarterly reports.
- 3.10 The team is headed up by the Chief Internal Auditor and comprises of one Audit Manager supported by one Principal Auditor, two Senior Auditors and one Auditor. The Chief Internal Auditor has overall responsibility for the team and operates on a shared services arrangement with Newport City Council.
- 3.11 To seek to maximise performance against the plan, Audit Management will ensure audit reports are more focused and timely, that staff with the right skill sets are allocated to appropriate work and non-productive time is minimised.

#### **4. REASONS**

- 4.1 The draft 2021/22 Internal Audit Plan is attached at Appendix 2 to this report. Audit jobs within the plan have been risk assessed and prioritised. This will be reviewed on an annual basis in order to determine the appropriateness of the risk assessment each year where audit resources will be deployed to cover the higher risk reviews.
- 4.2 The Operational Plan has been updated to take account of:

- a) The Authority's latest Risk Assessment;
  - b) New areas for inclusion in the Plan identified from changes to legislation and the regulatory framework for local government and from ongoing discussions with service managers;
  - c) Areas of slippage from the 2020/21 Operational Plan; and
  - d) The published Regulatory Plan produced by Audit Wales.
- 4.3 Each review will be risk assessed and categorised as High, Medium or Low risk. Within the cycle of audits the team would aim to cover the higher risk areas as a priority but also provide coverage across directorates with lower risk services. All fundamental financial systems may now not be covered on an annual basis, especially if they have been previously determined as well controlled, with no significant changes to the system or to personnel. We will ensure that these are incorporated within the plan every few years to provide ongoing assurance.
- 4.4 Consultation will be undertaken, with visits and email correspondence to the various managers and finance representatives of each directorate. As a result there may be further minor amendments to the Plan to reflect specific suggestions from various representatives of Chief Officers and Heads of Service.
- 4.5 The Operational Plan will be kept under review through the course of the year to identify any amendments needed to reflect changing priorities and emerging risks. Material changes to the Plan will be reported to the Governance and Audit Committee at the earliest opportunity.
- 4.6 An Annual Report will be prepared for the Governance and Audit Committee to provide appropriate assurance and details on the performance of the Section against the Operational Plan. Interim progress reports will also be provided to the Committee quarterly.
- 4.7 With effect from 1<sup>st</sup> April 2016 the revised Public Sector Internal Audit Standards came into force for all public sector bodies including local government organisations. The Chief Internal Auditor will ensure that the Audit Team continues to undertake its work in accordance with these Standards.

## **5. RESOURCE IMPLICATIONS**

None.

## **6. CONSULTEES**

Chief Officers

## **7. BACKGROUND PAPERS**

Strategic Audit Plan  
Public Sector Internal Audit Standards

## **8. AUTHORS AND CONTACT DETAILS**

Andrew Wathan, Chief Internal Auditor  
Telephone: x.4243  
Email: [andrewwathan@monmouthshire.gov.uk](mailto:andrewwathan@monmouthshire.gov.uk)

David Walton, Audit Manager  
Telephone: x.4258  
Email: [davidwalton@monmouthshire.gov.uk](mailto:davidwalton@monmouthshire.gov.uk)

<b>Summary</b>	
<b>Department/Directorate</b>	<b>Days</b>
Chief Executive's	3
MonLife	34.5
People & Governance	12.5
Children & Young People	167
Enterprise	135
Resources	148
Social Care & Health	126
Corporate/Other	71
<b>TOTAL</b>	<b>697</b>
Special Investigations	114.5
<b>TOTAL AUDIT OPERATIONAL DAYS</b>	<b>811.5</b>

	Service Area	Subject	Type	Risk	Days	
<b>Chief Execs</b>						
	Policy, Performance & Scrutiny		Audit Advice		3	
			<b>Chief Execs</b>	<b>Total</b>		<b>3</b>
<b>MonLife</b>						
	MonLife	Shire Hall	Follow-up	M	7	
	MonLife	Old Station, Tintern	Follow-up	M	6	
	MonLife	Caldicot Castle	Follow-up	M	7	
	MonLife	Monitoring Implementation of Audit Recommendations	Follow-up		2.5	
	MonLife		Audit Advice		12	
			<b>MonLife</b>	<b>Total</b>		<b>34.5</b>
<b>People &amp; Governance</b>						
	People	Attendance Management Follow-up	Finalisation of Report	M	3	
	People	Monitoring Implementation of Audit Recommendations	Follow-up		1.5	

**Monmouthshire County Council  
Internal Audit Plan 2021/22**

	Service Area	Subject	Type	Risk	Days	
	People		Audit Advice		6	
	Legal & Monitoring Officer		Audit Advice		2	
			<b>People &amp; Governance</b>	<b>Total</b>		<b>12.5</b>
	<b>Children &amp; Young People</b>					
	Schools	Castle Park Primary	Follow-up	M	8	
	Schools	Llandogo Primary	Follow-up	M	8	
	Schools	Archbishop Rowan Williams CiW Primary	New Audit	L	8	
	Schools	Dewstow Primary	New Audit	L	8	
	Schools	Durand Primary	New Audit	L	8	
	Schools	Llanvihangel Crucorney Primary	New Audit	L	8	
	Schools	Rogiet Primary	New Audit	L	8	
	Schools	King Henry VIII Comprehensive	New Audit	M	15	
	Schools	Monitoring Implementation of Audit Recommendations	Follow-up		40.5	
	Schools		Audit Advice		12	
	21st Century Schools		Audit Advice		1	
	Achievement & Extended Services	Early Years	New Audit		12	

**Monmouthshire County Council  
Internal Audit Plan 2021/22**

	Service Area	Subject	Type	Risk	Days	
	Achievement & Extended Services	Monitoring Implementation of Audit Recommendations	Follow-up		2.5	
	Achievement & Extended Services		Audit Advice		1	
	CYP Resources	School Improvement Grant	Grant Claim Audit	L	9	
	CYP Resources	Pupil Development Grant	Grant Claim Audit	L	8	
	CYP Resources	Monitoring Implementation of Audit Recommendations	Follow-up		2	
	CYP Resources		Audit Advice		8	
			<b>Children &amp; Young People</b>	<b>Total</b>		<b>167</b>
<b>Enterprise</b>						
	Strategic Projects	Concessionary Travel	New Audit	M	12	
	Strategic Projects	Caldicot Town Centre Regeneration	New Audit	H	15	
	Strategic Projects		Audit Advice		4	
	Enterprise & Community Animation	Rural Programmes	New Audit	M	15	
	Enterprise & Community Animation	Housing Support Grant	Grant Claim Audit	M	10	



**Monmouthshire County Council  
Internal Audit Plan 2021/22**

	Service Area	Subject	Type	Risk	Days	
	Enterprise & Community Animation	Food Procurement	Follow-up		7	
	Enterprise & Community Animation	Monitoring Implementation of Audit Recommendations	Follow-up		2.5	
	Enterprise & Community Animation		Audit Advice		4	
	Placemaking, Housing, Highways & Flood	Disabled Facilities Grants	Completion of Work in Progress	M	8	
	Placemaking, Housing, Highways & Flood	Local Development Plan	New Audit	M	12	
	Placemaking, Housing, Highways & Flood	Civil Enforcement	New Audit	M	15	
	Placemaking, Housing, Highways & Flood	Monitoring Implementation of Audit Recommendations	Follow-up		3.5	
	Placemaking, Housing, Highways & Flood		Audit Advice		5	
	Neighbourhood Services	Street Lighting	Finalisation of Report	M	3	
	Neighbourhood Services	Stores	New Audit	M	10	
	Neighbourhood Services	Monitoring Implementation of Audit Recommendations	Follow-up		4	
	Neighbourhood Services		Audit Advice		5	
			<b>Enterprise</b>	<b>Total</b>		<b>135</b>

**Monmouthshire County Council  
Internal Audit Plan 2021/22**

	Service Area	Subject	Type	Risk	Days	
<b>Resources</b>						
	Finance	Purchasing Cards	Finalisation of Report	M	3	
	Finance	Budgetary Control (Revenue)	New Audit	H	18	
	Finance	Benefits	New Audit	H	18	
	Finance	Control, Suspense & Holding Accounts	New Audit	M	10	
	Finance	Fixed Assets	New Audit	M	12	
	Finance	Replacement BACS system	Consultancy	H	6	
	Finance	Monitoring Implementation of Audit Recommendations	Follow-up		7.5	
	Finance		Audit Advice		7	
	Payroll	Monitoring Implementation of Audit Recommendations	Follow-up		2	
	Payroll		Audit Advice		3	
	Digital	Replacement Telephony System	Consultancy	M	10	
	Digital		Audit Advice		2	
	Commercial, Property, Facilities & Fleet	Investments	Completion of Work in Progress	H	8	
	Commercial, Property, Facilities & Fleet	PTU Vehicle Maintenance	Follow-up	M	7	
	Commercial, Property, Facilities & Fleet	Health & Safety - Authority's Buildings	Follow-up	M	7	

**Monmouthshire County Council  
Internal Audit Plan 2021/22**

	Service Area	Subject	Type	Risk	Days	
	Commercial, Property, Facilities & Fleet	Fleet	New Audit	M	15	
	Commercial, Property, Facilities & Fleet	Monitoring Implementation of Audit Recommendations	Follow-up		4.5	
	Commercial, Property, Facilities & Fleet		Audit Advice		8	
			<b>Resources</b>	<b>Total</b>		<b>148</b>
	<b>Social Care &amp; Health</b>					
	Integrated Services	Internal Domiciliary Care	New Audit	M	15	
	Integrated Services	Direct Payments	Follow-up	M	10	
	Integrated Services	Carers Service	New Audit	M	12	
	Integrated Services	Respite Care	New Audit	M	12	
	Integrated Services		Audit Advice		12	
	Children's Services	Fostering	New Audit	H	15	
	Children's Services	Imprest Account Follow-up	Finalisation of Report	L	3	
	Children's Services	Monitoring Implementation of Audit Recommendations	Follow-up		2	
	Children's Services		Audit Advice		8	
	Transformation	New WCCIS system	Consultancy	H	10	
			Audit Advice		2	

**Monmouthshire County Council  
Internal Audit Plan 2021/22**

	Service Area	Subject	Type	Risk	Days	
	Social Services Finance Unit	Financial Assessments	Finalisation of Report	M	3	
	Social Services Finance Unit	Monitoring Implementation of Audit Recommendations	Follow-up		1	
	Social Services Finance Unit		Audit Advice		2	
	Public Protection	Track, Trace and Protect Team	New Audit		15	
	Public Protection	Monitoring Implementation of Audit Recommendations	Follow-up		2	
	Public Protection		Audit Advice		2	
			<b>Social Care &amp; Health</b>	<b>Total</b>		<b>126</b>
	<b>Corporate</b>					
	Cross Cutting	Culture & Ethics	Finalisation of Report	H	4	
	Cross Cutting	National Fraud Initiative	New Audit	H	22	
	Cross Cutting	Annual Governance Statement	New Audit		5	
	Cross Cutting	Agency Staff	Follow-up	H	12	
	Cross Cutting	Compliance with the Bribery Act	Follow-up	M	9	
	Cross Cutting	Monitoring Implementation of Audit Recommendations	Follow-up		16	
	Cross Cutting		Audit Advice		3	
			<b>Corporate</b>	<b>Total</b>		<b>71</b>

**Monmouthshire County Council  
Internal Audit Plan 2021/22**

	Service Area	Subject	Type	Risk	Days	
			<b>TOTAL</b>			<b>697</b>
			Special Investigations			114.5
			<b>OVERALL TOTAL</b>			<b>811.5</b>

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## 2021 Audit Plan – The Monmouthshire County Council Welsh Church Act Fund

Audit year: 2020-21

Date issued: July 2021

Document reference: 2504A2021-22

This document has been prepared as part of work performed in accordance with statutory functions. Further information can be found in our [Statement of Responsibilities](#).

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.



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# 2021 Audit Plan

## About this document

- 1 This document sets out the work I plan to undertake during 2021 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

## Impact of COVID-19

- 2 The COVID-19 pandemic continues to have an unprecedented impact on the United Kingdom and the work of public sector organisations.
- 3 Audit Wales staff will continue to work pragmatically to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.
- 4 This audit plan sets out an initial timetable for the completion of my audit work. However, given the on-going uncertainties around the impact of COVID-19, some timings may need to be revisited.

## Audit of financial statements

- 5 I am required to issue a report on the financial statements of the Monmouthshire County Council Welsh Church Act Fund which includes an opinion on their 'truth and fairness'. In preparing such a report, I will:
  - give an opinion on your financial statements; and
  - assess whether the Report of the Trustee presented with the financial statements are prepared in line with guidance and consistent with the financial statements.
- 6 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about our work.
- 7 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
- 8 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 9 There have been no limitations imposed on me in planning the scope of this audit.

## Audit of financial statement risks

10 The following table sets out the significant risks that have been identified for the audit of your financial statements.

