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County Hall
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Usk
NP15 1GA

Wednesday, 8 February 2023

Notice of Meeting

Governance and Audit Committee

Thursday, 16th February, 2023 at 2.00 pm,
County Hall, Usk - Remote Attendance

Please note that a 30 minute pre-meeting will take place at 1.30pm for Committee Members and Audit Officers

AGENDA

Item No	Item	Pages
1.	Apologies for Absence	
2.	Declarations of Interest	
3.	Public Open Forum Governance and Audit Committee Public Open Forum Guidance Our Governance and Audit Committee meetings are live streamed and a link to the live stream will be available on the meeting page of the Monmouthshire County Council website If you would like to share your thoughts on any proposals being discussed by Select Committees, you can submit your representation via this form Please share your views by uploading a video or audio file (maximum of 4 minutes) or; Please submit a written representation (via Microsoft Word, maximum of 500 words) You will need to register for a My Monmouthshire account in order to submit the representation or use your log in, if you have registered previously. The deadline for submitting representations to the Council is 5pm three clear working days in advance of the meeting.	

If representations received exceed 30 minutes, a selection of these based on theme will be shared at the Governance and Audit Committee meeting. All representations received will be made available to councillors prior to the meeting.

The amount of time afforded to each member of the public to speak is at the chair's discretion, but to enable us to accommodate multiple speakers, we ask that contributions be no longer than 3 minutes.

If you would like to attend one of our meetings to speak under the Public Open Forum at the meeting, you will need to give three working days' notice by contacting wendybarnard3@monmouthshire.gov.uk

If you would like to suggest future topics for scrutiny by Governance and Audit Committee, please do so by emailing wendybarnard3@monmouthshire.gov.uk

4.	To note the Action List from the previous meeting	1 - 2
5.	2021/22 Monmouthshire County Council Statement of Accounts (Final)	3 - 116
6.	ISA260 Response to Accounts: Audit Wales	117 - 136
7.	2023/24 Capital Strategy and Treasury Strategy	137 - 194
8.	Assessment of Internal Audit Team Capacity and Resource	195 - 202
9.	Internal Audit Progress Report - Quarter 3	203 - 212
10.	To note the Governance and Audit Committee Forward Work Programme	213 - 216
11.	To approve the minutes of the previous meeting held on 26th January 2023	217 - 222
12.	To note the date of the next meeting as 30th March 2023 at 2.00pm	

Paul Matthews
Chief Executive

MONMOUTHSHIRE COUNTY COUNCIL
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

Andrew Blackmore	Lay Member
Colin Prosser	Lay Member
Martin Veale	Lay Member
Rhodri Guest	Lay Member
County Councillor Ian Chandler	Llantilio Green Party
County Councillor John Crook	Crossenny; Magor East Welsh Labour/Llafur Cymru with Undy;
County Councillor Tony Easson	Dewstow; Welsh Labour/Llafur Cymru
County Councillor Malcolm Lane	Mardy; Welsh Conservative Party
County Councillor Phil Murphy	Caerwent; Welsh Conservative Party
County Councillor Peter Strong	Rogiet; Welsh Labour/Llafur Cymru
County Councillor Laura Wright	Grofield; Welsh Labour/Llafur Cymru
County Councillor Tony Kear	Llanbadoc & Welsh Conservative Party Usk;

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Watch this meeting online

This meeting can be viewed online either live or following the meeting by visiting www.monmouthshire.gov.uk or by visiting our Youtube page by searching MonmouthshireCC.

Welsh Language

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

Aims and Values of Monmouthshire County Council

Our purpose

Building Sustainable and Resilient Communities

Objectives we are working towards

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

Our Values

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

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

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

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

Kindness: We will show kindness to all those we work with putting the importance of relationships and the connections we have with one another at the heart of all interactions.

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**Governance and Audit Committee Action List
24th November 2022**

Agenda Item:	Subject/ Meeting	Officer	Outcome	By	Action Status	Recommended to close Action Yes/No
1	Action List 14 th July 2022	Richard Jones/ Peter Davies	a) Outcome of Internal Audit's review of effectiveness/trends. b) Add Job title of lead officers, nature of authority's role and most appropriate scrutiny committee to list	a) TBC b) TBC	a) OPEN b) OPEN	a) No b) Yes
2	Statement of Accounts 8 th September 2022	Jonathan Davies/ Peter Davies	Amend the final version of the Statement of Accounts to reference significant occurrences nationally and globally and to explain abbreviations.	16 th February 2023	OPEN	Yes
3	2021/22 Welsh Church Fund /Monmouthshire Farm School Endowment Trust	Peter Davies/ Jon Davies/ Dave Jarrett	a) Consider disclosure of the types of grants awarded being published in the Welsh Church Fund accounts. b) next annual set of accounts (WCF) - trustees to provide an affirmation to the Governance and Audit Committee that grants have been made in accordance with the rules of the trust.	16 th February 2023	a) OPEN b) OPEN	a) Yes b) No
4.	Work Programme	Peter Davies	Review and reprioritise agenda items for February and March 2023 meetings to achieve better balance	16 th February 2023	OPEN	Yes
5	Excluded Item: Cyber security	a) John Pearson b) Andrew Wathan	a) Review arrangements for Members to access confidential agenda items b) Add to the forward work programme, the annual TCBC audit plan for the SRS, the annual audit	a) 16 th February 2023 b) TBC	a) OPEN b) OPEN	a) Yes b) No

			opinion, and any audit reports with an 'unsatisfactory' rating or equivalent to supplement the conclusions of the review of the adequacy of the TCBC audit function.			
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SUBJECT:	AUDITED STATEMENT OF ACCOUNTS 2021/22 - MONMOUTHSHIRE COUNTY COUNCIL
MEETING:	Governance & Audit Committee
DATE:	16th February 2023
DIVISIONS/WARD AFFECTED:	All

1. PURPOSE:

- 1.1. The purpose of this report is to provide the audited Statement of accounts for Monmouthshire County Council for 2021/22, subsequent to the audit process undertaken by Audit Wales, for approval by the Governance & Audit Committee, fulfilling their role in reviewing and scrutinising the Council's financial affairs.

2. RECOMMENDATIONS:

- 2.1. That the committee note that the accounts have been amended since the draft version was published to reflect the outcomes of the external audit process, and as noted within the Audit Wales ISA260 Audit of accounts report shown at **Appendix 2**.
- 2.2. That the Governance and Audit committee approve the final audited Monmouthshire County Council statement of accounts for 2021/22 as shown at **Appendix 1**.

3. KEY ISSUES

The Accounts closure process to date

- 3.1. Legislation in place requires the draft statement of accounts to be produced each year by 31st May following the financial year they relate to, with audited accounts to be published by 31st July.
- 3.2. The Council has historically had a good record of meeting its accounts closure deadlines but during the 2021/22 closure process the finance section continued to face considerable disruption as a result of the need to account for new grant initiatives and substantial unbudgeted grant income received by the Council during the final quarter of the 2021/22 financial year. With staff resources continuing to be under pressure in many of the service areas that provide key information for the statement of accounts, the primary focus of the finance teams was directed to ensuring the ongoing financial sustainability of the Council and reporting the budget outturn position in a timely and accurate manner.
- 3.3. As the above statutory deadlines are fixed, the Council was required to publish a notice highlighting that the accounts could not be prepared to these deadlines, and that they would be produced as soon as was reasonably possible.
- 3.4. Following recognition of the continuing pressures on Local Government, Welsh Government revised their expected timescales for Councils to complete draft accounts from 31st of May to 31st

of August 2022. The Council subsequently published draft accounts on the 8th of August 2022 and these were received by this committee at its meeting on the 8th of September 2022.

- 3.5. A public inspection period commenced from 25th August to 22nd September 2022 and no requests for further information or questions were received.
- 3.6. The external audit process has been ongoing since August 2022 with the expected timescale for completing the external audit and publishing final accounts being extended by the Welsh Government from 31st July to 30th November 2022, then again to 31st January 2023. This extension was largely due to a technical accounting issue arising on infrastructure assets affecting all councils in the United Kingdom.
- 3.7. Despite the best efforts of officers and Audit Wales colleagues it has not been possible to meet the revised 31st January deadline. From a Council perspective, the period has seen reduced finance team capacity and a change in personnel across many of the Council departments which are relied upon to respond to audit queries, and this has subsequently impacted on the ability to bring audit matters to a close.

National issues impacting the closure process

- 3.8. At a late stage in the audit process, the 2021/22 accounting requirements for infrastructure assets were retrospectively updated for all councils in the UK.
- 3.9. In December 2022 the CIPFA Code was updated to reflect that where a local authority replaces a component of an infrastructure asset, it must either determine that the replaced component has a value of nil and therefore that there is no requirement to remove any amount from its balance sheet in respect of the disposal of that component, or it must account for the carrying amount in accordance with the accounting practice in the Code. As a result, CIPFA issued an update to the Code and specifications for future Codes for infrastructure assets which includes from 1 April 2021 to 31 March 2025 a temporary relief not to report gross cost and accumulated depreciation for infrastructure assets.
- 3.10. A further statutory instrument was then issued by the Welsh Government, requiring that where the above change has been made, the Council deems any replaced infrastructure assets to be valued at zero. The instrument requires that councils should disclose in the accounts that this is the case.
- 3.11. The audited statement of accounts shown at **Appendix 1** have been updated to reflect the above Code and legislative changes.

Audit conclusion

- 3.12. It is pleasing to note that the auditors intend to once again provide an **unqualified audit opinion** on the Accounts, and the Council wish to acknowledge the continuing strength of relationship between Council and Audit Wales, and the professional and constructive approach in which audit colleagues have conducted their activities during a particularly challenging period.
- 3.13. The audit report contains a list of misstatements that have been corrected for in full within the final statement of accounts appended. These primarily relate to presentational issues, and to update asset valuations to reflect the increased inflationary environment that was evident at the balance sheet date and has continued into 2022/23.
- 3.14. Of significant note, the audit report also raises the following uncorrected misstatements and single recommendation, to which the council's management response is included alongside to reassure Committee of the ongoing steps being taken to ensure the quality of the accounts.

Uncorrected misstatements:

- **Overstatement of year-end creditors (£261,000)** - where services were incorrectly accrued for in the 2021/22 accounts, despite not being delivered to the Council until 2022/23. This error related specifically to creditors relating to capital projects.
- **Overstatement of year-end creditors (£361,000)** - where a prepayment for services of £361,000 had been incorrectly treated as a creditor rather than a debtor. In addition, the services related to the 22-23 financial year and had been incorrectly accrued into expenditure.

Management comment: The 2021/22 financial year-end process again corresponded with many unbudgeted grants being notified and received during a short period in March 2022. As a result, finance teams were managing many conflicting demands on staff resources and consequently they were required to use greater estimation and judgement in carrying out many year-end calculations. This included basing their calculations on the information provided to them by budget holders and external suppliers who in many instances were under similar pressure given the late notice of grants. As a result, assurances received by the finance teams of the timings of goods/services received proved to be inaccurate upon further review.

For context, the total value of the above uncorrected misstatement represents just 1.2% of the overall Creditors balance held at 31st March 2022.

For future closure periods and where possible, where material accruals are being calculated finance teams will look to obtain additional evidence to support the information put forward by budget holders and external suppliers.

Recommendations:

- *The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (the Code) requires that transactions with related parties are disclosed within the financial statements. The Code sets out that related party considerations are applicable to both members and their close family. To ensure the completeness of these disclosures we review declarations of interest made by members each year.*

Whilst the Authority collates declarations of interest from members to inform its register of interest, this is only completed at the beginning of the electoral term in line with the Authority's code of conduct. For our 2021-22 audit this meant that most declarations were five years old.

For annual accounts purposes and compliance with the Code, it is recommended that that an annual declaration is obtained from each member, including nil returns.

Management comment: Recommendation accepted in full. Despite additional efforts to increase the response rate of returns received, it is recognised that the final position was incomplete. Officers will review the process moving forward and identify options for ensuring returns are completed in full, including nil returns. These options will explore the approach of aligning with the requirement for related party information for the accounts with the requirement for annual declarations of interest for Council business.

4. REASONS

- 4.1. To approve the Council's final audited statement accounts which incorporate all adjustments for "corrected misstatements" which have been identified by Audit Wales and as noted within their ISA260 Audit of Accounts report shown at **Appendix 2**.