### Exhibit 1: audit of financial statement risks

Financial audit risks	Proposed audit response
<b>Significant risks</b>	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<b>Other areas of audit attention</b>	
<p><b>COVID-19 – resources</b></p> <p>The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers, eg around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>The audit team will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process, as well as help to identify areas where there may be gaps in arrangements.</p>

Financial audit risks	Proposed audit response
<p><b>COVID-19 – disclosures</b></p> <p>Last year I included an ‘Emphasis of matter’ paragraph in my audit report, drawing attention to a material valuation uncertainty in the financial statements in respect of the valuation of investment property funds.</p> <p>This uncertainty arose from the COVID-19 pandemic, and my audit opinion was not modified in respect of these matters. However, with the pandemic continuing, it is possible that a similar disclosure may be required this year.</p>	<p>The audit team will review the valuer’s valuation reports and consider the impact on the audit of any reported material uncertainties.</p>

## Fee, audit team and timetable

- 11 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided to the agreed timescales (which may need to be revised), to the quality expected and have been subject to quality assurance review;
  - information provided to support the financial statements is in line with agreed standards, and is provided in a timely manner;
  - appropriate facilities and access to documents are provided to enable my audit team to deliver our audit in an efficient manner;
  - all appropriate officials will be available during the audit; and
  - you have all the necessary controls and checks in place to enable the Accounting Officer to provide all the assurances that I require in the Letter of Representation addressed to me.

## Fee

- 12 Fee rates for 2021 are unchanged from last year. The estimated fee for 2021 is set out in **Exhibit 2** and represents no change from your actual 2020 fee.

## Exhibit 2: audit fee

This table sets out the proposed audit fee for 2021, by area of audit work, alongside the actual audit fee for 2020.

Audit area	Proposed fee for 2021 (£)	Actual fee for 2020 (£)
Audit of financial statements	6,255	6,255

- 13 The fee for the financial audit is driven by the skill mix required to deliver the work, together with the daily charge rate for each grade of staff member. We estimate that a total of 14 days will be required to complete the audit. The proposed skill mix and fee breakdown is set out in **Exhibit 3**.

## Exhibit 3: audit of financial statements fee analysis

This table breaks down the audit fee by daily charge out rate and estimated number of days required for each staff grade.

Role	Daily Rate	Number of days	% Input
Engagement Lead	£1,134	0.2	1%
Audit Manager	£833	1	7%
Senior Auditor	£539	4	28%
Trainee	£336	9	64%

- 14 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Chief Officer of Resources.
- 15 Further information on my [fee scales and fee setting](#) can be found on our website.

## Audit team

- 16 The main members of my team, together with their contact details, are summarised in **Exhibit 4**.

#### Exhibit 4: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Anthony Veale	Engagement Lead	029 2032 0585	<a href="mailto:anthony.veale@audit.wales">anthony.veale@audit.wales</a>
Gareth Lucey	Audit Manager	029 2082 9398	<a href="mailto:gareth.lucey@audit.wales">gareth.lucey@audit.wales</a>
Erin Pollard	Senior Auditor	029 2082 9371	<a href="mailto:erin.pollard@audit.wales">erin.pollard@audit.wales</a>

- 17 I can confirm that my team members are all independent of the Charity and your officers. In addition, we are not aware of any potential conflicts of interest that we need to bring to your attention.

#### Timetable

- 18 We will continue to undertake such remote work as is possible during the COVID-19 national emergency and may need to revise the timetable as work progresses.

#### Exhibit 5: timetable

This table sets out the key milestones for the planned audit outputs.

Planned output	Work undertaken	Report finalised
<b>2021 Audit Plan</b>	June-July 2020	July 2020
<b>Audit of financial statements:</b> <ul style="list-style-type: none"><li>• Audit of Financial Statements Report</li><li>• Opinion on Financial Statements</li></ul>	October-November 2020	November 2020

Planned output	Work undertaken	Report finalised
2022 Audit Plan	June-July 2022	July 2022

# Appendix 1

## Other future developments

### Future changes to UK GAAP

Following the introduction of the new UK GAAP accounting regime in 2015-16, and the replacement of the Financial Reporting Standard for Smaller Entities (FRSSE) by Section 1A of FRS 102 in 2016-17, there have been only limited changes to FRS 102 since.

More significant amendments are expected from 2022-23, reflecting recent changes in International Financial Reporting Standards, including accounting for financial instruments and leases.

### Good Practice Exchange

Audit Wales' Good Practice (GPX) helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face to face and resources shared online. This year the work has focused on COVID-19 learning. Further information on this can be found our [website](#).

### Brexit: The United Kingdom's future outside the European Union

The United Kingdom left the European Union on 31 January 2020 under the terms of the Withdrawal Agreement. Between then and 31 December 2020, the UK entered a transition period, during which it continued to participate in EU programmes and follow EU regulations. On 31 December 2020, the transition period ended, and a new relationship between the UK and EU started, on the basis of a new free trade agreement.

The new agreement means some substantial changes in the trading relationship between the UK and the EU. There will also potentially be changes in administrative areas previously covered by EU law. In the short term, the UK has incorporated EU rules into domestic law. However, it is likely than in some key areas, such as public procurement, agricultural support and state aid, the UK will seek to diverge over time. In changing these rules, there will be some important constitutional issues around the relationship between the UK Government and devolved governments.

The wider opportunities and risks for Wales' economy, society and environment will become clearer as public services move from managing the short-term risks, especially around disruption to supply chains, to adapting to a different relationship with the EU and the wider world. We are also awaiting further details on the UK Government's plans to replace EU funding schemes for regional development and rural development.

The Auditor General will continue to keep a watching brief over developments. In November, he wrote to the Chair of the External Affairs and Additional Legislation Committee setting out some observations on the latest position with respect to preparations for the end of the transition period. His letter can be found [here](#). His previous report on public bodies Brexit preparations can be found [here](#) with his follow up on progress [here](#).







Audit Wales  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500  
Fax: 029 2032 0600  
Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



<b>SUBJECT:</b>	<b>INTERNAL AUDIT Annual Report 2020/21</b>
<b>DIRECTORATE:</b>	<b>Resources</b>
<b>MEETING:</b>	<b>Governance and Audit Committee</b>
<b>DATE:</b>	<b>29 July 2021</b>
<b>DIVISION/WARDS AFFECTED: All</b>	

## 1. PURPOSE

To receive and consider the Annual Internal Audit Report for 2020/21.

## 2. RECOMMENDATION(S)

That the Governance and Audit Committee endorse the Annual Report.

## 3. KEY ISSUES

- 3.1 The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual opinion based upon and limited to the work performed on the overall adequacy and effectiveness of Monmouthshire County Council's framework of governance, risk management and internal control. This is achieved through a risk-based plan of work, agreed with management, which should provide a reasonable level of assurance. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 3.2 The audit opinions issued reflect the level of assurance obtained; these are shown at Appendix B. 9 audit opinions were issued during 2020/21 ranging from Substantial to Reasonable assurance (29 in 19/20). The overall opinion was **Reasonable assurance**, which indicates *the systems were adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.*
- 3.3 No reviews were given **Limited assurance**.
- 3.4 The work of Internal Audit was significantly impacted by Covid-19 pandemic during 2020/21 which resulted in less audit work being

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undertaken than originally planned. The team was heavily involved with counter fraud work in relation to business support grants from Welsh Government in relation to Covid-19 and supported the track, trace and prevent (TTP) process as previously reported to Members. The 2020/21 Audit opinion is therefore reliant on previous work undertaken by the team where a Reasonable Assurance opinion was issued for 2019/20; there have been no significant changes to the organisation's systems or key personnel and no major frauds were identified. Internal Audit opinions on the work undertaken at the SRS by Torfaen Internal Audit team were also taken into consideration.

- 3.5 The Internal Audit team achieved 57% of the agreed 2020/21 revised audit plan against a target of 82% (77% in 2019/20). The achievement of the plan was significantly affected by Covid-19 for reasons previously reported into Committee.

#### **4. REASONS**

- 4.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for internal audit in accordance with the Local Government Act.

- 4.2 Internal Audit is an independent function established by the management of Monmouthshire County Council to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- 4.3 In line with the Public Sector Internal Auditing Standards (PSIAS), the Chief Internal Auditor should present a formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment, governance arrangements and risk management processes. The Standards require an external review of Internal Audit to be completed at least every five years. At the latest review during 2017/18 the Internal Audit team was independently assessed against these Standards and were found to be compliant.

- 4.4 This is the Internal Audit Annual Report for 2020/21.

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

None.

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**6. CONSULTEES**

Deputy Chief Executive & Chief Officer Resources (S151 Officer)

**7. BACKGROUND PAPERS**

Internal Audit Annual Report 2020/21 - attached  
Operational Revised Audit Plan 2020/21  
Strategic Audit Plan  
Public Sector Internal Auditing Standards  
Shared Resource Service (SRS) – Internal Audit Annual Report  
2020/21

**8. AUTHOR AND CONTACT DETAILS**

Andrew Wathan, Chief Internal Auditor  
Telephone: x.4243  
Email: [andrewwathan@monmouthshire.gov.uk](mailto:andrewwathan@monmouthshire.gov.uk)

David Walton, Audit Manager  
Telephone: x.4258  
Email: [davidwalton@monmouthshire.gov.uk](mailto:davidwalton@monmouthshire.gov.uk)

**INTERNAL AUDIT  
ANNUAL REPORT  
2020/21**

**YEAR ENDED 31st MARCH 2021**

**Date: July 2021**

## 1. Introduction

- 1.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for internal audit in accordance with the Local Government Act.
- 1.2 The Regulations state that the Responsible Finance Officer (S.151) of the organisation shall maintain an adequate and effective internal audit of the accounts of that organisation and its systems of internal control. Internal Audit undertakes this role on behalf of the S.151 Officer. Internal Audit is seen as an independent function established by the management of Monmouthshire County Council for the review of the internal control system as a service to the organisation. It enhances and protects organisational value by providing risk-based and objective assurance, advice and insight.
- 1.3 In line with the Public Sector Internal Auditing Standards, the Chief Internal Auditor should present a formal annual report to the Governance and Audit Committee which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment. The annual report should also:
- a. disclose any qualifications to that opinion, together with reasons for the qualification;
  - b. present a summary of the audit work undertaken to formulate the opinion;
  - c. draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the annual governance statement (to be reported separately);
  - d. compare the work actually undertaken with that planned and summarise the performance of the internal audit function against its performance measures and criteria; and
- 1.4 This report is the Annual Internal Audit Report which meets the requirements of the Standards. It provides the overall audit opinion for Members on the internal controls operating within the County Council and provides a summary of the work completed during the year, identifying key findings and outcomes from the work undertaken. It also outlines the performance of the Internal Audit team during the year against agreed pre-set targets.
- 1.5 The internal controls operating within the Council are of a complex nature, reflecting the organisational arrangements. Internal Audit plans its work to address the major risks that the Authority faces. That work

is not designed to check the work of others but to comment on the controls in place to protect the Council from loss of assets or inefficient operations, whatever the cause.

- 1.6 The objectives of the Section for the year were: -
- (a) To deliver an internal audit service in accordance with the Public Sector Internal Auditing Standards and meeting statutory requirements;
  - (b) To undertake risk-based assessments of the Authority's internal control environment and hence contribute to the Annual Governance Statement;
  - (c) To maintain and enhance the audit involvement in all areas as an aid to good financial stewardship.

## 2. Audit Opinion

- 2.1 In 2020/21, based on the planned work undertaken during the year, overall, the systems and procedures in place were adequately controlled, although risks were identified which could compromise the overall control environment; improvements are required. The opinion definitions are noted at Appendix A.
- 2.2 The overall audit opinion for the internal controls operating within the Council in 2020/21 was **Reasonable assurance**:



The Internal Audit team has completed its internal audit work for the year based upon the Revised Operational Audit Plan approved by the Audit Committee in October 2020. The Plan was designed to ensure adequate coverage over the Council's financial and operational systems using a risk based assessment methodology.

The audit work included reviews, on a sample basis, of each of these systems/establishments sufficient to discharge the Authority's responsibilities for Internal Audit under section 151 of the Local Government Act 1972 and The Accounts and Audit (Wales) Regulations 2014. The opinion is based upon the work undertaken. Work was planned in order to provide sufficient evidence to give me reasonable assurance of the internal control environments tested.

As the planned work of Internal Audit was significantly impacted by Covid-19 pandemic during 2020/21, the 2020/21 Audit opinion is therefore also reliant on previous work undertaken by the team where a Reasonable Assurance opinion was issued for 2019/20; there have been no significant changes to the organisation's systems or key personnel and no major frauds were identified. Internal Audit opinions on the work undertaken at the SRS by Torfaen Internal Audit team were also taken into consideration.

Based on the planned work undertaken during the year, in my view the internal controls in operation give **Reasonable Assurance; Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.**

The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Andrew Wathan  
Chief Internal Auditor  
June 2021

- 2.3 On undertaking audit reviews in accordance with the Annual Audit Plan, an opinion is given on how well the internal controls of the system or establishment are operating. Internal audit reports provide a balanced view of the controls in place. The opinion is determined by the number of strengths and weaknesses identified during the course of the review and the risk rating and priority given to each. Each audit review undergoes a comprehensive review process by the Audit Manager and occasionally the Chief Internal Auditor before the draft report is sent out to management. The controls are generally measured against a predetermined matrix of expected internal controls for each system; for fundamental systems these are usually derived from CIPFA.

2.4 The overall opinion has been compiled from individual audit reviews undertaken during the year [see Appendix B] and consideration of the previous year's Internal Audit opinion:

Audit Opinion	2018/19	%	2019/20	%	2020/21	%
Substantial	2	6	2	7	2	22
Considerable	11	34	11	38	6	67
Reasonable	13	41	7	24	1	11
Limited	6	19	9	31	0	0
	32	100	29	100	9	100

Overall Opinion	Reasonable	Reasonable	Reasonable

2.5 Internal Audit opinions on the work undertaken at the SRS by Torfaen Internal Audit team were also taken into consideration. SRS are the Council's IT providers, so assurances have been provided on the adequacy of controls in place within that organisation to demonstrate effective governance, risk management and internal control processes.

2.6 Extract from the Annual Internal Audit Report 2020/21 of the Shared Resource Centre (Torfaen Internal Audit Team) - "The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control. Overall Opinion is **Satisfactory**:

- A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and
- None of the individual assignment reports have an overall report classification of either high or critical risk.

2.7 Managers within directorates need to ensure that robust internal controls are in place and adhered to in order to ensure that the systems in operation run efficiently and effectively and the scope for misappropriation, theft or error is minimised. Heads of Service have a responsibility to ensure that the Council's Financial Procedure Rules and Contract Procedure Rules are complied with at an operational level. Staff should be made aware of these and the requirements therein and the consequences of non-compliance.

### 3. Extent of Coverage

- 3.1 2020/21 was an exceptional year which significantly impacted on the work of the Internal Audit team and how it would normally provide the appropriate levels of assurance. Normal audit work could not be undertaken due to the Covic-19 pandemic and many of the audit jobs included within the original audit plan have been carried forward into 2021/22. As reported to Committee in year, for the first 6 months the team was extensively involved with counter fraud work in relation to the business support grants provided by Welsh Government and then it was stood down for a period to support the TTP process. In addition one of the team was seconded out to manage the distribution of the many business grant schemes.
- 3.2 As a result of the limited work undertaken in 2020/21, the Chief Internal Auditor has taken into consideration the audit opinion work issued in 2019/20 as there have been no significant changes in systems or personnel in key positions and no major frauds have been uncovered.
- 3.3 Overall, whilst not all planned audits were carried out, the actual number achieved is considered acceptable in view of the relative risk and priorities of other audit needs. The revised IA plan was agreed by Audit Committee in October 2020.

### 4. Audit Coverage

- 4.1 The full list of audit reviews completed by the Section during the year is shown in the attached Appendix B, together with the relevant internal control opinion issued for each audit.
- 4.2 Control opinions range from Substantial to Limited assurance in accordance with the definitions shown in Appendix A.
- 4.3 Audit reviews concluding with a control opinion of limited assurance are routinely reported (in summary form) to the Governance and Audit Committee. For 2020/21, no **Limited assurance** opinions were issued.
- 4.4 The Annual Internal Audit report for the SRS showed that 9 internal audit reviews (2 systems, 5 follow ups, 2 advisory) were completed in year. This resulted in the identification of 33 findings (25 medium, and 8 low) to improve weaknesses in the design of controls and/or operating effectiveness. All final reports have agreed action plans, dates and responsible officers for improving the internal control environment. The audit reviews undertaken are shown at Appendix B.
- 4.5 The report format for MCC simplifies the outcome of the audit process and gives operational managers a clear indication of the audit opinion following the audit review. The audit opinions provide a level of

assurance and are colour coded in line with the traffic light system (Appendix A).

## **5. Non-Audit Duties**

- 5.1 The team now has a minimal involvement with controlled stationery, although still administers the imprest account process.

## **6. Fraud, Irregularity and Special Work/Investigations**

- 6.1 During the year the Team undertook extensive work on counter fraud in relation to the Welsh Government business support grants schemes.
- 6.2 Although no major frauds were identified during the year in relation to Monmouthshire's normal business operations, a number of frauds were identified by Internal Audit in relation to the Welsh Government business support grants schemes. These were reported to the police, Action Fraud and the Council's bank where appropriate. The value of the frauds was not material when compared to the total value of grants paid out on behalf of Welsh Government. The Council recovered 25% of the frauds which were identified.

## **7. Training**

- 7.1 During the year a number of staff attended external courses / webinars on a variety of topics to ensure continued professional development.
- 7.2 The Section also participates in a number of local audit groups including the Welsh Chief Auditors' Group and respective sub groups.
- 7.3 Management fully support the development and training of the audit staff and will continue to send staff to appropriate seminars/courses etc., to maintain an awareness of technical and legislative developments and to support user groups within the area in order to provide a more effective service. This will be beneficial on a personal and professional level.

## **8. Audit Team Performance**

- 8.1 To ensure a quality Internal Audit service is provided, the Section uses a range of performance indicators which it compares with other Welsh authorities via the Welsh Chief Auditors' Group.
- 8.2 As shown at Appendix D, 57% of the agreed plan was completed against a target of 82%, as explained above, due to the impact of Covid-19. Much of the original audit plan could not be completed as

intended; operational managers had to re-prioritise their work to deal with the pandemic which meant they were not always available to respond to internal audit queries. The team was re-purposed for the majority of the year on counter fraud work and supporting TTP.

- 8.3 Excluding finalisation work from 2019/20, 65 audit jobs were included in the revised audit plan for 2020/21; 37 jobs were completed to at least draft report stage. [Not all jobs in the plan would warrant an audit opinion eg audit advice, Annual Governance Statement, NFI, external work, grant claims].
- 8.4 As a measure of the quality of the work produced, the Team was able to report that 99% of its recommendations were accepted by the service managers. [This does not take into account reports that were in draft at year end]. The percentage of previously agreed recommendations which had been implemented or partially implemented will be reported later in the year.
- 8.5 Getting audit reports out to clients in a timely manner is a key aspect of maintaining relationships and ensuring control weakness are addressed at an early stage. As a result of the Team being re-purposed for the majority of the year, getting reports out to operational managers was not always timely. Priority will be given to more timely issue of reports in 2021/22.
- a. Final reports were sent out 38 days following receipt of management comments, against a target of 5 days.
  - b. Draft reports were sent out to clients 16 days after the completion of the audit work against a target of 17 days.
- 8.6 A significant factor in the delay of issuing final reports was the number of finalisation audits where client responses were received in quarter 1 of 2020/2021 at a time when the team were heavily involved in Covid business grant administration and counter-fraud work, hence not able to finalise the reports promptly.
- 8.7 Of the audit evaluation questionnaires which were returned by operational managers, 100% were 'satisfied' or 'very satisfied' with the audit service they had received although it is recognised that timeliness of reporting needs to improve.

## **9. Conclusions**

- 9.1 It is considered that, over the course of the financial year, the objectives of the Team (as stated in paragraph 1.6) have been met.
- 9.2 The reporting procedures for all areas of the Team are now well established. Working practices are updated as a matter of course to underpin the quality of work undertaken. Team meetings are held on a

regular basis to ensure all staff are kept aware of new developments and management can monitor progress of work against the plan.

- 9.3 The Team's management maintained a continuous review process throughout the year to ensure, where possible, that the highest risk areas were targeted and the Operational Plan for 2021/22 was also designed to ensure that any priority areas outstanding would be covered in the next financial year.
- 9.4 The objective of the Internal Audit Team is to provide assurance to Management and Members of the adequacy of the internal control environment, governance arrangements and risk management processes within Monmouthshire. Reduced audit staff resources leads to less coverage across the services provided by the Council which limits the assurance that can be given. In addition the team becomes less flexible in its ability to undertake special investigations in response to allegations of fraud, theft or non compliance.
- 9.5 The Chief Internal Auditor will have to monitor the situation closely and use a range of options to ensure appropriate audit coverage is provided. Although demands on the resources are increasing, the Chief Internal Auditor is confident that adequate and appropriate coverage will be provided throughout the Council; prioritisation may be required.
- 9.6 Finally, the support of all audit staff as well as senior management must be acknowledged in helping to continue to provide a comprehensive and valuable service to the Authority.

## Definitions of Internal Audit Opinions Used

LEVEL OF ASSURANCE	DESCRIPTION
SUBSTANTIAL	Very well controlled, with numerous strengths identified and any risks being less significant in nature.
CONSIDERABLE	Generally well controlled, although some risks identified which should be addressed.
REASONABLE	Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.
LIMITED	Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.

## Audit Opinions

<b>Overall Opinion</b>	<b>2020/21</b>	<b>Reasonable</b>
------------------------	----------------	-------------------

## Summary

Substantial	2
Considerable	6
Reasonable	1
Limited	0
Total Opinions	9
Unqualified	3
Qualified	0

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Finalised at 31-3-21	Opinion given
P2021/26	Enterprise	Commercial, Property, Facilities & Fleet	Fuel Cards Follow-up	Medium	Final	Substantial
P2021/45	Social Care & Health	Integrated Services	Financial Assessments	Medium	Draft	Substantial
P2021/29	Enterprise	Neighbourhood Services	Street Lighting	High	Draft	Considerable
P2021/37	Resources	Finance	Business World Systems Administration	Medium	Final	Considerable
P2021/48	Social Care & Health	Children's Services	Review of Imprest Account Follow-up	Medium	Draft	Considerable
P2021/61	Corporate	Cross Cutting	Safeguarding Arrangements	High	Final	Considerable
P2021/62	Corporate	Cross Cutting	Culture	High	Draft	Considerable
P2021/65	Resources	Finance	Procurement Cards	Medium	Draft	Considerable
P2021/32	Resources	People	Attendance Management Follow-up	Medium	Draft	Reasonable



Job number	Directorate	Service	Job Name	Risk Rating / Priority	Finalised at 31-3-21	Opinion given
P2021/03	Children & Young People	Achievement & Extended Services	Education Improvement Grant	Medium	Final	Unqualified
P2021/04	Children & Young People	Achievement & Extended Services	Pupil Deprivation Grant	Low	Final	Unqualified
P2021/13	Enterprise	Enterprise & Community Animation	Housing Support Grant	Medium	Final	Unqualified

**Unqualified** – the terms and conditions of the grant were complied with  
**Qualified** - the terms and conditions of the grant were not complied with

***Extract from SRS Annual Internal Audit Report 2020/21***

Ref	Review	Opinion
SRS - 20001	<b>Business Management</b> (System)	SUBSTANTIAL
SRS – 20002	<b>CCTV / Control Room</b> (Follow Up)	Opinion level increased from MODERATE to SUBSTANTIAL
SRS - 20003	<b>Cybersecurity</b> (Follow Up)	Opinion level increased from MODERATE to FULL
SRS - 20004	<b>Enterprise Architecture Management</b> (Follow Up)	Opinion level increased from LIMITED to SUBSTANTIAL
SRS – 20005	<b>Firewall</b> (Follow Up)	Opinion level increased from SUBSTANTIAL to FULL.
SRS - 20007	<b>Software Asset Management</b> (Follow Up)	Opinion level increased from MODERATE to SUBSTANTIAL
SRS - 20008	<b>Risk Management</b> (Special)	N/A
SRS - 20009	<b>Information Security Management System</b> (Special)	N/A
SRS - 20010	<b>Data Centre</b> (System)	FULL

## Appendix C

### Non opinion related audit work 2020/21

Job number	Directorate	Service	Job Name
P2021/01	Chief Executive's	Policy & Governance	Audit Advice
P2021/02	Chief Executive's	Legal & Monitoring Officer	Audit Advice
P2021/05	Children & Young People	Achievement & Extended Services	Monitoring Implementation of Audit Recommendations
P2021/09	Children & Young People	Schools	Monitoring Implementation of Audit Recommendations
P2021/10	Children & Young People	Schools	Audit Advice
P2021/11	Children & Young People	CYP Resources	Monitoring Implementation of Audit Recommendations
P2021/12	Children & Young People	CYP Resources	Audit Advice
P2021/15	Enterprise	Enterprise & Community Animation	Monitoring Implementation of Audit Recommendations
P2021/16	Enterprise	Enterprise & Community Animation	Audit Advice
P2021/19	Enterprise	MonLife	Monitoring Implementation of Audit Recommendations
P2021/20	Enterprise	MonLife	Audit Advice
P2021/23	Enterprise	Placemaking, Housing, Highways & Flood	Monitoring Implementation of Audit Recommendations
P2021/24	Enterprise	Placemaking, Housing, Highways & Flood	Audit Advice
P2021/27	Enterprise	Commercial, Property, Facilities & Fleet	Monitoring Implementation of Audit Recommendations
P2021/28	Enterprise	Commercial, Property, Facilities & Fleet	Audit Advice
P2021/30	Enterprise	Neighbourhood Services	Monitoring Implementation of Audit Recommendations
P2021/31	Enterprise	Neighbourhood Services	Audit Advice
P2021/33	Resources	People	Monitoring Implementation of Audit Recommendations
P2021/34	Resources	People	Audit Advice
P2021/35	Resources	Digital	Audit Advice
P2021/38	Resources	Finance	Monitoring Implementation of Audit Recommendations
P2021/39	Resources	Finance	Audit Advice

<b>Job number</b>	<b>Directorate</b>	<b>Service</b>	<b>Job Name</b>
P2021/41	Resources	Commercial, Property, Facilities & Fleet	Monitoring Implementation of Audit Recommendations
P2021/42	Resources	Commercial, Property, Facilities & Fleet	Audit Advice
P2021/43	Resources	Business Planning & Redesign	Audit Advice
P2021/46	Social Care & Health	Integrated Services	Monitoring Implementation of Audit Recommendations
P2021/47	Social Care & Health	Integrated Services	Audit Advice
P2021/49	Social Care & Health	Children's Services	Monitoring Implementation of Audit Recommendations
P2021/50	Social Care & Health	Children's Services	Audit Advice
P2021/52	Social Care & Health	Public Protection	Monitoring Implementation of Audit Recommendations
P2021/53	Social Care & Health	Public Protection	Audit Advice
P2021/54	Social Care & Health	Social Services Finance Unit	Audit Advice
P2021/55	Corporate	Cross Cutting	National Fraud Initiative
P2021/56	Corporate	Cross Cutting	Annual Governance Statement
P2021/64	Corporate	Cross Cutting	Monitoring Implementation of Audit Recommendations

## Performance of the Internal Audit Section

Performance Indicator	2017/18	2018/19	2019/20	Annual Target	2020/21
Percentage of planned audits completed	82%	84%	77%	82%	57%
Average no. of days from audit closing meeting to issue of a draft report	52	9days	26 days	17 days	16 days
Average no. of days from receipt of response to draft report to issue of the final report	19	18 days	20 days	5 days	38days
Percentage of recommendations made that were accepted by the clients	96%	98%	98%	95%	99%
Percentage of clients at least 'satisfied' by audit process	89%	100%	100%	95%	100%
Percentage of Directly Chargeable Time (actual versus planned)	108%	107%	90%	100%	N/A



## AGENDA ITEM TBC

<b>SUBJECT:</b>	<b>STATEMENT OF ACCOUNTS 2020/21 – CHARITABLE TRUST FUNDS</b>
<b>MEETING:</b>	<b>Governance and Audit Committee</b>
<b>DATE:</b>	<b>29<sup>th</sup> July 2021</b>
<b>DIVISIONS/WARD AFFECTED:</b>	<b>All</b>

### 1. PURPOSE:

- 1.1 This report has been prepared to provide Governance and Audit Committee Members with an opportunity to review and provide comments on:
- Monmouthshire County Council Welsh Church Act Fund (**Appendix 1**)
  - Monmouthshire Farm School Endowment Trust Fund (**Appendix 2**)
  - Llanelly Hill Social Welfare Centre Accounts (**Appendix 3**)

### 2. RECOMMENDATIONS:

- 2.1 That the Governance & Audit Committee note the 2020/21 draft Statement of Accounts for the above bodies and highlight any queries and comments.