5. CONSULTEES

Deputy Chief Executive (Section 151 Officer)
Chief Officer, People and Governance (Monitoring Officer)
Audit Wales

6. BACKGROUND PAPERS

Appendix 1: Audited Statement of Accounts 2021/22
Appendix 2: Audit Wales ISA260 Audit of Accounts report

7. AUTHORS:

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MONMOUTHSHIRE COUNTY COUNCIL

AUDITED STATEMENT OF ACCOUNTS

2021/22



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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, near Usk, 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.

Following the Local Government elections in May 2022, there are 46 locally elected councillors representing 39 Monmouthshire wards who sit on the various committees of the Council, with the current political make-up of the Council being 22 Labour; 18 Conservative; 5 Independent; 1 Green Party.

The Cabinet and elected members are supported by the Council's Strategic 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, Public protection.

Children & Young People

Schools and Early Years provision, Standards and Resources.

Chief Executive's Unit

Policy, Scrutiny & Customer service

People & Governance

People, Democratic services, Emergency planning.

Resources

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

Communities & Place

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

Monlife

Leisure, Youth & Outdoor Adventure, and Countryside & culture.

Corporate

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

1.2 Financial Performance for the Year

Revenue Budget for 2021/22

The net revenue budget of £178.2m 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 £5.621m 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.

Welsh Government continued to support Local Government through the Local Government Hardship Fund for the extraordinary additional costs & loss of income incurred in dealing with the pandemic response.

Further details on the outturn position are provided in the July 2022 outturn report to Cabinet.

	Revised Budget £000	Actual £000	Variance £000
Net Expenditure:			
Net cost of services (as per internal management reporting)	170,085	166,744	(3,341)
Attributable costs – Fixed Asset Disposal	30	234	204
Interest and Investment Income	(134)	(318)	(184)
Interest Payable and Similar Charges	3,736	3,399	(337)
Charges Required Under Regulation	6,404	6,391	(13)
Borrowing Cost Recoupment	(3,619)	(3,710)	(91)
Capital Expenditure Financing	185	185	(0)
Earmarked Contributions to/(from) Reserves	1,493	1,493	(0)
Net Revenue Budget	178,180	174,417	(3,763)
Financed by:			
General government grants	(69,679)	(71,049)	(1,370)
Non-domestic rates	(32,018)	(32,018)	-
Council tax	(83,636)	(84,190)	(554)
Council Tax Benefit Support (included in NCS)	7,152	7,219	67
Net Financing Budget	(178,180)	(180,038)	(1,858)
Council Fund (surplus)/deficit - Non-Schools	0	(5,621)	(5,621)
Council Fund (surplus)/deficit - Schools	1,556	(3,536)	(5,092)
Council Fund (surplus)/deficit - Total	1,556	(9,157)	(10,713)

The net cost of services in the table above of £166.74m 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) on page 33 of £179.61m 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 these 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	2019/20 £000	2020/21 £000	2021/22 £000
Council Fund Balance	8,906	8,906	10,527
School Balances	(435)	3,418	6,955

Earmarked Reserves	6,383	10,671	16,115
Total Usable Reserves & balances available for Revenue Purposes	14,854	22,995	33,597

Schools: In a similar manner to the general revenue activities of the Council, Schools also received significant one-off Welsh Government support in dealing with the impacts of the Covid pandemic and recovery during 2021/22. The following table summarises the schools balances position by school type:

School Balances	2019/20 £000	2020/21 £000	2021/22 £000
Comprehensives	(931)	554	2,253
Primaries	347	2,838	4,622
Other	149	26	79
Total	(435)	3,418	6,955

Capital expenditure & financing

In addition to revenue spending the Council also spent £25.2m on its assets which is detailed below along with the corresponding finance streams:

2020/21 £000		2021/22 £000
	Expenditure	
393	Schools modernisation programme	1,328
9,482	Infrastructure	11,599
2,755	Asset management schemes	3,036
1,638	Other	1,752
926	Inclusion schemes	954
0	ICT schemes	644
2,509	Regeneration schemes	4,088
1,003	Vehicles	1,809
18,706	Total Expenditure	25,210
	Financing	
(1,042)	Capital receipts	(3,448)
(5,859)	Borrowing and Finance Lease Commitments	(6,503)
(11,553)	Grants and Contributions	(15,025)
(252)	Revenue and Reserve Contributions	(234)
(18,706)	Total Financing	(25,210)

Significant capital receipts

The most significant capital receipts received in 2021/22 were £2m for the disposal of Hilston Park; £1m for three County Farm holdings and £0.4m for Gilwern Old School. All other receipts totalled £0.6m. 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 2021/22 the valuations included Community Centres, Corporate Facilities, Hubs & Public Contact Centres and Recreational Spaces. The programme for subsequent years is as follows:

- 2022/23 – Primary Schools, Recreational Spaces, Nurseries & Playgroups and Cemeteries
- 2023/24 – Comprehensive Schools, Corporate Facilities Car Parks and Community Centres

In addition to the assets individually revalued a program of indexation has been undertaken on the remaining Land & Building assets to uplift values. Significant inflation in recent years increases the risk of that the carrying values of non-revalued assets may be materially different to the current value. This has been addressed by uplifted asset values in line with the relevant movements in the BCIS' All In Tender Price Index.

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 to ensure the value is accurately reflected in the accounts.

During the year the value of our non-current assets has increased from £389.9m to £413.4m, arising from recognising the in-year asset expenditure of £21.8m; the rolling programme of revaluations increasing their held value by £12.7m, additional Land & Building uplift of £8.4m ; depreciation of £(13.0)m; impairment of £(5.9)m; and book value of disposals of £(0.5)m.

Borrowing arrangements and sources of funds

The Council's overall borrowing, on a principal valuation basis, totalled £176.23m as at 31st March 2022 (£183.46m as at 31st March 2021), comprising of the following:

31st March 2021 £000		31st March 2022 £000
74,647	Public Works Loan Board	87,358
13,812	Market Loans & Bank loans	13,812
5,062	Welsh Government	6,031
86,944	Local Government bodies	66,025
3,000	Special Purpose Vehicle	3,000
183,466	Total borrowing	176,226

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 2021/22 (including amounts raised for Police and Community Councils) was £1,785.68 (£1,717.44 in 2020/21) for properties in valuation Band D. We collected 97.4% in year of the total due (96.6% 2020/21). Our collection rate for Non-Domestic Rates was 99.1% in 2021/22 (92.8% in 2020/21). During the year £80,000 Council Tax and £11,000 Non-Domestic Rates' debts were written off (£54,000 and £27,000 in 2020/21).

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 2021/22 shows a net liability of £259,212,000 (£306,704,000 in 2020/21).

There is a decrease in the combined net liability of the Greater Gwent pension funds of £47,492,000 from 1 April 2021 to 31 March 2022. This has resulted from an increase in the value of scheme assets alongside a decrease in the value of scheme liabilities. The movement in liabilities relate 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 2022 and this will inform the updated the employers' contribution rates from 1st April 2023 until 31st March 2026. Further details are given in section 14 of the notes to the Accounts.

1.3 The Financial Outlook

2022/23: In setting its 2022/23 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 2.95%, which increased the annual band D charge by £42.32 to £1,476.79 (excluding amounts raised for Police and Community Councils). It also approved £10.1m of budget mitigation measures to ensure that the approved budget is balanced.

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 £136m (including contributions to the Cardiff Capital Region City Deal (CCRCD) initiative) budgeted to be spent from 2022/23 to 2025/26.

The Medium Term: The medium term prognosis is still of concern with the current Medium Term Financial Plan (MTFP) indicating a funding gap of £13m over the next three years based on indicative Welsh Government funding settlements, and prior to recognising updated demands upon services. Demand led cost pressures continue to increase in areas such as Children's services, Adult Social Care, Children's additional learning needs and Transport. Alongside this, the risks presenting in the wider economic environment are expected to place upward pressure on our pay budgets over the medium term.

It is also important to recognise the impact of the current economic environment with global economies having been hit hard by the pandemic, the impact of the ongoing conflict in Ukraine and the continuing resolution of Brexit agreements. All of these will inevitably impact upon future public spending and Local Government settlements.

Covid-19 Impact

The continuing response and recovery from the impact of the pandemic required the Council to incur significant additional expenditure, for example, costs relating to infection control measures, safeguarding the public and employees and support for elderly and vulnerable residents. In addition, income losses have also been substantial, during the period where services either have been closed or have experienced significant reductions in demand or footfall due to conditions experienced.

During the year Welsh Government continued to provide significant one-off funding support to mitigate these additional costs and income losses, through the Hardship fund and via specific grant funding. Welsh Government have been clear that this one-off support ended on 31st March 2022 and there therefore remains a significant budgetary risk for the Authority to carry into 2022/23 in light of a period of significant economic uncertainty, extended national policy commitments, and the continuing legacy impacts of the pandemic upon service delivery.

The notable budgetary risks identified for 2022/23 and resulting from the legacy impact of the pandemic are:

- The pandemic has brought about Welsh Government policy change, significantly in the area of Homelessness, and where the funding picture still remains unclear;
- The continuing impact on the most vulnerable members of the County and the ongoing and additional support that this may require, notably in the areas of Social Care and Additional learning needs;
- Implications on demand levels for some of our income generating services such as Leisure facilities, Outdoor Education, Investment properties and Car parking;
- The risks presenting in the wider economic environment that are expected to place upward pressure on our pay budgets over the medium term;
- Supply chains continue to be radically disrupted.

In particular as we look towards 2022/23, the inflationary environment and the cost of living crisis in our communities is of significant concern and the ongoing support for the most vulnerable residents in our County will be a key service consideration.

In considering all of 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.

Covid-19 Support provided

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, additional payments to Care workers, those needing to self isolate, and for winter fuel support, as follows:

Support fund	£000s
Business Support Grants	362

NDR Relief grants	1,474
Care Workers Payments	1,894
Covid-19 Freelancer Grant	18
Self Isolation Payments	1,002
Winter Fuel Payments	476
SSP Enhancement	147
Total	5,373

Cardiff Capital Region City Deal (CCRCD)

The Council continues to be an active member of the Cardiff Capital Region City Deal initiative. In total this Council will make a 6.1% contribution to the £120 million project, with the percentage being based on its proportion of the regional population, and which will fund the annual costs of this investment. The development and management of the £120 million investment is the responsibility of the CCRCD Regional Cabinet.

The revenue contribution required during the year was £71,263 (£67,870 in 2020/21). The capital contribution to the project was not required during 2021/22 (£122,862 in 2020/21) due to projects not being completed as planned.

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 in note 16.6.

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 2022. The notes are sectioned to aid the user of the accounts to navigate the extensive supporting notes.

Peter Davies
Deputy Chief Executive (S151 Officer)

Date

2 STATEMENT OF RESPONSIBILITIES

2.1 The Authority's Responsibilities

The Authority is required to:

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

2.2 The Section 151 Officer's Responsibilities

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

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

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

The Section 151 Officer has also:

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

APPROVAL OF STATEMENT OF ACCOUNTS

I certify that the accounts set out within sections 5 to 17 gives a true and fair view of the financial position of the Council as at the 31st March 2022 and its income and expenditure for the year ended 31st March 2022.

Peter Davies
Deputy Chief Executive (S151 Officer)

Date

Monmouthshire CC

Annual Governance Statement 2021/22

Final

November 2022

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. The Council has demonstrated that it has effective governance arrangements in place across the organisation which are continually improving, but also recognise that there is always further work to do.

Despite the recent pandemic the Council has managed to maintain the majority of its governance arrangements this year and has demonstrated it has sound and effective arrangements in place in the services it delivers and the crisis it had to deal with. The improvements noted in the 2019/20 & 2020/21 Action Plans have been addressed during the year (Appendix 1); the 2021/22 Action Plan is shown at Appendix 2. The Code of Corporate Governance was presented to the Council's former Audit Committee in June 2020 and presented to, and approved by Cabinet September 2021.

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. This has been addressed.

The Council is now required to self-assess its governance and performance as outlined in the Local Government and Elections (Wales) Act 2021. Any recommendations or actions from this Governance Statement for the Council to improve will be integrated into the Council's Annual Wellbeing and Self-Assessment Report.