### 3. KEY ISSUES

- 3.1 The Authority acts as sole or custodian trustee for a number of charitable trust funds.
- 3.2 The accounts for these funds have to be prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on the 16th July 2014 and the Charities Act 2011 and the UK Generally Accepted Practice as it applies from the 1st January 2015.
- 3.3 The draft Monmouthshire County Council Welsh Church Act Fund accounts will be subject to external audit by Audit Wales and subsequently be considered for approval by Audit Committee at its meeting in November 2021.
- 3.4 The Monmouthshire Farm School Endowment Trust Fund Accounts will be subject to independent examination by Audit Wales and will subsequently be considered by the trustees prior to lodging with the Charities Commission.
- 3.5 The Llanelly Hill Social Welfare Centre Accounts do not require a formal audit or inspection process and will subsequently be lodged with the Charities Commission.

### 4. OPTIONS APPRAISAL

- 4.1 Not applicable.

**5. EVALUATION CRITERIA**

5.1 Not applicable.

**6. REASONS**

6.1 To consider the accounts as presented enabling the external audit and independent inspection process to be undertaken and reported in due course.

**7. RESOURCE IMPLICATIONS**

7.1 As outlined in the respective accounts to be found in the Appendices.

**8. WELLBEING OF FUTURE GENERATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING):**

8.1 There are no implications directly arising from the recommendations and decisions highlighted in this report.

**9. CONSULTEES**

Strategic Leadership Team  
Deputy Chief Executive (Chief Officer – Resources)

**10. BACKGROUND PAPERS**

**Appendix 1** - Draft 2020/21 Monmouthshire County Council Welsh Church Fund Accounts

**Appendix 2** - Draft 2020/21 Monmouthshire Farm School Endowment Trust Fund

**Appendix 3** - Draft 2020/21 Llanelly Hill Social Welfare Centre Accounts

**11. AUTHORS:**

Jonathan S. Davies  
(Acting) Assistant Head of Finance

**12. CONTACT DETAILS**

Email: [jonathandavies2@monmouthshire.gov.uk](mailto:jonathandavies2@monmouthshire.gov.uk)  
Tel: (01633) 644114

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

**Annual Report and Financial Statements for the  
year ended the 31 March 2021**

Registered Charity Number: 507094

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2021**

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**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2021**

**Trustee, Officers and Advisors**

**Trustee**

Monmouthshire County Council

**Secretary**

Matthew Phillips  
Monitoring Officer  
Monmouthshire County Council

**Registered Office**

County Hall  
The Rhadyr  
Usk  
NP15 1GA

**Auditors**

Audit Wales  
24, Cathedral Road  
Cardiff  
CF11 9LJ

**Solicitor**

Matthew Phillips  
Head of Legal Services  
Monmouthshire County Council

**Investment Custodian**

Monmouthshire County Council

**General Management**

Mr Peter Davies  
Deputy Chief Executive  
Monmouthshire County Council

**Bankers**

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

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2021**

### **Report of the Trustee for the year ended 31 March 2021**

The Trustee presents its annual report and the audited financial statements for the year ended 31 March 2021 of The Monmouthshire County Council Welsh Church Act Fund ('the Charity').

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

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

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

#### **Structure, Governance and Management**

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

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

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

The management of the Trust Fund is undertaken by officers of the Council and a calculated proportion of their time is charged to the Fund.

#### **Objectives**

The primary object of the Charity for each year, as stated in its governing document, is to assist public groups and individuals for educational, social, recreational and other charitable benefit purposes. Grants are available from the Fund for capital or revenue purposes. Capital grants may be awarded to assist organisations in the furnishing and upkeep of buildings. Revenue grants are designed to further the aims of societies and to assist individuals in their various pursuits.

#### **Grants allocation policy**

An annual budget set by the Trustee for grant payments is split between the administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and Newport on a population basis.

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2021**

A Committee set up by the Trustee approves grant applications on a basis in line with full Council meetings or as deemed required by the participating authorities. Grants are made in pursuance of the Charity's objectives.

The grant allocation of each financial year is considered in line with the long-term financial viability of the trust and to maintain the ability to generate funds in future years for distribution by maintaining sufficient capital assets.

### **Review of activities and future developments**

The statement of financial activities for the year is set out on page 7 of the financial statements. A summary of the financial results and the work of the Charity are set out below.

The Fund has gained in value by £346,184 (£408,417 decrease in 2019/20); this increase is primarily due to a large unrealised gain (£422,752) at the 31<sup>st</sup> March 2021 valuation date due to a sustained recovery of the investment markets after the initial shock caused by the Covid-19 pandemic.

Income is principally comprised of investment income of £181,378 (£202,540 in 2019/20), this is reduced since 2019/20 due to the Covid-19 effect on the early part of the financial year on the rate of dividend distributions. The Trust has utilised the Trustee's own investment managers to manage the fund, thus, controlling management fees and therefore maximising returns whilst at the same time maintaining a balanced capital risk strategy.

Charitable resources expended during the year amounted to £257,946 (£223,076 in 2019/20) and principally comprised grant payments of £244,242 (£211,080 in 2019/20). An increase in charitable expenditure from 2019-20 as Caerphilly County Borough Council has now allocated a large part of its unallocated brought forward balance.

Net gains on investments held amounted to £422,752 (£385,106 net loss in 2019/20). These non-realised investment gains have been due to the reversing of the effect of the Covid-19 pandemic on the financial markets at the height of the initial lockdown period in early April 2020. The 'Trusts' current investment strategy, diversifying the portfolio across several investment categories in the last couple of financial years has enabled some investment values to remain fairly stable amid the current volatility in the financial markets. The long-term projections on these charity based investments as indicated by the Trustees' Treasury consultants continue to offer a balanced risk portfolio between income generation and asset growth.

### **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 Trust about the future or that are otherwise uncertain. Estimates have been 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 Trust's Balance Sheet at 31st March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### **The revaluation of investment property and property funds**

Valuation techniques are used to determine the carrying amount of pooled property funds and investment property. Market activity is being impacted in many sectors by Covid-19. At the 31<sup>st</sup> March 2021 reporting date, property fund managers and property investment valuers consider that they can attach less weight to previous market evidence for comparison purposes. They are faced with an

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2021**

unprecedented set of circumstances upon which to case a judgement. The fall in transactions and lack of clarity on pricing means that all major industry valuers have now added Material Uncertainty clauses to their property fund and investment property valuations.

Changes in the valuation assumptions used, together with significant changes in rental growth could affect (increase or decrease) the fair value of property-based investments. Indicative net asset statements for property funds are subject to uncertainty at the reporting date and the valuation for pooled property funds and investment property is less reliable than usual. As the investments are held on a long-term strategy basis, the fund does not foresee any long-term negative effect in the generation of future income streams. A retrospective valuation was undertaken post year-end due to Covid-19 and Furlough considerations at the year-end date.

### **Income generation**

The Charity's income was £181,378 compared to £203,436 in 2019/20. The diverse market investment strategy that mainly replaced the pooled investment strategy with Monmouthshire County Council has continued to produce consistent returns in the financial markets due to investment in more specific charitable investment funds. This income generation forms the main basis of the following years grant allocations to ensure continuity and non-degradation of the funds capital assets and to perpetuate the charity as a 'going concern'.

### **Bad debt provision**

There are no bad debts arising in the year of account.

### **Investment powers, policy and performance**

Under the terms of the Trust Deed, the Trustee has general powers of investment, subject to the provisions of The Trustee Act 2000. The investment policy of the Trust is to maximise the rate of investment return, whilst employing a risk strategy that minimises any potential reduction in the capital value of the Fund.

The Trustee has reviewed its investment strategy and produced an investment and fund strategy for 2020/21, which has been approved by Monmouthshire County Council in its capacity as sole and corporate trustee, on March 03rd 2020.

Financial market investments have been restated at the financial year-end to reflect their current open market value.

### **Changes in fixed assets**

The fixed asset investments were re-valued in the 2020-21 financial year in line with the Investment Asset policy of revaluation every year.

### **Reserves**

The Trustee's policy is to maintain the level of investments at a level that provides sufficient annual income to fund the Charity's charitable expenditure. The level of funds held at 31<sup>st</sup> March 2021 is £5,312,322 (4,966,139 in 2019/20). The Trustee has reviewed its Fund strategy and produced an investment and fund strategy for 2020/21, which states that the purpose of reserves is to maintain investments such that they realise sufficient income to provide grants to organisations at a consistent level. Whilst, the strategy is to ensure that there is no long-term detrimental effect on overall reserve balances, recommendations made by the Charity Commission has resulted in grants allocations being made in line with investment returns.

### **Governance of the Charity**

Representative Councillors from each of the five administrative areas of Blaenau Gwent, Caerphilly,

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2021**

Monmouthshire, Torfaen and Newport are appointed by their respective councils annually to form a committee to oversee fund management. Members are appointed to the committee for the term of the Council.

### **Risk management**

The Trustee has undertaken a review of the major risks to which the Charity is exposed and its risk management and internal control procedures should be updated to ensure that systems are in place to mitigate the risks identified. The risk assessment was considered by Monmouthshire County Council on 3rd March 2020 and no risks were identified.

### **Auditors**

Audit Wales were appointed as auditors to the Welsh Church Act Fund in 2007/08.

### **Statement of Trustee's responsibilities**

The Trustee is responsible for preparing financial statements for each financial year, which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity and its financial activities for that period.

In preparing those financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operational existence.

The Trustee confirms that it has complied with the above requirements in preparing the financial statements.

The Trustee is responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable it to ensure that the financial statements comply with the Charities Act 1993 It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee certifies that:

- as far as it is aware, there is no relevant information of which the Charity's auditors are unaware; and
- as Trustee of the Charity, it has taken all the steps that it ought to have taken in order to make itself aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

**By order of the Trustee**

**Mr Peter Davies**  
**Deputy Chief Executive (S151 Officer), Monmouthshire County Council**

**Date:**

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2021**

**The independent auditor's report of the Auditor General for  
Wales to the Trustee of the Monmouthshire County Council  
Welsh Church Act Fund**

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

**Opinion**

I have audited the financial statements of the Monmouthshire County Council Welsh Church Act Fund for the year ended 31 March 2020 under the Charities Act 2011. These comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Charities Act 2011.

**Basis for opinion**

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

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**Emphasis of matter – effects of COVID-19 on the valuation of investment property funds**

I draw attention to Note 10 of the financial statements, which describes uncertainties regarding the valuations of investment property funds arising from the current COVID-19 pandemic. My opinion is not modified in respect of this matter.

**Conclusions relating to going concern**

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

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

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2021**

for issue.

Report on other requirements

Other information

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

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

Matters on which I report by exception

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

- the information given in the financial statements is inconsistent in any material respect with the Trustee report;
- sufficient accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or

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- I have not received all of the information and explanations I require for my audit.

Responsibilities

Responsibilities of the Trustee for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

I have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2021**

on the basis of these financial statements.

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

Auditor General for Wales

24 Cathedral Road  
Cardiff  
CF11 9LJ



**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2021**

**Statement of financial activities (Sofa) for the year ended 31  
March 2021**

	Notes	2020/21 Total Unrestricted Funds £	2019/20 Total Unrestricted Funds £
<b>Income &amp; Endowments from:</b>			
Investment income	2	181,378	202,540
Other incoming resources		0	896
<b>Total income &amp; Endowments</b>		<b>181,378</b>	<b>203,436</b>
<b>Resources Expended</b>			
Raising funds:			
Investment Property Professional fees		(400)	(1,171)
Management and administration		(2,500)	(2,500)
		(2,900)	(3,671)
<b>Charitable expenditure</b>			
Costs of activities in furtherance of the Charity's objects			
Grants payable	3,4	(244,242)	(211,080)
Management and administration		(4,455)	(5,741)
<b>Other</b>			
Governance Costs	5	(6,349)	(6,255)
<b>Total Resources Expended</b>		<b>(255,046)</b>	<b>(223,076)</b>
Gains/(losses) on investment assets	9,10	422,752	(385,106)
<b>Net Income /( Expenditure)</b>		<b>346,184</b>	<b>(408,417)</b>
<b>Transfers between funds</b>	13	<b>0</b>	<b>0</b>
<b>Net movement in funds</b>		<b>346,184</b>	<b>(408,417)</b>
Fund balances brought forward April 2020		4,966,139	5,374,556
<b>Fund balances carried forward 31 March 2021</b>	13	<b>5,312,322</b>	<b>4,966,139</b>

All incoming resources and resources expended are derived from continuing activities. There are no recognised gains or losses other than those disclosed above.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2021**

**Balance Sheet as at 31 March 2021**

	Notes	2020/21 Unrestricted Funds £	2019/20 Unrestricted Funds £
<b>Fixed assets</b>			
Investment Land	9	428,750	403,500
Investments	10	4,874,627	4,477,125
		<b>5,303,377</b>	<b>4,880,625</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	41,506	44,745
Cash at bank and in hand		196,733	227,964
		<b>238,239</b>	<b>272,709</b>
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	12	(229,294)	(187,195)
<b>Net current assets or liabilities</b>		<b>8,946</b>	<b>85,514</b>
<b>Net assets or liabilities</b>		<b>5,312,322</b>	<b>4,966,139</b>
<b>The Funds of the Charity:</b>			
Unrestricted Funds	13	5,312,322	4,966,139
<b>Total Charity funds</b>		<b>5,312,322</b>	<b>4,966,139</b>

The accounts on pages 7 to 16 were approved by the Trustee on 00 / 07 2021, and signed on their behalf by:

**By order of the Trustee**

**Mr Peter Davies  
Deputy Chief Executive – Monmouthshire County Council**

Date:

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2021**

**Statement of Cash flows as at 31 March 2021**

	note	Total Funds £	Prior Year Funds £
<b>Cash flows from operating activities</b>			
<i>Net cash provided by operating activities</i>	7	(212,608)	(370,534)
<hr/>			
<b>Cash flow from investing activities</b>			
Dividends and rents from investments		181,378	202,540
<hr/>			
<i>Change in cash and cash equivalents in the reporting period</i>		(31,230)	(167,994)
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>227,964</b>	<b>395,958</b>
<hr/>			
<i>Cash and cash equivalents at the end of the reporting period</i>		<b>196,733</b>	<b>227,964</b>
<hr/>			

## **Notes to the financial statements for the year ended 31 March 2021**

### **1 Principal accounting policies**

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

The trust constitutes a public benefit entity as defined by FRS 102.

The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

A summary of the principal accounting policies, which have been applied consistently, are set out below.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention, as modified by the inclusion of investments and tangible fixed assets at market value. During the year, the Charity reviewed its accounting policies in accordance with FRS 102 'Accounting Policies'. No accounting policies have been changed as a result.

#### **Incoming Resources**

All income is accounted for on an accruals basis.

#### **Cash Balances**

Cash is sums of money available for immediate use by the Welsh Church Fund. Such items are deemed to be cash balances held in the Fund's bank accounts (less unrepresented cheques). The Welsh Church Fund does not hold Cash in Hand

#### **Resources expended**

All expenditure is accounted for on an accruals basis. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with use of the resources.

#### **Grants payable**

Grants payable are accounted for in full as liabilities of the Charity when approved by the Trustee and accepted by the beneficiaries.

#### **Management and administration**

Management and administration costs include expenditure on administration of the Charity and, an appropriate apportionment of overheads based upon a time allocation.

#### **Governance Costs**

Governance costs comprise costs involving the compliance with constitutional and statutory requirements. These costs relate to audit fees payable to the appointed external auditor.

#### **Irrecoverable VAT**

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2021**

cost of the related asset, where appropriate.

### **Recognition of liabilities**

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

### **Debtors/ Creditors**

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **Fund accounting**

Funds are unrestricted funds which are available for use at the discretion of the Trustee in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

### **Investment Land and Property**

#### *Capitalisation, Replacement and Valuation*

The Trust's policy is to revalue its Investment land on an annual basis in line with the Charities SORP. Valuations will also be undertaken where identified that there have been material movements between formal valuations, as holdings are Investment Land not tangible fixed assets.

An Independent Valuer of Williams Associates, a qualified Land Valuer and Chartered Surveyors, re-valued all Investment Land as at 31<sup>st</sup> March 2021 and all assets held at year-end are included in the accounts at that valuation date. Vacant properties are valued at open market value.

### **Depreciation**

Land is not depreciated. The Fund currently has no buildings on the fixed asset register.

### **Investments**

Any realised and unrealised gains and losses on revaluation or disposals of investments are included in the statement of financial activities. The Authority is authorised to invest any surplus income or dispose of any investments when it deems appropriate. Investments are strategically placed in investment funds specifically designed for charitable organisation. The basis of valuation on the market based investments held with CCLA, M&G, UBS and Schroder's, is the open market value of the unit holdings on the 31<sup>st</sup> March 2021 multiplied by the units held. Investment performance is reviewed periodically in light of prevailing economic changes. The Treasury Stock 2024 valuation is based upon the market value of the Treasury Gilts at the 31<sup>st</sup> March 2021 as listed on the dmo.gov website. The value of the 'pooled' investment with Monmouthshire County Council is the cash value as at the 31<sup>st</sup> March 2021.

### **Fees and similar income**

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided.

### **Cash flow statement**

The Charity has produced a cash flow statement under Financial Reporting Standard 102 under section 7 on the basis that it meets the relevant conditions and size criteria specified in the Companies Act.1985.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2021**

**2 Investment income**

	2021	2020
	£	£
Investments with Monmouthshire County Council	2,289	3,425
Investment Property Rental Income	3,580	4,200
External Investments	175,509	194,915
	<b>181,378</b>	<b>202,540</b>

**3 Grants Payable**

	2021	2020
	£	£
Grants have been paid to the following administering Local Authorities for them to make to groups and individuals on behalf of the Fund:		
Monmouthshire County Council	32,955	33,727
Torfaen County Borough Council	24,151	42,300
Newport City Council	55,296	39,737
Blaenau Gwent County Borough Council	25,586	25,586
Caerphilly County Borough Council	106,254	69,730
	<b>244,242</b>	<b>211,080</b>

The management and administration cost of the fund and grants distributed were £7,355 during the year.

**4 Analysis of Grants**

	Grants to Organisations	Grants to Individuals
	£	£
The Advancement of Education	6,498	3,200
The Advancement of Religion	99,326	0
The Relief of Poverty	12,080	24,151
Other Purposes Beneficial to the Community	98,987	0
Total	<b>216,891</b>	<b>27,351</b>

Caerphilly County Borough Council, Newport City Council and Torfaen County Borough Council have under spent their allocations for 2020/21 by £61,750, £25,205 and £15,627 respectively. These unspent balances are retained for distribution in 2021/22. Grants to Churches and other Religious establishments totaled £99,326 and Community Organisations £98,987 respectively during the financial year. Grants of essential equipment and furnishings to the value of £36,231 were allocated to individuals for the relief of families deemed to be in poverty. No organization or individual received more than one grant award during 2020-21

**The Monmouthshire County Council Welsh Church Act Fund  
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**5 Governance Costs**

	<b>2021</b>	2020
	£	£
Auditor's remuneration	<b>6,349</b>	6,255
	<b>6,349</b>	6,255

No indemnity insurance for Trustee's liability has been purchased by the Charity. Though no specific indemnity insurance has been purchased by the Charity, the Fund is covered by Monmouthshire County Councils' fidelity guarantee insurance. Insurance covers financial losses incurred as a result of fraudulent acts conducted by Authority employees but does not cover the Trustee for any wrong decisions that may have been made.

**6 Taxation**

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Charity is not separately registered for VAT because it falls within the Local Authority's VAT Registration as Corporate trustee and accordingly, all their expenditure is recorded exclusive of any VAT incurred.

**7 Reconciliation of net income/ (expenditure) to net cash flow from operating activities as at 31 March 2021**

	<b>Current Year</b>	<b>Prior Year</b>
	£	£
<i>Net income/(expenditure) for the reporting period (as per the statement of financial activities)</i>	<b>346,184</b>	(408,417)
<b>Adjustments for non-cash transactions</b>		
(Gains) /losses on investments	<b>(422,752)</b>	385,106
Dividends, Interest & Rents from investments	<b>(181,378)</b>	(202,540)
(Increase)/ decrease in debtors / bad debts	<b>3,239</b>	7,306
Increase/(decrease) in creditors	<b>42,099</b>	(151,989)
<b>Net cash provided and (used in) operating activities</b>	<b>(212,608)</b>	(370,534)

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2021**

**8 Analysis of cash and cash equivalents as at 31 March 2021**

	<b>Current Year £</b>	<b>In Year Movement £</b>	<b>Prior Year £</b>
Cash at bank	<b>196,733</b>	(31,231)	227,964
<b>Total cash and cash equivalents</b>	<b>196,733</b>	(31,231)	227,964



**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2021**

**9 Investment Land and Property**

	<b>Total</b>
	<b>£</b>
<b>Valuation</b>	
At 1 April 2020	403,500
Disposals	0
Revaluation	25,250
<b>At 31 March 2021</b>	<b>428,750</b>
<b>Depreciation</b>	
At 1 April 2019	0
Charge in year	0
Disposals	0
<b>At 31 March 2021</b>	<b>0</b>
<b>Net book Value</b>	
At 1 April 2020	403,500
<b>At 31 March 2021</b>	<b>428,750</b>

Tangible Investment Assets solely consist of freehold land. A revaluation was under-taken as at 31<sup>st</sup> March 2021 due to restrictions imposed by the Covid-19 pandemic at year-end. Valuations will be carried out in accordance with the valuation policy in the 2021/22 financial year and on thereafter on an annual rolling basis.

**10 Investments**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
CCLA - COIF Property Fund	<b>1,001,732</b>	<b>1,023,878</b>
UBS Multi Asset Income Fund	<b>660,959</b>	<b>599,874</b>
M&G Charibond Fund	<b>690,455</b>	<b>688,610</b>
Schroders Income Maximiser	<b>342,860</b>	<b>280,188</b>
M&G Charifund	<b>512,338</b>	<b>415,975</b>
CCLA - COIF Investment Fund	<b>1,207,996</b>	<b>1,009,279</b>
Treasury Stock 2024 2.5%	<b>108,287</b>	<b>109,321</b>
Invested with Monmouthshire County Council	<b>350,000</b>	<b>350,000</b>
	<b>4,874,627</b>	<b>4,477,125</b>

The Trust has investments held with UBS, M&G, Schroeder's, CCLA, HM Treasury and Monmouthshire County Council, which are generally managed by the trusts treasury management advisors. Returns from Monmouthshire County Council are generated on a "pooled" basis. The

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2021**

average rate of interest generated on the pooled funds from Monmouthshire was 0.4700% for 2020/21 (0.6690% for 2019/20).

At the reporting date, the fall in financial market transaction volumes and lack of clarity on pricing means that all major industry valuers have now added Material Uncertainty clauses to their property fund and investment property valuations. Therefore, financial; property fund managers and property investment valuers consider that they can attach less weight to previous market evidence for comparison purposes. Changes in the valuation assumptions used and this together with significant changes in rental growth could affect (increase or decrease) the fair value of equity-based instruments and property-based investments. Indicative net asset statements for property funds are subject to uncertainty at the reporting date and the valuation for pooled investment property funds and financial investment funds is less reliable than usual.

There were no additions or disposals of investments during the financial year. None of the Investments are held outside of the territorial limits of the United Kingdom and the cost of the revaluations is contained within the charity management fee charged annually from Monmouthshire County Council.

**11 Debtors**

	2021 £	2020 £
<b>Amounts falling due within one year</b>		
<i>Prepayment &amp; accrued income</i>		
Investment Income	40,165	44,745
Other Debtors	0	0
MCC Bank Transfer	1,341	0
<i>Trade debtors</i>		
Rental income	0	0
Bad debt provision for loss of rental income	0	0
<i>Other Debtors</i>		
HM Revenue and Customs	0	0
Other Debtors	0	0
	<b>41,506</b>	<b>44,745</b>

All investment interest due from the trustee was paid in year in 2020-21.

**12 Creditors**

	2021 £	2020 £
<b>Amounts falling due within one year</b>		
Grant creditors	215,025	180,553
Other creditors	14,269	6,641
	<b>229,294</b>	<b>187,195</b>

Grant creditors are recognised on the amounts awarded by the five constituent authorities of the Welsh Church Fund unpaid at the financial year-end. Other creditors are fees reimbursable for professional services utilised during the financial year by the Charity.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2021**

**13 Funds**

	Balance 1 April 2020	Incoming resources	Resources Expended	Other Recognised Gain / (Loss)	Balance 31 March 2021
	£	£	£	£	£
Unrestricted funds	4,966,139	181,378	(257,946)	422,752	<b>5,312,322</b>

There were no transfers between funds during the 2020-21 financial year.

**14 Related party transactions**

During the year transactions with related parties arose as follows:

	2021		2020	
	Receipts	Payments	Receipts	Payments
	£	£	£	£
Monmouthshire County Council	<b>3,630</b>	<b>4,455</b>	<b>3,425</b>	<b>4,897</b>

Members of the Authority have direct control over the Welsh Church Fund's financial and operating policies. Where work or services have been commissioned, or where grants were made during the financial year in which members had an interest, members have a duty to declare such an interest. The Welsh Church Fund must ensure that grants allocated were in full compliance with the Authority's standing orders and that grants were made with proper consideration of declarations of such interests.