- 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 and 2020/21 Action Plans are 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 and the Local Government and Elections (Wales) Act 2021 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 these responsibilities, 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', (paragraph 10 below) was initially approved by Council in July 2011; the Code was revised and updated again in June 2020, approved by Cabinet September 2021. 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 strategic objectives and to consider whether those objectives have 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. Appropriate internal controls also ensure the Council's resources are utilised, and services are delivered efficiently, effectively and economically.

- 9 The governance framework has been in place at the Council for a number of years and continued to be in place for the year ended 31 March 2022 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 C.I.P.F.A. / S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government' 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 complements 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 2022

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 2020/21, in July 2021 to the Public Services Scrutiny Committee. During 2021/22 Monmouthshire PSB merged with other local PSBs to form the Gwent PSB. There are plans to establish a Joint Scrutiny Committee for regional scrutiny of the Gwent PSB.

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. For the most part of 2021/22 the majority of office based staff continued to work from home. This statement assesses and concludes on the effectiveness of the governance arrangements in place during 2021/22.

- 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 and into 2021/22.
- 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.
- 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. Live streaming was enabled to ensure public access was available throughout.
- 25 Moving into 2021/22 Welsh Government restrictions eased. Covid 19 Recovery updates and Response and Progress continued to be reported through Cabinet.
- 26 During this time a series of interim coronavirus strategies were created. An evaluation of the Council's progress against its Coronavirus Strategic Aims was taken through Cabinet in June 2021 and December 2021.
- 27 As much as possible, the systems of internal control have continued to operate during the pandemic and subsequently into 2021/22. The Council's implementation of Office365 (Teams) has allowed the majority of employees to successfully work from home without major disruption.
- 28 In the Chief Internal Auditor's opinion, adequate assurance was obtained from the internal audit work undertaken during 2021/22 to enable him to issue an overall '**Reasonable**' assurance audit opinion of the Council's internal controls, governance arrangements and risk management processes; , this was achieved despite reduced resources within the Internal Audit team. 64% of the approved audit plan was completed against the target of 82%; 20 audit opinions were issued; with 2 *Limited Assurance* audit opinions issued. Further detail regarding the Internal Audit team's performance is included within the Internal Audit Annual Report 2021/22.
- 29 In conclusion, during 2021/22 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 2022/23 and reviewed as part of future Annual Governance Statements.

Review of Effectiveness

- 30** 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.
- 31** The governance arrangements continue to be regarded as fit for purpose.
- 32** 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 with a further update May 2022;
 - 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 April 2021;
 - iv) Formal risk management and ongoing review of the processes involved reported through Governance and Audit Committee November 2021
 - v) The Governance and Audit Committee undertook a self-evaluation exercise towards the end of 2019/20; summary reported to Governance and Audit Committee June 2020;
 - vi) Annual Governance and Audit Committee report to Governance and Audit Committee July 2021 and Council September 2021;
 - vii) Code of Corporate Governance to Cabinet September 2021;
 - viii) 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; reported through Governance and Audit Committee
 - ix) the work of the Council's Select and other Committees, including its Governance & Audit and Standards committees;
 - x) 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 Governance and Audit Committee, as appropriate;
 - xi) The opinions and recommendations of other inspection, regulation and review agencies which are reported to Council, Cabinet, Select Committees and Governance and Audit Committee as appropriate. Governance and Audit Committee receives a regular report on the progress made with recommendations and proposals issued by Audit Wales.
 - xii) regular monitoring of performance against the Corporate Plan and service plans and of key targets, and reporting of this to senior management and members;
 - xiii) Corporate Plan update 2020/21 – Council September 2021;
 - xiv) Through the coronavirus pandemic establishing a series of interim strategies to provide clarity in direction and ensure accountability – to Cabinet June 2021 & December 2021
 - xv) Annual Safeguarding Evaluation Report– Council November 2021;
 - xvi) Estyn's report into Local Government Education Services in Monmouthshire County Council – Cabinet May 2020;
 - xvii) Annual appraisal of the effectiveness of the authority's performance management arrangements reported annually to Governance and Audit Committee.

ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

- xviii) Chief Officer for Children and Young People's Annual Report presented to Council June 2021; Chief Officer for Social Care, Safeguarding & Health's Annual Report presented to Council September 2021;;
- xix) Updated policies and strategies reported through Cabinet and Council

33 The following paragraphs review the effectiveness of the governance arrangements in Monmouthshire under the C.I.P.F.A. / S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government' 7 principles.

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

34 The Code of Conduct for Members and the protocol on Member / Officer relationships are set out in the Constitution, updated March 2021 & May 2022. The Council also has a local protocol for the self-regulation of Member conduct.

35 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. The Standards Committee met 3 times during 2021/22.

36 Public Service Ombudsman Wales Annual Report (2020/21) was presented to Cabinet in November 2021.

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

	2019/20	2020/21	2021/22
Not upheld	2	1	2
Referred to Standards Committee	0	0	0
Referred to Adjudication Panel	0	0	0
TOTAL COMPLAINTS CLOSED	2	1	2

37 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.

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

39 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 previous year.

40 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: Four Scrutiny Committees (including the statutory Public Services Scrutiny Committee) and a separate Governance and 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.

ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

- 41 A Scrutiny and Executive Protocol is in place which is aligned to the updated constitution of March 2021/ May 2022 and provides parameters for effective executive and scrutiny relationships.
- 42 The Constitution is updated periodically by the Monitoring Officer; the latest update approved by Council was in May 2022. It can be found on the Council's website.
- 43 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 in decisions, the Deputy Chief Executive and Chief Officer Resources (Interim Head of Finance) attends SLT, Cabinet and Council meetings.
- 44 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.
- 45 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. The Monitoring Officer has not issued a Section 5 report in 2021/22 or in the previous year, 2020/21.
- 46 All exemptions of the Contract Procedure Rules are reported through Governance and Audit Committee periodically. The Internal Audit team co-ordinates the exemption process in conjunction with strategic procurement.
- 47 The Governance and 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. There were no call-ins during 2021/22.
- 48 As a result of Covid-19 the Internal Audit Team was repurposed during most of 2020/21 to undertake extensive counter fraud activities on Welsh Government business grants and support TTP; a report was taken to Governance and Audit Committee explaining the situation, January 2021. This was a risk based decision in order to increase the confidence in counter fraud controls given the heightened fraud vulnerability. Although restrictions were still in place as the UK came out of the pandemic, the team managed to work through the audit plan for 2021/22 with 20 Internal Audit opinions being issued in the year; 2 audit jobs resulted in **Limited** assurance.
- 49 The overall opinion on the adequacy of the internal control environment for 2021/22 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 2021/22 were as follows:

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	2019-20	2020-21	2021-22
Substantial Assurance (Very Good)	2	2	5
Considerable Assurance (Good)	11	6	6
Reasonable Assurance (Satisfactory)	7	1	7
Limited Assurance (Unsatisfactory)	9	0	2
Total	29	9	20

- 50** 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 Governance and Audit Committee; assurances have been sought from respective operational managers that action will be taken to make the necessary improvements in control.
- 51** The Internal Audit team did not have a full complement of staff for the full year; the Auditor was seconded out of the team and was then successful with an internal promotion and the Audit Manager left the organisation in February 2022. Despite reduced resources, 64% of the 2021/22 audit plan was achieved, which was better than the previous year (57%). 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 limited number of opinions issued. The 2021/22 audit opinion was supported by the knowledge that there were appropriate governance, risk management and internal control assurances in place in previous years, with no significant changes. The Assistant Head of Finance continued to be covered by the Central Accountancy Finance Manager and Deputy Chief Executive & Chief Officer Resources.
- 52** 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 is compliant.
- 53** A Performance Framework is in place to ensure the ongoing 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 and the Council's wellbeing objectives were reported to Council in September 2021 through the Corporate Plan Annual Update 2020/21. Work is ongoing with the Council's Performance Framework to reflect new performance arrangements and duty established by the Local Government and Elections (Wales) Act 2021.
- 54** 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.
- 55** 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 Scrutiny Committees.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- 56 The agendas are published in advance of all meetings on the Council's website; corresponding minutes are published post meeting.
- 57 The scrutiny recommendations/outcomes from scrutiny activity are forwarded to Cabinet Members after each meeting. 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 4 Scrutiny Committees.
- People Scrutiny Committee
 - Place Scrutiny Committee
 - Public Services Scrutiny Committee
 - Performance and Overview Scrutiny Committee
- 58 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. The Scrutiny Handbook provides a guide for Members, officers and the public on the role and value of scrutiny and the website displays the Scrutiny Forward Work Programme and invites public submissions.
- 59 Social media, Twitter, Facebook and You Tube for example, is used to engage local people and communicate the corporate message. Scrutiny Committees hold a Public Open Forum on each agenda and the public can attend meetings remotely or in person and can also submit written, audio or video representations to Scrutiny Committees. They can also submit suggested topics for the scrutiny forward work programme via the Scrutiny Website www.monmouthshire.gov.uk/scrutiny. Chief Officers, Members and the Communications team are very proactive in engaging with the public.
- 60 Public engagement events and You Tube continued to be used in 2021/22 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.
- 61 In addition to regular internal communications, throughout the pandemic, and subsequently, the Chief Executive has extensively engaged with the public providing updates on essential Covid-19 related statistics and Council service provision.
- 62 In May 2018, Monmouthshire Public Services Board (PSB), 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 was challenged publicly through Public Services Select Committee, July 2021. During 2021/22 several local PSBs merged to form the Gwent Public Services Board. A Gwent wide well-being assessment has been produced, including an assessment of well-being in Monmouthshire and local communities within the county, March 2022.
- 63 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 about "what's good in your community and what would make it better, now and in the future". The well-being assessment will also be 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.
- 64 Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Governance and Audit Committee process before being endorsed by Cabinet and 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, Governance and 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.

- 65 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.
- 66 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

- 67 The Medium Term Financial Plan (MTFP) supports the vision for Monmouthshire and extensive public engagement continued in 2021/22 for the 2022/23 budget and Medium Term Financial Plan which engaged with the public in their own community; this included website, social media, drop in sessions, Cabinet Member YouTube video and open meetings. These were key to providing people with the opportunity to become informed; Cabinet January 2022.
- 68 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 an Integrated Impact Assessment, which includes a Future Generations Evaluation, Equalities and Sustainability Impact Assessment.
- 69 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

- 70 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 initially by Council in February 2018 and a refreshed version approved by Council in March 2020. The 2020/21 Corporate Plan annual report was presented to Council in September 2021. 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.
- 71 Monmouthshire County Council is a member of the Monmouthshire PSB (became Gwent PSB July 2021), 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.

- 72** 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.
- 73** 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
- 74** 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 strives 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 incorporated within the Corporate Plan; the 2020/21 update was presented to Council September 2021.
- 75** 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 had been adjusted and prioritised in its application, where necessary, to reflect the Council's response and this continued into 2021/22. Through the coronavirus pandemic a series of interim strategies to provide clarity in direction and ensure accountability have been established– Cabinet June 2021 & December 2021. To support this, structures and mechanisms were put in place to track and evaluate progress.
- 76** Audit Wales presented its Certificate of Compliance for the audit of Monmouthshire's 2020/21 Improvement Plan to the Governance and Audit Committee in November 2021. 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.
- 77** Reports were taken through the select / 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.
- 78** WFG Act continued to be a key theme and foundation through the reporting processes in 2021/22.
- 79** The Council continues to embrace 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 2021/22 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.
- 80** 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 2021/22. Outcomes are measured via the Digital Programme Office Service plan and performance planning process.