During the financial year, members who declared an interest did not take part in any discussion or decision relating to grants made or works or services commissioned. Details of all interests declared are recorded in minutes or relevant meetings and recorded in the Register of Members' Interest, open to public inspection at County Hall, Usk.

There are outstanding balances for expenditure of £4,455 with Monmouthshire County Council. The Trust also held a £300,000 investment fund balance with Monmouthshire County Council at the year-end.

**15 Trustee's Expenses, Remuneration and Benefits**

No Expenses, Remuneration or Benefits were incurred during the year of account

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**Monmouthshire Farm School Endowment  
Trust Fund**

**Annual report  
for the year ended 31 March 2021**

Registered Charity Number: 525649

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for the year ended 31st March 2020**

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**Monmouthshire Farm School Endowment Trust Fund  
Annual report for the year ended 31st March 2021**

**Trustees, officers and advisers**

**Trustees**

R Edwards  
Monmouthshire County Council

P Murphy  
Monmouthshire County Council  
Commenced during year.

A Easson  
Monmouthshire County Council

D W.H Jones  
Monmouthshire County Council

B Thomas  
Blaenau Gwent County Borough Council

Dr W O C Symondson  
University of Wales College Cardiff

D Yeowell  
Torfaen County Borough Council  
Left during year

Professor J D Hayes  
University College Wales Aberystwth

Helen Morgan  
Director Usk Campus – Coleg Gwent  
Commenced during year

D Havard  
Caerphilly County Borough Council

M Feakins  
Mounmouthshire County Council

B Jones  
Monmouthshire County Council  
Commenced in year.

**Secretary**

Matthew Phillips  
Head of Legal Services  
Monmouthshire County Council

**Registered Office**

County Hall, The Rhadyr, Usk, NP15 1GA

**Auditors**

Audit Wales, 24 Cathedral Road, Cardiff, CF11 9LJ

**Solicitors**

Matthew Phillips,  
Head of Legal Services  
Monmouthshire County Council

**Investment custodian**

Monmouthshire County Council

**Bankers**

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

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2021**

**Report of the Trustees for the year ended 31st March 2021**

The Trustees presents their annual report and the independently examined financial statements for the year ended 31 March 2021 of The Monmouthshire Farm School Endowment Trust Fund. The information with respect to the Trustees, officers and advisors set out on page 1 forms part of this report. The financial statements have been prepared in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and Charity Act 2011. The financial statements comply with the Charity's trust deed.

**Status and administration**

The Charity is governed by the 1959 Principal Scheme as amended by the Altering Scheme of 1971, although the governing body may rightly claim a history stretching back to 1894. The Fund is registered with the Charity Commission under charity number 525649. The trustees also have regard to the Charity Commission's guidance on public benefit.

**Objects**

The primary object of the Charity, as stated in its governing document, is to make awards to students in need of assistance to attend Usk Agricultural College, or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects. The governing body can use its discretion to apply any unawarded income to provide funding towards the cost of facilities or amenities at Usk College which would benefit these students. The grants awarded have allowed the beneficiaries to pursue land based courses to enhance career opportunities. The area of benefit is clearly defined; household income is a consideration when making the award. The total grant awards were £14,678.

**Review of activities and future developments**

The statement of financial activities for the year is set out on page 5 of the financial statements. A summary of the financial results and the work of the Charity are set out below.

The Fund has increased in value by £26,021 (£30,746 decrease in 2019/20) over the financial year as a result of incoming resources (including income from investments and income from the Roger Edwards Educational Trust) being outweighed by outgoing resources.

Income consists of interest on investment stock and cash held of £26,510 (£26,508 in 2019/20), and £0 (£0 2019/20) in respect of the annual payment from the Roger Edwards Educational Trust. Expenditure of £16,401 (£29,063 in 2019/20) primarily comprised of grants payable of £14,678 (£26,517 in 2019/20) in line with the Charity's objects. Unrealised investment gain of £15,912 (£28,191 loss in 2019/20) was made in relation to investments held.

The current strategy is to ensure that there are sufficient funds to meet the needs of beneficiaries. This income generation forms the main basis of the following year's grant allocations to ensure continuity and non-degradation of the fund's capital assets and to perpetuate the charity as a going concern.

**Investment powers, policy and performance**

Under the terms of the Trust Deed, the Trustees have general powers of investment, subject to the provisions of the Trustee Act 2000. The Trustees has reviewed their investment strategy and produced an investment and fund strategy for 2019/20 which was approved by Monmouthshire County Council in its capacity as Trust administrator on 5<sup>th</sup> March 2020. Investments are strategically placed in low-risk investments. Investment performance is reviewed periodically in light of prevailing economic changes.



## **Monmouthshire Farm School Endowment Trust Fund Annual report for the year ended 31st March 2021**

### **Grant making policy**

Grants are made in pursuance of the Charity's objectives in assisting students in need to attend Usk Agricultural College, or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects.

### **Changes in fixed assets**

The movements in fixed asset investments during the year are set out in note 7 to the financial statements.

### **Reserves**

The Fund consists primarily of the sale proceeds of the Former Monmouthshire Farm School by the governing body of the school to Monmouthshire County Council. The fund has received an annual payment from The Roger Edwards Educational Trust (Charity Number 525638) equivalent to two thirds of the annual investment and rental income accrued to the Trust.

The Trust has reviewed its fund strategy and produced an investment and fund strategy for 2018-19 which states that it is the Trust's policy to maintain funds at approximately the current level and utilise the annual income received to fund its charitable expenditure. This was approved by Cabinet on the 5<sup>th</sup> March 2020.

### **Governance of the Charity**

Representative Trustees appointed by Monmouthshire County Council have a term of office equivalent to the term of a County Council (five years); the other representative Trustees have a term of office of three years and the co-opted Trustees have a term of office of five years. County Council Trustees are elected to the board of Trustees. Trustees that represent other organisations are internally appointed. The Trustees are listed on page 1.

### **Risk management**

Monmouthshire County Council as appointed administrator of the Trust Fund periodically review the major risks to which the Charity is exposed as part of the Authority's overall risk management processes. The Roger Edwards Educational Trust has historically provided significant income to this trust to be used for the distribution of grants. This income is received after the independent examination of the accounts and therefore this is usually late in the financial year. A risk assessment policy was approved by Cabinet on 5th March 2019.

### **Independent examiners**

The Audit Wales are the appointed independent examiners to the Charity.

### **Trustees' responsibilities**

The Trustees are required by charity law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Charity and of the net incoming/outgoing resources of the Charity as at the end of the financial year.

The Trustees confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st March 2021. The Trustees also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for the year ended 31st March 2021**

financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**By order of the Trustees**

Trustee:

Date: 19<sup>th</sup> July 2021

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2021**

**Report of the independent examiner to the trustees of**  
**Monmouthshire Farm School Endowment Trust Fund**

I report on the financial statements of Monmouthshire Farm School Endowment Trust Fund for the year ended 31<sup>st</sup> March 2021, which are set out on pages 5 to 10.

**Responsibilities and basis of report**

As the charity's trustees, you are responsible for the preparation of the financial statements in accordance with the requirements of the Charities Act 2011 (the Act). You are satisfied that the accounts are not required to be audited by charity law and have chosen instead to have an independent examination.

I report in respect of my examination of your charity's financial statements as carried out under section 145 of the Act; In carrying out my examination I have followed the Directions given by the Charity Commission under section 145(5) (b) of the Act.

An independent examination does not involve gathering all the evidence that would be required in an audit and consequently does not cover all the matters that an auditor considers in giving their opinion on the financial statements. The planning and conduct of an audit goes beyond the limited assurance that an independent examination can provide. Consequently I express no opinion as to whether the accounts present a 'true and fair' view and my report is limited to those specific matters set out in the independent examiner's statement.

**Independent examiner's statement**

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe:

- accounting records were not kept as required by section 130 of the Act; or
- the accounts do not accord with those records; or
- the accounts do not comply with the applicable requirements concerning the form and content set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view which is not a matter considered as part of an independent examination; or
- the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the financial statements to be reached.

Auditor General for Wales  
Date:

24 Cathedral Road  
Cardiff CF11 9LJ

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2021**

**Statement of financial activities (Sofa) for the year ended 31st March 2021**

	Notes	2021 Unrestricted Funds £	2020 Unrestricted Funds £
<b>Income &amp; Endowments from:</b>			
Investment income	2	26,510	26,508
Other incoming resources (REET)		0	0
<b>Total income &amp; Endowments</b>		<b>26,510</b>	<b>26,508</b>
<b>Resources Expended</b>			
<b>Charitable expenditure</b>			
Costs of activities in furtherance of the Charity's objects			
Expenditure on charitable activities	3	14,678	26,517
Other expenditure	3 & 4	1,723	2,546
<b>Total Resources expended</b>		<b>16,401</b>	<b>29,063</b>
Gains/(losses) on investment assets	5	15,912	(28,191)
<b>Net Income / (Expenditure)</b>		<b>26,021</b>	<b>(30,746)</b>
<b>Net movement in funds</b>			
Fund balances brought forward 1 April 2020		<b>627,904</b>	658,650
<b>Fund balances carried forward 31 March 2020</b>		<b>653,925</b>	627,904

All incoming resources and resources expended are derived from continuing activities. There are no recognised gains or losses other than those disclosed above.

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2021**

**Balance Sheet as at 31 March 2021**

	Notes	2021 Unrestricted Funds £	2020 Unrestricted Funds £
<b>Fixed assets</b>			
Investments	7	<b>630,881</b>	614,968
		<b>630,881</b>	614,968
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	<b>1,587</b>	245
Cash at bank and in hand		<b>23,761</b>	16,615
		<b>25,348</b>	16,860
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	9	<b>2,303</b>	3,924
<b>Net current assets</b>		<b>23,045</b>	12,936
<b>Net assets</b>		<b>653,925</b>	627,904
<b>The Funds of the Charity:</b>			
Unrestricted Funds	10	<b>653,925</b>	627,904
<b>Total Charity funds</b>		<b>653,925</b>	627,904

The financial were approved by the Trustees on 19<sup>th</sup> July 2021 and signed on their behalf by:

Trustee:

Date: 19<sup>th</sup> July 2021

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for the year ended 31st March 2021**

**Notes to the financial statements for the year ended 31<sup>st</sup> March  
2021**

**1 Principal accounting policies**

**Basis of accounting**

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic (FRS 102) and Charity Act 2011.

The trust constitutes a public benefit entity as defined by FRS 102. The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

**Resources expended**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

**Incoming Resources**

All income received is accounted for on a receivable basis and has been classified under the appropriate categories. The income from the Roger Edwards Educational Trust is an estimate of the income to be received for the year.

**Grants payable**

Grants payable are accounted for in full as liabilities of the Charity when approved by the Trustees and accepted by the beneficiaries.

**Management and administration**

Monmouthshire County Council administer the Trust Fund on behalf of the Trustees. Management and administration costs include expenditure on administration of the Charity and compliance with constitutional and statutory requirements, and an appropriate apportionment of support service recharges and overhead apportionments. The basis of the apportionment is a fixed fee agreed with the Trustees of £200 per year.

**Debtors/ Creditors**

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**Irrecoverable VAT**

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

**Recognition of liabilities**

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

## **Monmouthshire Farm School Endowment Trust Fund Annual report for the year ended 31st March 2021**

### **Fund accounting**

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity. Investment income and gains are allocated to the appropriate fund.

### **Investments**

Investments are included at market value at the balance sheet date. Any realised and unrealised gains and losses on revaluation or disposals are combined in the statement of financial activities.

### **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 Trust about the future or that are otherwise uncertain. Estimates have been 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 Trust's Balance Sheet at 31st March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### **The revaluation of investment property and property funds**

Valuation techniques are used to determine the carrying amount of pooled property funds and investment property. Market activity is being impacted in many sectors by Covid-19. At the March 2020 reporting date, property fund managers and property investment valuers consider that they can attach less weight to previous market evidence for comparison purposes. They are faced with an unprecedented set of circumstances upon which to case a judgement. The fall in transactions and lack of clarity on pricing means that all major industry valuers have now added Material Uncertainty clauses to their property fund and investment property valuations.

Changes in the valuation assumptions used, together with significant changes in rental growth could affect (increase or decrease) the fair value of property-based investments. Indicative net asset statements for property funds are subject to uncertainty at the reporting date and the valuation for pooled property funds and investment property is less reliable than usual. As the investments are held on a long-term strategy basis, the fund does not foresee any long-term negative effect in the generation of future income streams. A retrospective valuation was undertaken post year-end due to Covid-19 and Furlough considerations at the year-end date.

### **Transition to FRS 102**

The opening fund position at the date of transition has not been restated and no subsequent restatement of items has been required in making the transition to FRS 102. The transition date was 1 April 2016.

### **Cash flow statement**

The charity has taken exemption from preparing a cash flow under Charities SORP FRS 102 Update Bulletin 1.

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2021**

**2 Investment income**

	2021	2020
	£	£
Interest on cash balances	181	87
Interest on Investments	26,329	26,421
	<b>26,510</b>	26,508

**3 Expenditure on Charitable Activities**

	2021	2020
	£	£
Grants payable	14,678	26,517
Management & administration	1,723	2,546
	<b>16,401</b>	29,063

Grants payable comprise numerous payments to individual students in respect of full time and part-time courses attended. It is not possible to provide further details due to restrictions of confidentiality.

**4 Governance Costs**

	2021	2020
	£	£
Net incoming resources is stated after charging:		
Auditor's remuneration	1,458	1,762
	<b>1,458</b>	1,762

No indemnity insurance for Trustees liability has been purchased by the Charity. Though no specific indemnity insurance has been purchased by the Charity, the Fund is covered by Monmouthshire County Council's fidelity guarantee insurance. Insurance covers financial losses incurred as a result of fraudulent acts conducted by Authority employees but does not cover the Trustees for any wrong decisions that may have been made. Governance costs have decreased during the year as a result of the Public Audit Wales Act and in particular the duty placed on the Wales Audit Office to ensure full cost recovery in its audit fees. The audit fee is included in the management and administration spend as per note 3.

**5 Gains and losses on revaluation and disposal of investment assets**

Market Value	Market Value	Gain/(Loss)
2020	2021	



**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2021**

	£	£	£
Charibond	235,745	235,269	(476)
OEIC	159,116	177,442	18,326
COIF	220,107	218,170	(1,937)
<b>Total</b>	<b>614,968</b>	<b>630,881</b>	<b>15,912</b>

## 6 Taxation

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Charity falls with Monmouthshire County Council regulations for VAT, and therefore any liability is accounted for within Monmouthshire County Council.

## 7 Fixed asset investments

	Total £
Valuation at 1 April 2020	<b>614,968</b>
Purchase	
Net revaluation loss	<b>15,912</b>
<b>Valuation at 31 March 2021</b>	<b>630,881</b>

Fixed asset investments solely consist of the quoted investments. All investments are stated at their market value at 31st March 2020. The historical cost of the investments at 31st March 2019 was £639,000. All of the Charity's investments are quoted in the UK. The details of these are disclosed in the table below, being Charibond, COIF and OEIC Fund.

Investments with a market value greater than 5% of the total portfolio market value at 31st March 2021 are as follows:

	£	%
COIF	218,170	34,6%
Charibond	235,269	37,3%
OEIC Fund	177,442	28,1%

The percentage shown above is the percentage of the total portfolio market value as at 31<sup>st</sup> March 2020.

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2021**

**8 Debtors**

	<b>2021</b>	2020
	<b>£</b>	£
<b>Amounts falling due within one year</b>		
HM Revenue and Customs	245	245
	<b>245</b>	<b>245</b>

**9 Creditors**

	<b>2021</b>	2020
	<b>£</b>	£
<b>Amounts falling due within one year</b>		
Accruals and deferred income	<b>2,303</b>	3,924
	<b>2,303</b>	<b>3,924</b>

The amounts owed relate to audit fees and payments to Monmouthshire County Council to administer the trust.

**10 Unrestricted Funds**

	Balance 1 April 2020	Incoming resources	Resources Expended	Investment Gain/(Loss)	<b>Balance 31 March 2020</b>
	£	£	£	£	£
Permanent endowed funds	627,904	26,510	16,401	15,912	953,925

**11 Related party transactions**

No remuneration directly or indirectly out of the funds of the Charity was paid or payable for the year to any trustees. Payments have been made to Monmouthshire County Council respect of management and administration expenses.

Charity Registration No: 523661

**Llanelly Hill Social Welfare Centre Trust Fund**  
**Statement of financial activities for the year ended 31<sup>st</sup>**  
**March 2021**

	2021	2020
	£	£
<hr/>		
<i>Incoming resources</i>		
Income Generated By Management Committee	978	4,367
Contribution from Monmouthshire County Council	2,004	8,333
<b>Total incoming resources</b>	<b>2,982</b>	<b>12,700</b>
<hr/>		
<b>Charitable expenditure:</b>		
Costs of activities in furtherance of the Charity's objects		
Management and Maintenance	2,982	12,700
<b>Total resources expended</b>	<b>2,982</b>	<b>12,700</b>
<b>Net Gain / (Loss) before transfers</b>	<b>0</b>	<b>0</b>
<b>Net incoming resources before fixed asset revaluations</b>	<b>0</b>	<b>0</b>
Gains/(losses) on the revaluation of fixed assets	0	0
<b>Net movement in funds</b>	<b>0</b>	<b>0</b>
Fund balances brought forward 1 April	68,050	68,050
<b>Fund balances carried forward 31 March</b>	<b>68,050</b>	<b>68,050</b>

Charity Registration No: 523661

**Llanelly Hill Social Welfare Centre Trust Fund**  
**Balance Sheet at 31st March 2021**

	2021	2020
	£	£
<b>Fixed assets</b>		
Building and Land	65,000	65,000
	<b>65,000</b>	65,000
<b>Current assets</b>		
Debtors: amounts falling due within one year	63,711	61,707
Creditors: amounts falling due within one year	60,662	58,658
<b>Net current Liabilities</b>	3,050	3,050
<b>Total assets less current liabilities</b>	<b>0</b>	<b>0</b>
<b>Net assets</b>	<b>68,050</b>	68,050
<b>Reserves:</b>		
Endowment capital	68,050	68,050
<b>Total funds</b>	<b>68,050</b>	68,050

## Audit Wales Work Programme and Timetable – Monmouthshire County Council

Quarterly Update: 30 June 2021

### Financial Audit work

Description	Scope	Timetable	Status
<b>Audit of the Council's 2020-21 statement of accounts</b>	Statutory audit of the Council's annual statement of accounts.	Audit currently scheduled for July to October 2021 (with draft accounts expected by mid-July).	Ongoing.
<b>Audit of the Monmouthshire County Council Welsh Church Act Fund's 2020-21 accounts</b>	External audit of the Fund's annual accounts.	Audit currently scheduled for October to December 2021.	Not yet started.
<b>Independent examination of the Monmouthshire Farm School Endowment Trust Fund's 2020-21 accounts</b>	External independent examination of the Fund's annual accounts.	Independent examination currently scheduled for October to December 2021.	Not yet started.
<b>Certification of Grants Claims and Returns</b>	Certify each claim according to Certifying Instructions agreed with the awarding body.	October to December 2021.	Not yet started.



## Performance Audit work

2019-20 Performance Audit Work	Scope	Timetable	Status
<b>Waste and recycling service procurement review</b>	This review considers whether the Council has a sustainable plan to manage its waste and whether the Council is building in all relevant and reasonable considerations into its procurement arrangements to ensure that its waste and recycling contracts contribute to a sustainable service.	Summary of findings to be issued Summer 2021.	Ongoing.
<b>Shared Resource Service (SRS) collaboration follow-on review</b>	This review will seek to identify ways to strengthen the SRS collaboration to ensure it is sustainably delivering an effective, efficient and economic provision within this dynamic environment, for now and for the future, for its partners both individually and collectively.	Summary of findings to be issued to SRS partners Summer 2021.	Fieldwork completed.

2020-21 Performance audit work	Scope	Timetable	Status
<b>Financial Sustainability</b>	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.	Final report to be issued July 2021.  National Summary Report due to be published August 2021.	Draft report going through clearance.
<b>Homelessness</b>	This review will consider how the Council has responded to increased demand for its homelessness services over the past year and its plans to develop	Planned for Summer and Autumn of 2021.	Project scoping

a sustainable and effective model for the future.

2021-22 Performance audit work	Scope	Timetable	Status
<p><b>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</b></p>	<p>We will seek to integrate the delivery of our WFG examinations of steps to deliver wellbeing objectives with our other audit work. We will discuss this with the council as we scope and deliver the audit projects listed in this plan.</p> <p>As and when the Council decides to reset its wellbeing objectives, we are also obliged to review how the Council has applied the sustainable development principle in doing so.</p>	<p>N/A</p>	<p>N/A</p>
<p><b>Improvement reporting audit</b></p>	<p>Audit of discharge of duty to publish an assessment of performance.</p>	<p>October- November 2021</p>	<p>Not yet started.</p>
<p><b>Assurance and Risk Assessment</b></p>	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</p> <p>At Monmouthshire County Council, the project is likely to focus on:</p> <ul style="list-style-type: none"> <li>• financial position;</li> <li>• self-assessment arrangements;</li> <li>• recovery planning;</li> <li>• implications of the Local Government and Elections (Wales) Act, and</li> <li>• carbon reduction plans.</li> </ul>	<p>June 2021- April 2022</p>	<p>In progress.</p>



<b>Springing Forward – Examining the building blocks for a sustainable future</b>	As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.	Planned for Autumn 2021 onwards – to be confirmed following scoping.	Project scoping
<b>Local risk-based projects</b>	Options for local risk-based work were presented to Council SLT in early 2021.  The 2021-22 Audit plan included this work as TBC and we agreed with officers that we would conclude our local risk-based projects still in progress from previous years before agreeing the scope of any new projects.	TBC	Not yet commenced

### Local government national studies planned / in progress

<b>Study</b>	<b>Scope</b>	<b>Timetable</b>	<b>Status</b>	<b>Fieldwork planned at Monmouthshire County Council</b>
<b>Town Centre Regeneration</b>	Review of how local authorities and their partners are addressing town centre regeneration	Publication September 2020	Drafting	N/A
<b>Direct Payments</b>	Review of how local authorities manage and promote the use of Direct payments	Publication Autumn 2021	Fieldwork complete; survey of recipients and providers currently underway	No – work being delivered via Direct Payment Forum and a selection of follow up interviews

<b>Emergency Services</b>	Review of how well emergency services (blue light) collaborate	Publication Autumn 2021	Fieldwork until end of July	No
<b>Follow up on People Sleeping Rough</b>	Review of how local authorities responded to the needs of people sleeping rough during the pandemic following up on the AGWs report of July 2020	TBC	Project set up	No – work being delivered via Homelessness and Supporting People Forum
<b>Poverty</b>	Understanding how local authorities ensure they deliver their services to minimise or reduce poverty.	TBC	Project set up	TBC
<b>Social Enterprises</b>	Review of how local authorities are supporting and utilising social enterprises to deliver services	TBC	Project set up	TBC
<b>Community Resilience</b>	Review of how local authorities can build greater resilience in communities	TBC	Project set up	TBC

## Estyn

Estyn planned work 2021-22	Scope	Timetable	Status
<b>Local Government Education Services Inspections</b>	Estyn have worked closely with Directors of Education to review their inspection guidance for local government education services to reflect the experiences of the pandemic. The updated guidance (published on 1 July) will be piloted on the first inspection and feedback will be sought on whether any further refinements need to be made.	LGES inspections to resume from late Autumn term	N/A
<b>Curriculum Reform thematic review</b>	Regional consortia and local authority support for curriculum reform.	Evidence collecting in Sept/Oct - publish in early February	N/A

## Care Inspectorate Wales (CIW)

CIW planned work 2021-22	Scope	Timetable	Status
<b>Assurance</b>	CIW will be completing its work on Assurance Checks including publication of a national overview report.	July – September 2021	In progress

<b>National review</b>	Support for disabled children and their families.	tbc	In progress - Drafting report
<b>Follow-up</b>	CIW will be following up on areas for improvement identified in the Assurance Checks or through risk based inspection activity with individual local authorities where necessary.	tbc	Not yet started
<b>Inspection</b>	Risk based inspection activity will continue where required.	tbc	No inspections are scheduled at this time

## Audit Wales national reports and other outputs published since 1 April 2021

Report title	Publication date and link to report
<b>NHS finances data-tool 2020-21</b>	<a href="#">June 2021</a>
<b>Rollout of the COVID-19 vaccination programme in Wales</b>	<a href="#">June 2021</a>
<b>Quality governance arrangements at Cwm Taf UHB – follow up</b>	<a href="#">May 2021</a>
<b>Welsh Health Specialised Services Committee governance arrangements</b>	<a href="#">May 2021</a>
<b>At your Discretion - Local Government Discretionary Services</b>	<a href="#">April 2021</a>
<b>Procuring and Supplying PPE for the COVID-19 Pandemic</b>	<a href="#">April 2021</a>

## Audit Wales National reports and other outputs due to be published during 2021-22 (and other work in progress/planned)<sup>1</sup>

Title	Anticipated publication date
NHS waiting times data-tool	July 2021
Supporting NHS staff well-being	August 2021
Administration of student finance	August 2021
Care home commissioning	August 2021
Picture of Public Services	September 2021
Warm Homes Programme	September 2021
Welsh Government accounts commentary	Autumn 2021
Welsh Government workforce	Autumn 2021
Orthopaedic services	Autumn 2021
Unscheduled care	Autumn 2021
Collaborative arrangements for managing local public health resources	Autumn 2021
Welsh Government setting of well-being objectives	Autumn 2021

<sup>1</sup> We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. This includes maintaining some flexibility so that we can respond to developments in Welsh Government policy and areas of possible interest for a new Public Accounts Committee following the Senedd elections.