- 81** 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 now form part of the Cabinet report template. All IT investments are considered through SLT and then Cabinet before decisions are taken as required via Cabinet or Council.
- 82** Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year; June 2021, July 2021, December 2021, & March 2022. The budget management actions of Cabinet and senior officers are scrutinized regularly by the Performance and Overview Scrutiny Committee. 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.
- 83** The MTFP process for 2022/23 to 2025/26 was reviewed and approved by Cabinet in December 2021. The Draft Capital Budget Proposals 2022/23 to 2025/26 were taken to Cabinet in January 2022. Draft Revenue Budget Proposals 2022/23 also went to Cabinet in January 2022. Final Proposals went to Cabinet before being approved by Council in March 2022. 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.
- 84** 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.
- 85** Audit Wales presented the Audit Wales Certificate of Compliance for the audit Monmouthshire County Council's assessment of performance for 2020/21 to Governance and Audit Committee in November 2021. 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.
- 86** The Equality Impact Assessment and Sustainable Development checklists were revised and combined to align with the Future Generations Act. The "Integrated Impact Assessment" 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 2021/22 which have been published on the website accompanying decision making reports. The integrated checklist has been updated to ensure that new policy decisions are considered against the socio-economic duty which came into effect on 31 March 2021.
- 87** 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 2020/21 was produced and scrutinised by the former Strong Communities Select Committee in November 2021.
- 88** 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 2020/21 was presented to the former Strong Communities Select in June 2021 to note compliance and progress made with the Welsh Language Standards allocated to Monmouthshire County Council. The Welsh Language Monitoring Report 2021/22 was presented to the new Performance and Overview Scrutiny Committee on 7th July 2022.

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

- 89 Monmouthshire 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).
- 90 Contract Procedure Rules exemptions are normally reported to the Governance and Audit Committee every six months; July 2021. Managers are challenged in year to justify their procurement outside the Council agreed procedures.
- 91 Regular reporting into Cabinet, Scrutiny and Governance 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 Governance and Audit Committee in November 2021. The Whole Authority Strategic Risk Assessment 2020/21 was also reported to Governance and Audit Committee (March 2021) and signed off by Cabinet April 2021. The new Strategic Risk Register will be scrutinised by the new Performance and Overview Scrutiny Committee on 29th September 2022.
- 92 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 158 complaints received in 2020/21, 150 were resolved informally with 7 being formally investigated, 2 of which were referred the Ombudsman, with none formally investigated. 379 comments were received along with 204 compliments; (Governance and Audit Committee February 2022).

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

- 93 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. The Pay Policy is approved annually by Council and is available on the MCC website.
- 94 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.
- 95 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. This will be reviewed and updated following the May 2022 elections.
- 96 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.

- 97 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.
- 98 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

- 99 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. Monmouthshire 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.
- 100 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.
- 101 As a key example of our commitment to effective governance, arrangements have been developed for the PSB Select Committee; the Public Services Scrutiny Committee from March 2020.
- 102 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 measurable 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

- 103 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.
- 104 In July 2017 Audit Wales reported to Governance and 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).
- 105 Audit Wales presented its Certificate of Compliance for the audit of Monmouthshire's 2020/21 Improvement Plan to the Governance and Audit Committee in November 2021 and concluded that the Council is meeting its statutory requirements.

- 106** 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. An Annual risk assessment on fraud and corruption is presented to Governance and Audit Committee. The Council's Council Tax Reduction Anti-Fraud Policy was approved by Cabinet in June 2015. A training package has been developed and was previously presented to Governance and Audit Committee (January 2020). This needs to be further rolled out across the Council.
- 107** The Governance and Audit Committee considers the effectiveness of the Council's arrangements for securing continuous improvement including risk management arrangements. The Governance and 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 Governance and Audit Committee has an independent, non-political, Chairperson who prepares an annual report of the work of the Governance and Audit Committee.
- 108** 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 (revised and updated approved by Governance and Audit Committee September 2021). The Chief Internal Auditor reports a summary of audit findings to the Governance and Audit Committee each quarter; he also reports annually an opinion on the overall adequacy and effectiveness of the Council's internal control environment through his Internal Audit Annual Report.
- 109** 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 as compliant in March 2018 by an external assessor, the Chief Internal Auditor of Neath Port Talbot Council.
- 110** 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

- 111** The Council's Strategic Risk Management Policy was updated and approved by Cabinet in March 2019; progress was reported into Governance and Audit Committee in November 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.
- 112** 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 Monmouthshire
- Risk controls are appropriate and proportionate
- Senior managers and elected members systematically review the strategic risks facing the Council.

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 Governance 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.

- 113** The Council's Strategic Risk Assessment for 2021/22 contained 16 risks. These were reviewed throughout the year with the latest version was presented to Governance and Audit Committee in November 2021. The majority were rated initially as medium risks. Following mitigation there was 1 low risk, 8 medium risks and 7 high risks.

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

- 114** The South East Wales Education Achievement Service (EAS) Business Plan 2022-25 was presented to Cabinet in March 2022. The plan sets out the priorities, programmes and outcomes to be achieved by the EAS on behalf of the South East Wales Consortium.
- 115** 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
- 116** 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.
- 117** In September 2019, the updated Digital Infrastructure Action Plan was approved by Cabinet. In June 2021 Cabinet approved the creation of a new Digital Design and Innovation Team to strengthen information governance arrangements and include data analytics.
- 118** There have been significant developments in technology in the last 4 years, and the experience, data and evidence collected from the Council's customers about the way they wish to engage and transact with the Council has informed this new strategy. The workforce needs to have the digital knowledge and skills to build in end to-end automated customer services and business processes. There is a 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.
- 119** Continued improvements have been made to cyber security arrangements since the onset of Covid-19 which has increased digital working methods.
- 120** 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. In July 2021 Cabinet approved the collaboration with Cardiff Council, for mutual benefit, the discharge and provision of the Council's Strategic Procurement services.
- 121** Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Governance and Audit Committee process before being endorsed by Council. All public meetings of the Council, including Council, Cabinet, Select, Governance and 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.

- 122** 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 Service Business Plans.
- 123** The Governance and 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 Governance and Audit Committee presents its Annual report to Council.
- 124** The Whole Authority Report complaints, comments and compliments 2020/21 was presented to Governance and Audit Committee in February 2022 which identified the number and types of feedback received and dealt with from 1 April 2020 until 31 March 2021.

Information Governance

- 125** Monmouthshire 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 its information. The Council 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 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 the Senior Information Risk Officer (SIRO) as well as through collaboration with the wider SRS partners providing the 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.
- 126** Monmouthshire has 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).
- 127** To keep the public informed, the Council has now published its online privacy notices for relevant service areas. Significant work was undertaken through 2021/22 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.
- 128** 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

- 129** 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;
 - Raise awareness across the Council on Anti-Fraud, Bribery & Corruption.
 - Self-assess the Council's objectives and arrangements as required by the Local Government and Elections (Wales) Act 2021.

Action Plan 2020/21 & 2021/22

130 Appendix 1 shows how the 2020/21 Action plan areas for improvement have been addressed during 2021/22.

131 The Action Plan for 2021/22 is shown at Appendix 2.

Monitoring & Evaluation

132 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.



Signed:

7th December 2022

Councillor Mary Ann Brocklesby

Leader



Signed:

7th December 2022

Paul Matthews

Chief Executive

Progress against the Action Plan 2020/21

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 Governance and Audit Committee in June 2020. This now needs formal Cabinet approval. Update: Approved by Cabinet September 2021.
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"> ▪ Scrutiny: Fit for the Future? ▪ Review of Asset Management ▪ Information Management ▪ Whole Authority review of children's safeguarding 	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 April 2021.

Appendix 2

Action Plan 2021/22

Area for Improvement	Progress
Deliver awareness raising training sessions on the importance of compliance with revised Contract Procedure Rules and Financial Procedure Rules	
Raise awareness across the Council on Anti-Fraud, Bribery & Corruption	
Self-assess the Council's objectives and arrangements as required by the Local Government and Elections (Wales) Act 2021.	

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

Opinion on financial statements

I have audited the financial statements of Monmouthshire for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 Monmouthshire County Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Monmouthshire County Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

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 Responsible Financial Officer is responsible for the other information contained within the annual report. 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.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to

determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of Monmouthshire County Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10 the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the Council's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or noncompliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals.
- Obtaining an understanding of the Council's framework of authority as well as other legal and regulatory frameworks that the Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Council's controls, and the nature, timing and extent of the audit procedures performed.

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

Certificate of completion of audit

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

Adrian Crompton
Auditor General for Wales

24 Cathedral Road
Cardiff
CF11 9LJ

Movement In Reserves Statement for the Year Ended 31st March 2022

	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 2020		8,471	6,383	3,207	18,061	(20,415)	2,635	283
Movement in reserves during 2020/21								
Total Comprehensive Income and Expenditure		(6,808)	-	-	(6,808)	(64,449)	34	(71,223)
Adjustments between accounting basis & funding basis under regulations	10.2	14,950		6,373	21,323	(21,323)		-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		8,142	-	6,373	14,514	(85,771)	34	(71,223)
Transfers to/(from) Earmarked Reserves	10.4	(4,289)	4,289		-			-
Prior period adjustment: CCRCD							29	29
Increase/(Decrease) in 2020/21		3,853	4,289	6,373	14,514	(85,771)	62	(71,194)
Balance at 31st March 2021 carried forward		12,324	10,672	9,581	32,577	(106,186)	2,698	(70,911)
Movement in reserves during 2021/22								
Total Comprehensive Income and Expenditure		(3,634)	-	-	(3,634)	83,881	434	80,682
Adjustments between accounting basis & funding basis under regulations	10.2	14,234	-	(489)	13,745	(13,746)		(0)
Net Increase/(Decrease) before Transfers to Earmarked Reserves		10,600	-	(489)	10,112	70,136	434	80,682
Transfers to/(from) Earmarked Reserves	10.4	(5,444)	5,444	-	-	-	-	0
Increase/(Decrease) in 2021/22		5,157	5,444	(489)	10,112	70,136	434	80,682
Balance at 31st March 2022 carried forward		17,482	16,115	9,092	42,689	(36,050)	3,133	9,773

Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2022

2020/21				2021/22			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(Restated**)							
77,070	(17,822)	59,248	Children & Young People		78,687	(20,707)	57,980
79,142	(24,684)	54,459	Social Care & Health		89,974	(31,075)	58,899
55,891	(28,534)	27,358	Communities & Place		62,649	(29,936)	32,712
10,920	(5,905)	5,015	Monlife		14,156	(7,862)	6,294
8,357	(1,418)	6,940	Chief Executives Unit		4,170	(1,107)	3,063
0	0	0	People & Governance		5,418	(864)	4,554
41,831	(24,341)	17,490	Resources		41,749	(26,946)	14,803
2,350	(3,023)	(673)	Corporate		3,005	(1,562)	1,443
288	(448)	(159)	Cardiff Capital Region City Deal (CCRCD)		385	(528)	(142)
275,850	(106,173)	169,677	Cost of Services	11.1	300,193	(120,587)	179,606
			Other operating expenditure:				
			<i>Precepts & Levies:</i>				
12,647	0	12,647	Gwent Police Authority		13,451	0	13,451
4,584	0	4,584	South Wales Fire & Rescue Authority		4,760	0	4,760
2,952	0	2,952	Community and Town Councils		2,954	0	2,954
106	0	106	National Parks		116	0	116
94	0	94	Internal Drainage Boards		94	0	94
2,184	(2,188)	(4)	Gains/losses on the disposal of non-current assets		2,868	(2,713)	155
		20,378	Total Other operating expenditure				21,530
17,984	(13,127)	4,857	Financing and investment income and expenditure	11.3	18,179	(15,013)	3,165
	(7)	(7)	Interest & Investment income: CCRCD			(10)	(10)
464		464	Change in Fair Value of Investment Properties: CCRCD		7		7
			Taxation & non-specific grant income:				
228	(80,466)	(80,238)	Council Tax	11.5	251	(84,441)	(84,190)
0	(30,037)	(30,037)	Non-domestic rates redistribution	11.5	0	(32,018)	(32,018)
0	(77,988)	(77,988)	General government grants	11.6	0	(84,603)	(84,603)
	(275)	(275)	Recognised Capital Grants & Contributions: CCRCD			(318)	(318)
	(57)	(57)	Tax Expenses: CCRCD		30		30
		6,774	(Surplus) or Deficit on Provision of Services				3,199
			Other Comprehensive Income and Expenditure:				
		201	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	12.1			(12,204)
		(327)	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income				(13)
		64,575	(Gains)/losses on remeasurement of pension assets / liabilities	14.3			(71,664)
		64,449	Total Other Comprehensive Income and Expenditure				(83,881)
		71,223	Total Comprehensive Income and Expenditure				(80,682)