Curriculum reform	Winter 2021
COVID response & recovery / Welsh Government grants management	TBC
Equality impact assessment	TBC
Climate change – baseline review	TBC
NHS structured assessment 2021 summary commentary	TBC
Affordable housing	TBC
Broadband infrastructure	TBC
Flood risk management	TBC

## Forthcoming Good Practice Exchange events and publications

Title	Anticipated publication/event date
Town Centre Regeneration	September 2 <sup>nd</sup> 2021
The Good Practice Exchange Team are currently in the process of finalising the programme of events for the remainder of 2021/ 2022. Once finalised, our key contacts across local authorities will be notified and details of those events and how to register will be available on our website. Please keep a look out for an email update over the coming weeks'	N/A

## Governance and Audit Committee Forward Planner

29th July 2021				
29.07.21	Audit Wales Proposals for Improvement Progress	To provide an update on the authority's progress against the Audit Wales Proposals for Improvement issued to the Council.		Richard Jones
29.07.21	MCC Draft Accounts			Jon Davies
29.07.21	Audit Plan - Welsh Church Accounts			Audit Wales
29.07.21	Internal Audit Outturn report 2020/21			Andrew Wathan
29.07.21	Internal Audit Plan 2021/22			Andrew Wathan
29.07.21	Draft Statement of Accounts 2020/21 - Charitable Trust Funds			Jon Davies/Dave Jarrett/Nikki Wellington
29.07.21	Programme of local and national planned work			Audit Wales

<b>2ND SEPT 2021</b>				
02.09.21	Review of reserves and revised reserves and capital receipts policy			Jon Davies
02.09.21	Internal Audit Progress report - quarter 1	This is a regular quarterly report which identified the performance of the IA team along with how well it is progressing against the agreed plan and the level of assurance it gives by way of opinions issued to service areas.		Andrew Wathan
<b>7TH OCT 2021</b>				
07.10.21	Audited Statement of Accounts			Peter Davies
07.10.21	ISA260 Response to Accounts			Audit Wales/Peter Davies
07.10.21	Anti bribery risk assessment			Peter Davies
07.10.21	Treasury Outturn report			Jon Davies
07.10.21	Mid Year Treasury Report	A mid year update to Members on the Authority's Treasury Management activities in the first 6 months of the year. The report will compare key measures in the first half of 20/21 to levels budgeted or forecast in the 2020/21 Treasury Strategy. As the Prudential code now covers non- treasury investments, the half year report will do also at a high level. Any recommendations due to variances or observations will be included.	All Wards	Jon Davies



07.10.21	Implementation of Internal Audit Agreed Recommendations			Andrew Wathan
07.10.21	Overview of Performance Management arrangements	To present an update on the current effectiveness of the Authority's performance management arrangements	Not Applicable	Performance Manager
<b>25TH NOV 2021</b>				
25.11.21	Audit Committee Self Evaluation - Verbal update			Andrew Wathan
25.11.21	Update on unfavourable Internal Audit Opinions			Andrew Wathan
25.11.21	Audit Wales Certificate of Compliance for the Audit of Monmouthshire County Councils Assessment of performance for 2020/1			Performance Manager/Audit Wales
25.11.21	Audited Trust fund Accounts (Welsh Church Fund/Mon Farms)	Annual Report and Financial Statements for the year ended the 31 March 2021	Not Applicable	Dave Jarrett/Nikki Wellington
25.11.21	ISA 260 or equivalent for Trust Funds			Audit Wales
25.11.21	Internal Audit Progress report - quarter 2	This is a regular quarterly report which identified the performance of the IA team along with how well it is progressing against the agreed plan and the level of assurance it gives by way of opinions issued to service areas.		Andrew Wathan
25.11.21	Review of the Strategic Risk Register-6 monthly			Emma Davies

<b>13TH JAN 2022</b>				
13.01.21	Treasury Policy and Strategy report 2022-3	This suite of documents includes the Treasury Policy, The Treasury Management Strategy, the Minimum Revenue Provision Policy & the Investment and Borrowing strategies for 2023/4. If approved the targets and limits included will be used to guide and control the management of the Authority's treasury activities for the year and also non treasury Investment activity.	All Wards	Jon Davies
13.01.22	Recovery Planning - Assurance & Risk Assessment Feedback Letter			Audit Wales
<b>17TH FEB 2022</b>				
17.02.22	WAO Annual Audit Summary			Audit Wales/Emma Davies
17.02.22	Whole Authority annual complaints report		All wards	Annette Evans
17.02.22	Internal Audit Progress report - quarter 3	This is a regular quarterly report which identified the performance of the IA team along with how well it is progressing against the agreed plan and the level of assurance it gives by way of opinions issued to service areas.		Andrew Wathan
<b>31ST MAR 2022</b>				
31.03.22	Whole Authority Strategic Risk Assessment	To provide Audit Committee with an overview of the current strategic risks facing the authority in the Whole Authority Strategic Risk Assessment.		Richard Jones

31.03.22	Annual Performance Review of Investment Committee			Deb Hill-Howells
31.03.22	6 month update on unfavourable opinions - Internal Audit	At the conclusion of Internal Audit jobs an opinion on the adequacy of the internal control environment, governance and risk management processes is given. This report provides Audit Committee with an update of how services are progressing in order to demonstrate improvements		Andrew Wathan
31.03.22	Annual Audit 22-23			Audit Wales
<b>May-22</b>				
	Annual Grants report			Audit Wales
	annual governance statement review 2020-1			Andrew Wathan

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# Public Document Pack Agenda Item 13

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held  
at County Hall, Usk - Remote Attendance on Thursday, 1st July, 2021 at 2.00 pm

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

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

### OFFICERS IN ATTENDANCE:

Andrew Wathan	Chief Internal Auditor
Peter Davies	Deputy Chief Executive and Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Gareth Lucey	Wales Audit Officer
Richard Jones	Performance Manager
Jonathan Davies	Acting Assistant Head of Finance
Sian Hayward	Digital and Technology Manager

### APOLOGIES:

County Councillors P. Jordan

#### 1. Election of Chair

Mr. P. White was elected as Chair

#### 2. Appointment of Vice Chair

County Councillor J. Higginson was appointed as Vice Chair.

#### 3. Declarations of Interest

No declarations of interest were made.

#### Local Government and Elections (Wales) Act 2021

The Chair, at this point, took the opportunity to request some information on the changes arising from the Local Government and Elections (Wales) Act 2021. The Chief Internal Auditor and Chief Officer, Resources/Deputy Chief Executive provided an update on the new legislation and how it impacts on the Governance and Audit Committee, as follows:

- The Committee is renamed as Governance and Audit Committee.
- There is a new requirement for a higher proportion of Lay Members to join the Committee, constituting one third of the total membership effective from May 2022. The recruitment process for Lay Members will commence in 2021/22. Working with the Chair and Members of the Governance and Audit Committee it is proposed they join the Committee early to gain experience prior to officially starting in May 2022.
- The Chair must be a Lay Member. A Deputy Chair must be appointed (not required to be a Lay Member)

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of Governance and Audit Committee held at County Hall, Usk - Remote Attendance on Thursday, 1st July, 2021 at 2.00 pm**

- There is a requirement to scrutinise the authority's Governance and Performance arrangements and to consider a performance self-assessment report which would be set up in 2021/22 for May 2022. This will take the form of a panel performance assessment.
- The Governance and Audit Committee will review and accept Complaints handling procedures, will receive reports and make recommendations on the authority's ability to handle complaints effectively.

It was added that the terms of reference for the Committee will be reviewed to reflect the changes and the Committee will have the opportunity to discuss any proposals.

In response to questions, it was confirmed that currently there must be at least one Lay Member but there can be more. The new requirement is that the membership includes one third Lay Members from May 2022. This equates to four Lay Members (includes the Chair).

The Chair indicated that the new legislation will require a more proactive role for the Committee Chair.

#### **4. Public Open Forum**

No members of the public were present.

#### **5. To note the Action List from the previous meeting**

- Audit Plan 2020/21 - Identify efficiencies available due to familiarity with the Welsh Church Fund audit accounts. Report back to the County Councillor B. Strong: It was confirmed that a response was sent from Audit Wales on 27<sup>th</sup> April 2021 that was forwarded to Committee Members. Councillor Strong confirmed that the response provided satisfied his queries.

#### **6. Audit Committee Annual Report 2020/21**

The Chair presented the Audit Committee Annual Report for 2020/21 making particular reference to the Committee continuing to operate throughout the pandemic.

Members commented that it was a comprehensive report and commended the Chair's efforts in compiling the report reflecting the work carried out by the Committee well.

The report was accepted and will be presented to County Council at a future meeting.

#### **7. Annual Grants Report - Audit Wales 2019/20**

The Annual Grants Report 2019/20 was introduced by the Audit Wales Officer.  
It was highlighted that:

- there were fewer claims and returns certified this year in comparison to previous years. This is due to the removal of the certification requirement for grants paid to local authorities from 2019/20 onwards by the Welsh Government.
- The main findings include £55,000 of amendments from grants of approximately £50million which represents a small proportion.
- No major concerns were noted during the year
- Details of Audit Wales fees are included. The cost has remained relatively constant and costs reflect work arising e.g. from a sample in relation to the Housing Benefit return from which no significant issue was identified.

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Governance and Audit Committee held at County Hall, Usk - Remote Attendance on Thursday, 1st July, 2021 at 2.00 pm

- An estimate of fees of £40,000 is included for grant certification work for 2021.

The co-operation of the authority's officers, particularly Finance colleagues was welcomed.

Following presentation of the report, Members were invited to comment.

A Member expressed concern that the Teachers' Pensions return was four months late. Assurance was provided that the delay didn't impede Audit Wales work in this respect due to work being carried out on the accounts until September. The claim was submitted within the deadline but was not submitted to Audit Wales until later. Consequently there were no implications for the authority.

The Committee noted and commented upon the report as appropriate.

#### **8. CPR Exemption Update**

The Chief Internal Auditor presented the Contract Procedure Rules(CPR) Exemption update to make certain that the correct contract procedure process and authorisation is being applied when goods and services are procured. In circumstances when this is not possible an exemption procedure has been established to ensure appropriate authorisation.

This would normally be a six-monthly report but due to the pandemic, the report covers 18 months (June 2019- October 2020).

There is no recommendation to request any managers to attend Governance and Audit Committee due to frequent use of exemption procedures or specific non-compliance.

There were 11 requests for CPR exemption from June 2019 to October 2019 of which 8 were returned to Internal Audit correctly authorised, with 3 not returned. From November 2019 to May 2020, there were 9 requested exemptions, 7 were returned correctly authorised and 2 not returned and from June 2020 to October 2020 there were 12 requested exemptions, 7 returned correctly authorised, 1 incorrectly authorised and 4 not returned.

Of those requests not returned, feedback from service managers has been sought but can relate to not proceeding with a purchase or an alternative strategy being utilised. Of the requests received, no concerning trends were detected.

Following presentation of the report, comments and questions were invited.

Members referred to a recurring comment from previous reports that managers were not using the correct forms or not following the procedure properly and asked if this aspect was being addressed. It was explained that these points have been brought to the attention of Chief Officers to cascade to Heads of Service and Senior Managers. Providing perspective, the Committee was assured that the numbers of requests are low and consequently those requiring improvement reflect no significant issue. Training on the new Contract Procedure Rules is being arranged by Internal Audit with the Procurement Manager to raise awareness of the rules and the exemption process to be available this financial year.

It was noted that the authority has invested in working with Cardiff City Council to strengthen its Procurement Team.

The recommendations were approved:

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Governance and Audit Committee held at County Hall, Usk - Remote Attendance on Thursday, 1st July, 2021 at 2.00 pm

1. That the Governance and Audit Committee accepts and acknowledges the justifications for the exemptions provided by operational officers.
2. The justifications are accepted, so no requirement to call 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 Governance and Audit Committee receive an updated report in 6 months' time to include any further responses obtained by the Chief Internal Auditor.

#### **9. Annual Governance Statement (plus statement review of progress 2020/21)**

The Chief Internal Auditor presented the report on the Annual Governance Statement for 2021. Following presentation of the report, comments and questions were invited from Committee Members.

A Member complimented officers on their advice and work.

In response to a question, the Chief Internal Auditor agreed to investigate the current situation regarding circulation of information to Members, and to seek details of ward meetings.

As per the report recommendations the Governance and Audit Committee contributed to the appropriateness and content of the draft AGS 2020/21 and subsequently endorsed it.

#### **10. Information Breaches and Data Protection**

The Head of Digital Services presented the regular six-monthly report on Information Breaches and Data Protection. Comments and Questions were invited.

A Member queried if there was a connection between the 45 e.mail breaches and the statement in para 4.3 that some recorded data breaches were incurred by other organisations that contained MCC data. It was responded that recorded breaches sometimes occur when other organisations are using MCC information. It was explained that this can happen when there is joint working. As the wi-fi connection in the meeting was impaired, the Head of Digital was requested to circulate a brief response query to Committee Members.

Members scrutinized the report and requested any clarification of the information within it as necessary. Members were invited to discuss how to improve the layout of the statistics or the level of detail in order to make the data more useful and meaningful for the Committee.



## MONMOUTHSHIRE COUNTY COUNCIL

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#### 11. Forward Work Plan

It was resolved that the following reports would be brought forward to 29<sup>th</sup> July 2021 from 2<sup>nd</sup> September 2021:

- Internal Audit Outturn Plan 2021
- Internal Audit Plan for 2021/22

#### 12. To confirm minutes of the previous meeting

The minutes of the previous meeting were confirmed subject to the addition of Rachel Freitag, representing Audit Wales to those present.

#### 13. To confirm the date of the next meeting as 29th July 2021 at 2.00pm

#### 14. To consider whether to exclude the press and public from the meeting during consideration of the following items of business in accordance with Section 100A of the Local Government Act 1972, as amended, that it involves the information as defined in Paragraph 14 of Part 4 of Schedule 12A to the Act (proper officers view attached)

The Committee resolved to exclude the Press and Public from consideration of the next items.

#### 15. Audit Wales: Cyber Resilience in the Public Sector

The Committee received the report from Audit Wales on Cyber Resilience in the Public Sector for its information. The authority responded in the following item.

#### 16. Cyber Security

The Head of Digital Services presented a report on Cyber Security. Members were provided with the opportunity to ask questions following presentation of the report.

**Meeting ended at 3.50 pm**

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