** Comparative year figures restated to reflect adjustment to final pension fund liability following review.

Balance Sheet as at 31st March 2022			
31st March 2021 £000s		Note	31st March 2022 £000s
(Restated**)			
229,194	Other land and buildings	12.1	242,640
10,373	Vehicles, plant, furniture and equipment	12.1	11,097
73,613	Infrastructure	12.1	77,363
4,459	Community assets	12.1	4,528
2,015	Assets under construction	12.1	4,228
10	Surplus assets not held for sale	12.1	10
4,792	Heritage Assets	12.7	4,871
65,304	Investment Property	12.5	68,620
141	Intangible Assets		88
1,362	Long-Term Investments	13.1	1,186
2,867	Long Term Debtors	13.5	3,657
394,129	Long term assets		418,288
23,444	Short Term Investments	13.1	18,170
442	Inventories		554
33,047	Short Term Debtors	13.5	41,993
19,158	Cash and Cash Equivalents	15.3	34,108
2,569	Assets Held for Sale	12.6	1,000
88	CCRCD: Deferred Tax asset		82
78,748	Current Assets		95,907
(621)	Cash and Cash Equivalents	15.3	(1,680)
(98,595)	Short Term Borrowing	13.1	(71,903)
(36,405)	Short Term Creditors	13.6	(53,451)
(4,757)	Provisions	13.7	(4,492)
(140,377)	Current Liabilities		(131,525)
(306,704)	Liability related to defined benefit pension scheme	10.9	(259,212)
(448)	Provisions	13.7	(671)
(84,871)	Long Term Borrowing	13.1	(104,324)
(2,760)	Long Term Creditors: CCRCD		(1,553)
(2,377)	Other Long Term Liabilities	13.1	(2,250)
(4,214)	Capital Grants Receipts in Advance	11.6	(2,820)
(2,037)	Revenue Grants Receipts in Advance		(2,068)
(403,411)	Long Term Liabilities		(372,897)
(70,911)	Net Assets		9,773
12,324	Council Fund Balance	10.3	17,482
10,671	Earmarked Reserves	10.4	16,115
9,581	Capital Receipts Reserve	10.6	9,091
182	Usable Reserves: CCRCD		891
32,758	Usable Reserves		43,579
38,407	Revaluation Reserve	10.7	46,036
(306,704)	Pensions Reserve	10.9	(259,212)
166,592	Capital Adjustment Account	10.8	180,280
2,692	Deferred Capital Receipts Reserve	10.11	3,612
(517)	Financial Instrument Adjustment Account		(494)
(28)	Financial Instrument Revaluation Reserve		(14)
(4,111)	Accumulating Absence Adjustment Account	10.10	(3,976)
0	Unusable Reserves: CCRCD		(37)
(103,670)	Unusable Reserves		(33,807)
(70,911)	Total Reserves		9,773

** Comparative year figures restated to reflect adjustment to final pension fund liability following review.

Cash Flow Statement for the Year Ended 31st March 2022

31st March 2021			31st March 2022
£000		Note	£000
6,946	Net (surplus) or deficit on the provision of services	15.1	3,199
(41,657)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	15.1	(39,577)
22,126	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15.1	11,799
(12,585)	Net cash flows from Operating Activities	15.1	(24,578)
12,235	Purchase of property, plant and equipment, investment property and intangible assets		20,947
15,421	Purchase of short-term and long-term investments		15,000
0	Other payments for investing activities		0
(7,415)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(2,958)
236	Proceeds from short-term and long-term investments		(20,558)
(9,811)	Other receipts from investing activities		(9,016)
10,666	Net Cash (Inflow)/Outflow from Investing Activities		3,415
	Financing Activities		
15,504	Repayments of short and long-term borrowing		21,554
34	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		33
(11,255)	Cash receipts of short and long-term borrowing		(14,315)
0	Other receipts from financing activities		0
4,283	Net Cash (Inflow)/Outflow from Financing Activities		7,272
2,363	Net (increase) / decrease in cash and cash equivalents		(13,891)
20,902	Cash and cash equivalents at the beginning of the reporting period		18,538
18,538	Cash and cash equivalents at the end of the reporting period	15.3	32,428

**Notes to the Accounts
for the Year Ended
31st March 2022**

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 2020 £000	Movement in Reserve £000	Balance at 31st March 2021 £000	Movement in Reserve £000	Balance at 31st March 2022 £000
Usable Reserves:						
Council Fund balance: Authority	10.3	8,906	0	8,906	1,620	10,527
Council Fund balance: LMS School Balances	10.5	(435)	3,853	3,418	3,536	6,955
Earmarked reserves	10.4	6,383	4,288	10,671	5,445	16,115
Capital Receipts Reserve	10.6	3,207	6,373	9,581	(489)	9,091
Usable Reserves: CCRCD		392	(210)	182	709	891
Total Usable Reserves		18,453	14,304	32,758	10,822	43,579
Unusable Reserves:						
Revaluation Reserve	10.7	41,523	(3,116)	38,407	7,629	46,036
Capital Adjustment Account	10.8	167,534	(942)	166,592	13,688	180,280
Financial Instruments Adjustment Account		(517)	0	(517)	23	(494)
Pension Reserve	10.9	(230,526)	(76,178)	(306,704)	47,492	(259,212)
Deferred Capital Receipts Reserve	10.11	5,479	(2,787)	2,692	920	3,612
Financial Instrument Revaluation Reserve		(355)	327	(28)	13	(14)
Accumulated Absences Adjustment Account	10.10	(3,553)	(558)	(4,111)	135	(3,976)
Unusable Reserves: CCRCD	16.6	2,243	(2,243)	0	(37)	(37)
Total Unusable Reserves		(18,171)	(85,498)	(103,669)	69,863	(33,807)
Total Authority Reserves		282	(71,193)	(70,911)	80,684	9,773

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 2021/22:	Council Fund Balance £000	Usable Reserves £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of Property, Plant and Equipment assets	18,781	0	(18,781)
Charges for impairment of Heritage Assets	79	-	(79)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	(5,800)	0	5,800
Revaluation movements on Assets Held for Sale (charged to SDPS)	(530)	0	530
Movements in the market value of Investment Properties	(3,607)	0	3,608
Amortisation and impairment of intangible assets	54	0	(54)

Capital grants and contributions applied	(13,553)	0	13,553
Revenue expenditure funded from capital under statute	1,932	0	(1,932)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	3,171	0	(3,171)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment (MRP)	(6,369)	0	6,369
Capital expenditure charged against the Council Fund	(234)	0	234
Adjustments involving the Capital Receipts Reserve:			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(3,702)	2,958	744
Use of the Capital Receipts Reserve to finance new capital expenditure		(3,448)	3,448
Adjustments involving the Financial Instruments Adjustment Account:			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(22)	0	22
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the CIES	38,874	0	(38,874)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,702)	0	14,702
Adjustment involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(136)	0	136
Adjustment between the Capital Adjustment Account and the Revaluation Reserve:			
Depreciation of non-current asset revaluation gains	-	-	-
Total adjustments between accounting basis & funding basis under regulations	14,234	(489)	(13,745)

Movements in 2020/21:	Council Fund Balance £000	Usable Reserves £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of Property, Plant and Equipment assets	17,719	-	(17,719)
Charges for impairment of Heritage Assets	1	-	(1)
Revaluation movements on Heritage Assets	0	-	0
Revaluation movements on Property Plant and Equipment (charged to SDPS)	2,503	-	(2,503)
Revaluation movements on Assets Held for Sale (charged to SDPS)	0	-	0
Movements in the market value of Investment Properties	(2,412)	-	2,412
Amortisation and impairment of intangible assets	79	-	(79)
Capital grants and contributions applied	(10,265)	-	10,265
Revenue expenditure funded from capital under statute	1,529	-	(1,529)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	4,593	-	(4,593)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			

Statutory provision for the financing of capital investment (MRP)	(6,075)	0	6,075
Capital expenditure charged against the Council Fund	(252)	-	252
Adjustments involving the Capital Receipts Reserve:			
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
Adjustments involving the Financial Instruments Adjustment Account:			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0	-	0
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the CIES	25,629	-	(25,629)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,026)	-	14,026
Adjustment involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	557	-	(557)
Adjustment between the Capital Adjustment Account and the Revaluation Reserve:			
Depreciation of non-current asset revaluation gains	-	-	-
Total adjustments between accounting basis & funding basis under regulations	14,950	6,373	(21,323)

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 2020 £000	In Year Movement £000	At 31st March 2021 £000	In Year Movement £000	At 31st March 2022 £000
Amount of Council Fund Balance held by Schools under Local Management Schemes	(435)	3,853	3,418	3,536	6,955
Amount of Council Fund Balance generally available for new expenditure	8,906	0	8,906	1,621	10,527
Total Council Fund Balance	8,471	3,854	12,324	5,157	17,482
Earmarked Revenue Reserves	6,383	4,288	10,671	5,445	16,115
Total Usable Reserves available for Revenue Purposes	14,854	8,141	22,995	10,602	33,597

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 2021/22 can be summarised as follows:

	At 1st April 2020 (Restat-ed) £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2021 (Restat-ed) £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2022 £000
Invest to Redesign	1,168	280	(64)	1,384	132	(32)	1,484
Priority Investment	405	1,500		1,905			1,905
Insurance and risk management	935			935		(10)	925
IT Transformation	254	600		854	173	(96)	931
Treasury equalisation	990		(400)	590			590
Capital Investment	627			627			627
Redundancy and Pensions	245	700	(88)	857		(88)	769
Capital Receipt Generation	181	300	(65)	416		(51)	365
Other reserves							
Elections	118	174		292	35	(28)	299
Museums acquisition	53			53			53
Solar Farm Maintenance & Community Fund	64	23		87	153		240
Castlegate	80	233		312	125		437
Newport Leisure Park	62	126		188	177		365
Sustainability - PV Invertor Replacement Reserve	0	15		15	50		65
Covid19 Reset Reserve: Social Care	0			0	1,400		1,400
Covid19 Reset Reserve: Homelessness	0			0	1,400		1,400
Covid19 Reset Reserve: Leisure Income	0			0	300		300
Covid19 Reset Reserve: Pay Inflation	0			0	900		900
Cost of Living Discretionary Payment Reserve	0			0	499		499
SCH Electric Vehicle & Driving Lessons Reserve	0			0	214		214
Covid19 Hardship Fund Equalisation Reserve	0	819		819			819
Service Reserves:							
Local Resilience Forum	198			198			198
Grass Routes Buses	156	5		161	5		166
Schools sickness & maternity cover	48			48	95		143
Youth Offending Team	150			150			150
Outdoor education centres	0			0			0
Building Control	1			1	5		6
Rural Development Plan	530	92		621	72		693
Highways Plant & Equipment Replacement	69	75	(44)	100	5		105
Homeless Prevention	50	8		58	10		68
Total	6,383	4,950	(661)	10,671	5,750	(306)	16,115

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.

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.

Covid 19 Reserves - To mitigate future budget pressures in the areas of Social Care, Homelessness, Lesiure Income, Pay Inflation, and any remaining legacy pandemic impacts.

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

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 2020	In Year Movement	At 31st March 2021	In Year Movement	At 31st March 2022
	£	£	£	£	£
Comprehensives					
Caldicot	(179,693)	409,100	229,408	578,377	807,785
Chepstow	(63,570)	(23,231)	(86,801)	(38,133)	(124,934)
King Henry VIII	(225,700)	423,196	197,496	558,635	756,131
Monmouth	(462,530)	676,722	214,192	600,066	814,258
Sub Total Comprehensives	(931,493)	1,485,787	554,294	1,698,946	2,253,240
Primaries					
Archbishop R Williams	83,716	122,680	206,397	(35,075)	171,322
Cantref	105,193	94,604	199,797	54,295	254,092
Castle Park	2,153	119,700	121,853	37,445	159,297
Cross Ash	64,157	18,313	82,470	(2,715)	79,755
Deri View	73,956	74,153	148,109	41,681	189,790
Dewstow	136,455	101,356	237,811	120,805	358,616

Durand	12,691	65,193	77,884	27,095	104,979
Gilwern	64,549	102,302	166,852	64,103	230,955
Goytre Fawr	34,893	56,646	91,540	26,195	117,735
Kymin View	37,955	97,350	135,305	(1,591)	133,714
Llandogo	(176,535)	89,705	(86,830)	87,044	214
Llanfair Kilgeddin CV	0	0	0	0	0
Llanfoist	24,871	68,562	93,433	125,986	219,420
Llantilio Pertholey	(21,016)	88,231	67,215	42,483	109,698
Llanvihangel Crucorney	49,684	54,986	104,670	32,152	136,822
Magor Vol Aided	(18,785)	135,987	117,202	79,614	196,816
New Pembroke Primary	1,205	124,302	125,507	93,161	218,668
Osbaston Church in Wales	(11,250)	51,859	40,609	52,538	93,147
Our Lady's & St Michael's Catholic Primary	15,859	38,534	54,393	4,256	58,648
Overmonnow	(33,928)	75,032	41,104	121,366	162,470
Raglan	(33,112)	141,989	108,878	51,715	160,593
Rogiet	(4,404)	82,499	78,095	11,128	89,222
Shirenewton	128,890	47,356	176,246	63,046	239,291
St Mary's (Chepstow)	(46,518)	67,378	20,860	84,072	104,932
The Dell	3,032	45,378	48,410	98,429	146,839
Thornwell	(47,150)	112,037	64,887	45,735	110,622
Trellech	50,948	64,743	115,691	38,248	153,939
Undy	(145,925)	152,295	6,370	204,273	210,643
Usk CV	45,942	97,113	143,055	127,785	270,840
Ysgol Gymraeg Y Fenni	(4,408)	38,775	34,367	37,648	72,015
Ysgol Gymraeg Ffin	(45,883)	61,521	15,638	51,145	66,783
Sub Total Primaries	347,236	2,490,578	2,837,815	1,784,063	4,621,878
Other					
Mounton House	172,060	(172,060)	(0)	0	(0)
Pupil Referral Unit	(22,931)	48,943	26,012	53,454	79,466
Sub Total Other	149,129	(123,117)	26,011	53,454	79,465
Total	(435,128)	3,853,248	3,418,120	3,536,463	6,954,584

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.

2020/21 £000		2021/22 £000
3,207	Balance as at 1st April	9,581
4,628	Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,680
2,787	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	278
(1,042)	Less: use of the Capital Receipts Reserve to finance new capital expenditure	(3,448)
9,581	Balance as at 31st March	9,091

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.

2020/21 £000		2021/22 £000
41,523	Balance at 1 April	38,407
1,818	Upward revaluation of assets	13,523
(2,019)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,319)
(2,336)	Difference between fair value depreciation and historical cost depreciation	(2,483)
(579)	Accumulated gains on assets sold or scrapped	(2,092)
38,407	Balance at 31 March	46,036

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.

2020/21 £000		2021/22 £000
167,534	Balance at 1 April	166,592
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(17,719)	Charges for depreciation and impairment of property, plant and equipment assets	(18,781)
0	Impairment of Heritage assets	(79)
(2,503)	Revaluation movements on Property, Plant and Equipment	5,800
0	Revaluation movements on Assets Held for Sale	530
(79)	Amortisation & impairment of intangible assets	(54)
(1,529)	Revenue expenditure funded from capital under statute	(1,932)
(4,013)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,079)
0	Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(176)
2,336	Adjusting amounts written out of the Revaluation Reserve	2,483
2,518	CCRCDA CAA	(235)

1,042	Use of the Capital Receipts Reserve to finance new capital expenditure	3,448
10,265	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,553
6,075	Statutory provision for the financing of capital investment charged against the Council Fund	6,369
252	Capital expenditure charged against the Council Fund	234
2,412	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	3,608
166,592	Balance at 31 March	180,280

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.

2020/21 £000		2021/22 £000
(Restated)		
(230,526)	Balance at 1 April	(306,704)
(64,575)	Remeasurement gains or (losses) on pension assets and liabilities	71,664
(25,629)	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	(38,874)
14,026	Employer's pensions contributions and direct payments to pensioners payable in the year	14,702
(306,704)	Balance at 31 March	(259,212)

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 31st 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.

2020/21 £000		2021/22 £000
(3,553)	Balance at 1 April	(4,111)
3,553	Settlement or cancellation of accrual made at the end of the preceding year	4,110
(4,110)	Amounts accrued at the end of the current year	(3,973)
(1)	Share of CCRCD	(1)
(4,111)	Balance at 31 March	(3,976)

10.11 Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets 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 2022 is primarily made up of £2.65m relating to the Old Abergavenny cattle market site disposed of under a finance lease and £1.0m relating to the phased receipts agreed for the disposal of the Hilston Park site.

2020/21 £000		2021/22 £000
5,479	Balance at 1 April	2,692
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(102)
(2,787)	Transfer to the Capital Receipts Reserve upon receipt of cash	1,022
2,692	Balance at 31 March	3,612

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).

2020/21				2021/22		
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
56,093	3,155	59,248	Children & Young People	57,494	486	57,980
51,327	3,132	54,459	Social Care & Health	52,658	6,241	58,899
18,360	8,997	27,358	Enterprise	19,523	13,190	32,712
3,328	1,688	5,015	Monlife	3,622	2,672	6,294
4,524	2,416	6,940	Chief Executives Unit	2,676	387	3,063
0	0	0	People & Governance	3,542	1,013	4,554
6,454	11,036	17,490	Resources	4,293	10,509	14,803
20,403	(21,076)	(673)	Corporate	22,937	(21,494)	1,443
0	(159)	(159)	Cardiff Capital Region City Deal (CCRCD)	0	(142)	(142)
160,488	9,189	169,677	Cost of Services	166,744	12,862	179,606
(160,489)	(2,415)	(162,903)	Other Income & Expenditure	(168,365)	(8,041)	(176,407)
(0)	6,774	6,774	Surplus or Deficit	(1,621)	4,820	3,200
(8,906)			Opening General Fund Balance	(8,906)		
(0)			Surplus or Deficit on General Fund	(1,621)		
(8,906)			Closing General Fund Balance	(10,527)		

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

2020/21					2021/22			
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
8,174	1,117	(6,136)	3,155	Children & Young People	2,668	3,398	(5,580)	486
1,049	2,239	(156)	3,132	Social Care & Health	1,164	5,855	(778)	6,241
6,162	1,953	883	8,997	Enterprise	7,573	4,987	630	13,190
1,584	595	(491)	1,688	Monlife	1,503	1,520	(351)	2,672
2,130	390	(104)	2,416	Chief Executives Unit	132	556	(301)	387
			0	People & Governance	97	620	296	1,013
2,864	549	7,623	11,036	Resources	1,593	1,048	7,868	10,509
0	(609)	(20,467)	(21,076)	Corporate	0	(119)	(21,375)	(21,494)

6,200	(10,315)	(4,115)	Income and expenditure in relation to investment properties and changes in their fair value	4,925	(11,880)	(6,955)
2,711	(2,581)	130	(Surpluses)/deficits on trading undertakings not included in the Net Cost of Services	3,566	(2,816)	750
-	(25)	(25)	Other investment income	-	(15)	(15)
17,984	(13,134)	4,850	Total Financing and Investment Income and Expenditure	18,179	(15,024)	3,155

11.4 Agency Income & expenditure

The Council acted as an agent on behalf of the following in the provision of goods and services:

Covid-19 Grants

Due to the impact of the Covid-19 pandemic on the need for additional services, support for individuals and businesses there have been a large number of new grants and financial support made available by Welsh Government. Local Authorities have been requested to administer on the Welsh Government's behalf because they have the local knowledge and ability to put in place systems quickly to make payments.

The below table details each scheme:

Amount Received 2020/21 (£000's)	Scheme	Purpose	Amount Received 2021/22 (£000's)
25,417	Business Support Grants	Grants to support businesses during lockdown closures	362
13,621	NDR Relief grants	Relief given to retail, leisure and hospitality	1,474
1,193	Care Workers Payments	Bonus payment for individual care workers	1,894
440	Covid-19 Freelancer Grant	Payment available for freelancers in the culture sector of up to £2.5k	18
145	Self Isolation Payments	£500 & £750 payments for eligible individuals who have to self isolate	1,002
0	Winter Fuel Payments	£200 Winter Fuel Support Scheme	476
143	Covid-19 Start Up Grant	Financial assistance for newly created businesses facing operational and financial challenges as a result of the Covid-19 outbreak	0
127	SSP Enhancement	To top up to full salary where employees only receive statutory sick pay when off sick with Covid-19 or having to self isolate as an infection control measure	147
41,084	Total		5,373

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 £46,711.94 for 2021/22 (£46,331.92 for 2020/21).

This average basic amount for a Band D property, £1,785.68 (£1,717.44 in 2020/21), 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	518	3,402	7,095	9,236	7,375	7,870	5,448	1,770	667
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:

2020/21 £000		2021/22 £000
(80,466)	Council tax collectable	(84,441)
228	Provision for non-payment of council tax	251
(80,238)	Total Council Tax proceeds	(84,190)

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 2021/22 (0.535p per £ in 2020/21) 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 £23,836,768 (£25,952,192 for 2020/21) was based on an average rateable value of £60,009,711 (£62,197,106 for 2020/21).

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 2021/22 was £32.02m (£30.04m in 2020/21).

A net debtor of £3,385,117 at 31st March 2022 (£1,042,517 debtor as at 31st March 2021) is included in the balance sheet which represents the amount by which the cash received from Welsh Government is less than 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 2021/22:

2020/21 £000		2021/22 £000
2,423	WG General Capital Grant	2,438
507	Section 106 Developer Contributions	509
8,623	WG Grants	12,078
0	Other Contributions	0
11,553	Total	15,025
	Credited to the Comprehensive Income and Expenditure Statement:	
(1,288)	Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute	(1,472)
(10,265)	Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income	(13,553)
(11,553)	Total	(15,025)

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:

2020/21 £000		2021/22 £000
	Developer Contributions held in Advance:	
4,214	S106 Developer contributions	2,820
4,214	Total	2,820

Revenue Grants and Contributions

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

2020/21 £000		2021/22 £000
	Revenue Grants credited to services	
	Central Government:	
17,553	Housing Benefit Subsidy	16,714
	Welsh Government:	
9,103	Welsh Government Covid-19 Hardship fund - Expenditure Support**	10,733
8,382	Welsh Government Covid-19 Hardship fund - Income loss Support	3,617
2,566	Welsh Government Covid-19 Hardship fund - Other	1,018
3,959	Education Improvement Grant (PDG)	4,158
3,452	Sixth Form Funding (DCELLS)	4,238
622	Concessionary Fares, Transport Subsidy (PTSG)	1,102
1,117	Children & Communities (Flying Start)	1,168
990	MYST (Children's Services Care)	0
0	WG - LA Social Care Recovery Fund	3,823
651	Families First	646
2,116	Housing Support Grant (Supporting People)	2,784
509	Waste Management	675
362	Rural Development Plan	409
0	WG 20mph Trial Scheme (Monmouthshire)	404
541	Floods and SUDS	251
0	INFUSE - Innovating Public Services	823
315	Government Tech Innovate	28
7,393	Other WG grants	7,841
	Home Office:	
203	Support /Afghan / Syrian / Unaccompanied Asylum Seekers	1,585
52	Police and Crime Commissioner	152
1,078	Other Grants & Contributions	2,721
60,965	Total Revenue Grants credited to services	64,890
	Non-Specific Grant Income	
30,037	Non-Domestic Rates	32,018
67,723	Revenue Support Grant	71,049
97,760	Total Non-Specific Grant Income	103,067

** Excludes grant income received as part of hardship funding but paid to MCC acting as the agent

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 2022 and 31st March 2021.

Movements in 2021/22:							
	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
Cost or Valuation:							
At 1st April 2021	245,034	23,205	4,458	10	2,015	274,722	1,241
Additions	6,385	2,554	217		2,316	11,472	
Revaluation movements taken to Revaluation Reserve	(1,380)	(2)				(1,383)	9
Revaluation movements taken to Surplus/Deficit on Provision of Services	(4,335)	(5)				(4,340)	(5)
Impairment movements taken to Surplus/Deficit on Provision of Services	(1,959)		(147)			(2,106)	
Reclassified (to)/from Held for Sale	0	(2,975)				(2,975)	
Disposals						0	
Other transfers	(15)				(152)	(167)	
CCRCDC Assets		257			50	306	
At 31st March 2022	243,729	23,034	4,528	10	4,228	275,530	1,245
Accumulated Depreciation:							
At 1st April 2021	(15,840)	(12,832)	0	0	0	(28,673)	0
Depreciation charge	(8,438)	(2,043)				(10,482)	(49)
Depreciation written out on revaluation to Revaluation Reserve	13,042	1				13,043	47
Depreciation written out on revaluation to Surplus/Deficit on Provision of Services	10,138	2				10,140	2
Depreciation written out on impairment to Surplus/Deficit on Provision of Services						0	
Reclassified to/(from) Held for Sale		2,972				2,972	
Disposals						0	
Other reclassifications	10					10	
CCRCDC Assets		(37)				(37)	
At 31st March 2022	(1,089)	(11,937)	0	0	0	(13,026)	0
Net Book Value:	242,640	11,097	4,528	10	4,228	262,504	1,245

Movements in 2020/21

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment*
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	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:							
At 1st April 2020	251,758	21,829	4,459	0	2,844	280,890	1,259
Additions	3,604	2,906	(3)	-	1,425	7,933	-
Revaluation movements taken to Revaluation Reserve	(3,031)	(7)	0	-	-	(3,038)	(18)
Revaluation movements taken to Surplus/Deficit on Provision of Services	(2,943)	-	-	-	0	(2,943)	-
Impairment movements taken to Surplus/Deficit on Provision of Services	(2,168)	(790)	3	0	-	(2,956)	-
Reclassified (to)/from Held for Sale	(2,269)	(733)	(1)	10	-	(2,993)	-
Disposals			(0)		-	(0)	
Other reclassifications	2,254				(2,254)	(0)	
CCRC Assets	(2,169)	-	-	-		(2,169)	-
At 31st March 2021	245,034	23,205	4,459	10	2,015	274,723	1,241
Accumulated Depreciation:							
At 1st April 2020	(10,535)	(11,359)	-	-	-	(21,895)	0
Depreciation charge	(8,243)	(2,163)	-	-	-	(10,405)	(53)
Depreciation written out on revaluation to Revaluation Reserve	2,497	7	-	0	-	2,504	-
Depreciation written out on revaluation to Surplus/Deficit on Provision of Services	440	-	-	0	-	440	53
Depreciation written out on impairment to Surplus/Deficit on Provision of Services	-	-	-	-	-	0	-
Reclassified to/(from) Held for Sale	-	683	-	-	-	683	-
Disposals						0	
At 31st March 2021	(15,840)	(12,832)	-	-	-	(28,673)	0
Net Book Value:	229,194	10,372	4,459	10	2,015	246,050	1,241

12.1b Infrastructure Disclosure

In accordance with the temporary relief offered by the Statutory Instrument as an amendment to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (Regulation 24L) this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation [24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

	2020/21 £000	2021/22 £000
Net Book Value At 1 April	71,151	73,613
Additions	6,820	9,943
Derecognition	0	0
Depreciation	(2,279)	(2,465)
Impairment	(2,079)	(3,728)
Other Movements in Costs	0	0
Net Book Value At 31 March	73,613	77,363

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 overseen by a qualified member of the Royal Institution of Chartered Surveyors (RICS). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS.

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

- The 2021/22 revaluations were carried out or approved by qualified valuers within the Authority's Estates section or external qualified valuers. The basis for valuation is set out in the accounting policies within section 17 of the notes to the accounts.
- All assets requiring valuations have been revalued in the 5 year period ending 31st March 2022. The valuations carried out during 2021/22 primarily include Community Centres, Corporate Facilities, Hubs & Public Contact Centres and Recreational Spaces.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	0	11,097	4,528	10	4,228	19,864
Valued at current value as at:						
31st March 2022	220,993	-	-	-	-	220,993
31st March 2021	2,860	-	-	-	-	2,860
31st March 2020	17,350	-	-	-	-	17,350
31st March 2019	1,149	-	-	-	-	1,149
31st March 2018	289	-	-	-	-	289
Total Cost or Valuation	242,640	11,097	4,528	10	4,228	262,504

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 (£3,832,484 as at 31st March 2022) 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 (£1,567,900 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 2022, shown in the Authority's balance sheet, is £159,141,677 (£163,484,094 as at 31st March 2021).

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 2022 being £1,245,399.

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:

2020/21 £000		2021/22 £000
(4,845)	Rental income from investment property	(5,026)
1,725	Direct operating expenses arising from investment property	2,358
(3,120)	Net (gain)/loss	(2,667)

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

2020/21 £000		2021/22 £000
63,427	Balance at start of the year	65,304
141	Additions	233
(2,458)	Disposals	(526)
2,412	Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure	3,607
1,781	Transfers (to)/from Property, Plant and Equipment	5
0	Movement in CCRCD balances	(3)
65,304	Balance at end of the year	68,620

Capital receipts totalling £1,992,620 were credited to the Capital receipts reserve during 2021/22 in relation to investment properties (£5,102,490 in 2020/21).

Fair Value Hierarchy

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

2020/21				2021/22			
Quoted Prices in active markets for identical assets	Other Observable inputs	Significant Unobservable inputs		Type of Property	active markets for identical assets	Other Observable inputs	Significant Unobservable inputs
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3
£000	£000	£000	£000		£000	£000	£000
		95	95	Freehold Reversions			115
	29,692		29,692	Agricultural Properties		32,936	
		1,236	1,236	Retail Units			1,521
		1,940	1,940	Industrial Properties			1,894
		5,098	5,098	Solar Farm			5,389
		1,781	1,781	Share of CCRCD Asset			1,778
		25,463	25,463	Properties acquired for rental income			24,987
0	29,692	35,612	65,304		0	32,936	35,684

There have been no transfers between levels during the year. The authorities share in CCRD assets have recognised at Level 3.

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:

2020/21 £000		2021/22 £000
33,896	Balance at start of the year	35,613
1,781	Transfers (to)/from Level 3	0
8	Additions	(15)
0	Disposals	0
(73)	Net gains/(losses) from fair value adjustments included in Surplus or Deficit on the Provision of Services	87
35,612	Balance at end of the year	35,685

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%	
Investment Assets		Yield	7%	

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 2022 are shown below:

2020/21 £000		2021/22 £000
2,060	Balance outstanding at start of year	2,569
0	Additions	0
2,320	Assets newly classified as held for sale: From Plant, Property & Equipment	3
(10)	Assets declassified as held for sale: To Plant, Property & Equipment	0
334	Revaluation gains	1,074
0	Revaluation losses	0
0	Impairment losses	0
(2,135)	Assets sold	(2,645)
2,569	Balance outstanding at year-end	1,000

12.7 Heritage Assets

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

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

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

	Property Heritage Assets £000	Museum Exhibits £000	Civic Regalia, Artwork & Collect'n £000	Total £000
Cost or Valuation:				
1st April 2020 (Restated)	149	4,488	156	4,792

Additions	1	0	-	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	-	-	0
31st March 2021 (Restated)	149	4,488	156	4,792
Cost or Valuation:				
Additions	158			158
Revaluation increases/(decreases) recognised in the SDPS	0			0
Impairment (losses)/reversals recognised in the SDPS	(79)			(79)
Reclassified from property, plant and equipment				0
31st March 2022	228	4,488	156	4,871

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
- Shire Hall
- 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 2021 £000		31st March 2022 £000
189,451	Opening Capital Financing Requirement	189,235
	Capital investment:	
	Enhancing value:	
9,569	Property, plant and equipment	13,721
8	Investment properties	(15)
0	Vehicles	1,859
0	Heritage assets	79
	Not enhancing value:	
5,035	Property, plant and equipment	5,834
133	Investment properties	247
0	Intangible assets	
0	Assets held for sale	
1	Heritage assets	79
2,816	Revenue Expenditure Funded from Capital under Statute	3,404
1,147	Loans & advances treated as capital expenditure	0
	Sources of finance:	
(1,042)	Capital receipts	(3,448)
(2,423)	General Capital Grant	(2,438)
(8,623)	Capital Grants and Contributions	(12,078)
(507)	S106 Contributions	(509)
(252)	Direct revenue contributions	(234)
	Other:	
(6,075)	Minimum revenue provision	(6,369)
0	Capital receipt set aside	0
189,236	Closing Capital Financing Requirement	189,370
	Explanation of movements in year:	
2,417	Increase in underlying need to borrowing - supported by Government financial assistance	2,431
3,442	Increase in underlying need to borrowing - unsupported by Government financial assistance	4,072
(6,075)	Less: Minimum revenue provision	(6,369)
(216)	Increase / (decrease) in Capital Financing Requirement	134

12.9 Capital Commitments

At 31st March 2022, the Authority had entered into 3 major contracts (those individually £200,000 and more) for the construction of Property, Plant and Equipment in 2021/22 and later years, budgeted to cost a total of £5,581,423 (£1,090,595 at 31st March 2021). The major commitments are as follows and are not included in the financial statements within this document.

	£000
Abergavenny Borough Theatre Works	620
Crick Road Care Home	4,961
	5,581

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 2021/22 was £6,368,725 (£6,075,366 in 2020/21).

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 £2,932,638 of minimum lease payments were receivable by the Authority (£2,819,107 in 2021/22).

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

2020/21 £000		2021/22 £000
2,660	Not later than one year	2,838
6,285	Later than one year and not later than five years	7,088
10,849	Later than five years	10,377
19,794		20,304

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	2020/21		2021/22	
	Gross Amount outstanding from Lessee	£000	Present Value of Minimum Lease Payments to the Authority	Gross Amount outstanding from Lessee
156	160	Not later than one year	156	160
592	640	Later than one year and not later than five years	592	640
1,906	2,560	Later than five years	1,806	2,400
2,655	3,360		2,554	3,200

The present value of the minimum lease payments has been reduced during 2021/22 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 £324,288 (£354,511 in 2020/21).

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

2020/21 £000		2021/22 £000
297	Not later than one year	251
652	Later than one year and not later than five years	624
181	Later than five years	153
1,130		1,028

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 2022:

Long-Term 31st March 2021 £000	Short-Term 31st March 2021 £000		Note	Long-Term 31st March 2022 £000	Short-Term 31st March 2022 £000
Financial Assets					
Investments at amortised Cost:					
1,179	20,458	Principal invested	13.4	1,003	14,184
		Accrued Interest			
Investments at fair value through other comprehensive income:					
	2,986	Equity Investments elected FVOCI			3,986
Investments at fair value through profit & loss:					
183		Unquoted equity investments	13.4	183	
1,362	23,444	Total Investments		1,186	18,170
Cash & Cash Equivalents at amortised cost:					
	19,158	Principal	15.3		34,108
		Accrued Interest			
0	19,158	Total Cash & Cash Equivalents		0	34,108
At amortised cost:					

	9,879	Trade Receivables			8,640
	(597)	Loss allowance			(575)
2,557	100	Lease Receivables		2,452	103
210	1	Loans made for service purposes		204	(4)
2,766	9,383	Included in Debtors	13.5	2,656	8,164
4,128	51,985	Sub-Total Financial Assets		3,841	60,442
	3,098	Current assets which are not Financial Instruments			1,636
100	23,665	Debtors which are not Financial Instruments	13.5	1,001	33,830
4,228	78,748	Total Financial Assets		4,842	95,907

Long-Term 31st March 2021 £000	Short-Term 31st March 2021 £000		Note	Long-Term 31st March 2022 £000	Short-Term 31st March 2022 £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 2022:

		Financial Liabilities			
		Loans at amortised Cost:			
(84,843)	(97,911)	Principal sum borrowed		(104,297)	(71,169)
0	(683)	Accrued Interest			(732)
(28)	(1)	EIR adjustments		(27)	(1)
(84,871)	(98,595)	Total Borrowings	13.4	(104,324)	(71,903)
		Loans at amortised Cost:			
	(621)	Cash & cash equivalents	15.3		(1,680)
0	(621)	Total Cash & Cash Equivalents		0	(1,680)
		Liabilities at amortised Cost:			
(674)		PFI and finance lease liabilities		(642)	
(1,703)		Other Long Term Liabilities		(1,608)	
(2,377)	0	Total Other Long Term Liabilities		(2,250)	0
		Liabilities at amortised Cost:			
	(1,134)	Trade Payables			(2,366)
0	(1,134)	Included in Short Term Creditors	13.6	0	(2,366)
(87,248)	(100,349)	Total Financial Liabilities		(106,574)	(75,948)
	(35,271)	Short term creditors which are not Financial Instruments	13.6		(51,085)
(316,163)	(4,758)	Other Current & long term liabilities which are not Financial Instruments:		(266,323)	(4,492)
(403,411)	(140,378)	Total Balance Sheet Liabilities		(372,897)	(131,525)

Equity instruments elected to fair value through OCI						
31st March 2021	31st March 2021	31st March 2021		31st March 2022	31st March 2022	31st March 2022
£000	£000	£000		£000	£000	£000
Fair value	OCI	Dividends		Fair value	OCI	Dividends
1,539	243	67	Kames Capital diversified monthly income fund	2,024	485	84
1,001	88	37	Investec Asset Management Ltd diversified income fund	1,443	442	37
446	(3)	19	CCLA LAMIT Property Fund	519	73	17
2,986	327	124	Total Balance Sheet Asset	3,986	1,000	139

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 2021					31st March 2022
£000		Fair value through P&L	Fair value through OCI	Fair value through OCI - elected	£000
	Financial Liabilities measured at:				Amortised cost
15	Interest expense - finance lease /private finance initiative debtors				16
0	Losses on de-recognition				0
0	Losses from changes in fair value				0
0	Impairment losses				0
3,688	Other Interest expense				3,364
3,703	Subtotals	0	0	0	3,381
3,703	Total Interest payable and similar charges				3,381

		Fair value through P&L	Fair value through OCI	Fair value through OCI - elected	Amortised cost
	Financial assets measured at:				
(64)	Interest income relating to finance lease debtors				(58)
0	Interest from deferred receipts				0
(124)	Dividend income (elected equity instruments)			(140)	0
0	Gains on derecognition				0
0	Gains from changes in fair value				0
0	Impairment loss reversals				0
(43)	Other Interest income				(119)
(231)	Subtotals	0	0	(140)	(177)
(231)	Total Interest & Investment income				(317)
3,472	Net impact on surplus/deficit on provision of services				3,063

		Fair value through P&L	Fair value through OCI	Fair value through OCI - elected	Amortised cost
	Impact on other comprehensive income:				
330	Gains on revaluation			77	

(3)	Losses on revaluation			(64)	
0	Amounts recycled to surplus/deficit on provision of services				
327	Subtotals	0	0	13	0
327	Impact on other comprehensive income				13
3,799	Net (gain)/loss for the year				3,076

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 2022, 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 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March 2022.
- 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 2021 £000	Fair Value 31st March 2021 £000		Balance sheet position	Fair Value Level	Balance Sheet 31st March 2022 £000	Fair Value 31st March 2022 £000
Financial liabilities held at amortised cost:						
(183,466)	(204,695)	Borrowings	Borrowing (ST & LT)	2	(176,226)	(179,030)
(674)	(695)	PFI and finance lease liabilities	Other LT Borrowing	3	(642)	(563)
(184,140)	(205,390)	Subtotal			(176,868)	(179,593)
Financial liabilities held at amortised costs for which fair value is not disclosed:						
(1,193)		Cash & Cash equivalent	C & C E		(1,680)	
(1,134)		Trade payables	Short term creditors		(2,366)	
(1,703)		Net agency creditor and lease deposits	Other LT Borrowing		(1,608)	
(188,169)		Total financial liabilities			(182,522)	

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 2021 £000	Fair Value 31st March 2021 £000			Fair Value Level	Balance Sheet 31st March 2022 £000	Fair Value 31st March 2022 £000
Financial assets held at fair value:						
2,986	2,986	Equity investments elected FV through OCI	ST Investments	2	3,986	3,986
183	183	Unquoted equity investments held at FVP&L	LT Investments	3	183	183
3,168	3,168	Subtotal			4,168	4,168
Financial assets held at amortised cost:						
2,657	2,799	Lease receivables	LT debtors	3	2,554	2,443
		Trade receivables - deferred receipt	LT debtors			
5,825	5,967	Subtotal			6,722	6,611
Financial assets held at amortised cost for which fair value is not disclosed:						
19,158		Cash & Cash equivalent	C&CE		34,108	
23,444		Short term investments	ST Investments		18,170	
9,879		Trade Receivables	Short term debtors		8,640	
210		Loans made for service purposes	Long term debtors		204	
58,517		Total financial assets			67,844	

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 £4m 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 £4m 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 2021	Balance Short-term 31st March 2021	Counterparty Group	Investment Vehicle	Average	Country	Balance Long-term 31st March 2022	Balance Short-term 31st March 2022
£'000	£'000			rating		£'000	£'000
0	20,000	UK Government	Term Deposit with DMADF	AA+	United Kingdom		14,000
0	0	Local Authority	Term Deposit	AA+	United Kingdom		
0	16,187	Bank	Term Deposit	A+	United Kingdom		30,070
Credit risk Not applicable:							
0	2,986	Pooled funds			United Kingdom		3,986
1,239	274	Unquoted Equity			United Kingdom	1,063	
123	3,155	CCRC				123	4,222
1,362	42,602	Total Investments				1,186	52,278

* 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 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 2022, £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 to 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 2022 the carrying value was £2,554,000. The fair value was £2,443,000 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 2021				31st March 2022		
£000	£000	£000		£000	£000	£000
Borrowings	Investments	Net		Borrowings	Investments	Net
The Loans Mature as follows:-						
0	(3,626)	(3,626)	No defined maturity	0	(4,352)	(4,352)
98,595	(20,000)	78,595	Less than one year	71,903	(14,000)	57,903
3,013	0	3,013	Between one and two years	4,338	0	4,338
13,448	0	13,448	Between two and five years	10,014	0	10,014
11,510	(1,179)	10,331	Between five and ten years	11,128	(1,003)	10,125
12,924	0	12,924	Between ten and twenty years	20,269	0	20,269
43,976	0	43,976	More than twenty years	58,574	0	58,574
183,466	(24,806)	158,660	Total	176,226	(19,355)	156,871

The Counterparty analysis of Borrowing is shown below:

31st March 2021		31st March 2022
£000		£000
74,647	Public Works Loan Board	87,358
13,812	Market Loans & Bank loans	13,812
5,062	Welsh Government	6,031
86,944	Local Government bodies	66,025
3,000	Special Purpose Vehicle	3,000
183,466	Total	176,226

The financial liabilities due to Welsh Government at the 31st March 2022 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 2021/22 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 2022, 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 2021	Effect of a 1% increase in interest rates	31st March 2022
£000		£000
829	Increase in interest payable on borrowings	491
(190)	Increase in interest receivable on investments	(136)
0	Decrease in fair value of investments held at FVP&L	0
639	Impact on Surplus or Deficit on the Provision of Services	354
(12,630)	Decrease in fair value of fixed rate borrowing *	(11,828)

* 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 2022, 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 2021					31st March 2022			
Long Term £000	Short Term £000	Impairment £000	Net £000		Long Term £000	Short Term £000	Impairment £000	Net £000
				Central Government Bodies:				
	9,444		9,444	Welsh Government		17,426		17,426
	1,083		1,083	HM Customs & Excise		1,549		1,549
	2,306		2,306	NNDR Debtor		2,993		2,993
	406		406	Council Tax and Housing Benefit Subsidy		0		0
			0	Other				0
				Other entities and individuals:				
	4,956	(4)	4,952	Other Local Authorities		4,600	(17)	4,583
			0	Deferred Capital receipts				0
2,557	100		2,657	Finance Lease	2,452			2,452
	7,542	(55)	7,487	Revenue debtors		6,825	(69)	6,756
	3,925	(1,895)	2,031	Council tax arrears		3,771	(2,146)	1,625
	1,323	(235)	1,088	Corporate sundry debtors		1,744	(118)	1,626
	1,284	(649)	635	Housing benefit overpayments		1,295	(741)	554
	1,756		1,756	NHS Bodies		2,663	(10)	2,653
	784	(154)	630	Social Services debtors		1,171	(181)	990
	275	(204)	71	Rent arrears		379	(249)	130
	16		16	Capital debtors		734		734
201			201	Housing Advances	196			196
109	1,043		1,152	Other	1,009	373		1,382
2,867	36,244	(3,196)	35,914	Total Debtors	3,657	45,525	(3,531)	45,650

The aged analysis of short term debtors outstanding as at 31st March 2022 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
Central Government Bodies:						
Welsh Government	17,426	0	0	0	0	17,426
HM Customs & Excise	1,549	0	0	0	0	1,549
NNDR Debtor	3,207	0	(35)	(34)	(145)	2,993
Council Tax and Housing Benefit Subsidy	0	0	0	0	0	0
Other	0	0	0	0	0	0
Other entities and individuals:						
Other Local Authorities	3,966	459	177	(2)	(0)	4,600
Deferred Capital receipts	0	0	0	0	0	0
Finance Leases	0	0	0	0	0	0
Revenue debtors	6,703	0	56	27	39	6,825
Council tax arrears	0	0	946	904	1,922	3,771
Corporate sundry debtors	1,056	217	222	59	190	1,744
Housing benefit overpayments	0	0	320	212	763	1,296
NHS Bodies	2,440	22	125	66	10	2,663

Social Services sundry debtors	167	300	358	150	196	1,171
Capital debtors	734	0	0	0	0	734
Rent arrears	72	19	72	49	167	379
Housing Advances	0	0	0	0	0	0
Other	373	0	0	0	0	373
Total	37,693	1,016	2,242	1,431	3,142	45,525

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2022 is as follows:

	Not Overdue	Up to 3 Months	3 Months - 12 Months	Over 12 Months	Over 24 Months	Total
	£000	£000	£000	£000	£000	£000
Other Local Authorities	0	0	3	5	9	17
NHS Bodies	0	0	3	4	3	10
Revenue debtors	0	0	29	14	26	69
Council Tax Arrears	0	0	538	514	1,094	2,146
Social Services sundry debtors	39	7	96	20	19	181
Corporate sundry debtors	0	6	46	21	45	118
Rent arrears	0	4	30	49	166	249
Housing benefit overpayments	0	0	64	46	631	741
Total	39	17	809	673	1,993	3,531

13.6 Creditors

It is the Authority's policy to pay creditors promptly, without undue delay and within mutually agreed terms. 97.54% of payments were paid within a 30 day target settlement date (97.88% in 2020/21).

The nature and value of payments due to be made by the Council in the year but not actually made as at 31st March 2022 is summarised below:

31st March 2021 £000		31st March 2022 £000
10,222	Central Government Bodies	4,896
2,874	Other Local Authorities	4,736
411	NHS Bodies	1,300
4,922	Capital Creditors	8,492
17,975	Other entities & individuals	34,028
36,405	Total	53,451

13.7 Provisions and Contingent Liabilities

The value of provisions as at 31st March 2022, together with their movement for the year, is summarised below:

	Note	As at 1st April 2021 £000	New or increased Provisions £000	Used or reduced Provisions £000	As at 31st March 2022 £000
Insurance Claims	13.7a	851	572	(417)	1,006
Insurance Claims - MMI	13.7b	32	0	0	32
Accumulating Compensated Absences	13.7c	4,109	3,973	(4,109)	3,973
Shared Resource Service (Public) Debt	13.7d	86	0	(86)	(0)
CCRCDC Consolidation		127	25	0	152
Total		5,205	4,570	(4,612)	5,163

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 2021 £000	Long Term 31st March 2021 £000		Current 31st March 2022 £000	Long Term 31st March 2022 £000
546	305	Insurance Claims	503	503
16	16	Insurance Claims - MMI	16	16
4,109	0	Accumulating Compensated Absences	3,973	0
86	0	Shared Resource Service (Public) Debt	0	0
0	127	CCRCDC Consolidation	0	152
4,757	448	Total	4,492	671

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 2022. 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 2022 was £1,006,362 (£851,029 at 31st March 2021) and the balance on the insurance and risk management reserve as at 31st March 2022 was £836,094 (£846,428 as at 31st March 2021). 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 2021 £000		31st March 2022 £000
632	Public Liability	835
219	Employer's Liability	171
851	Total	1,006

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 2022, a provision of £31,137 has been made for outstanding claims of this nature, unchanged from 2020/21 .

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 2022 was £3,973,247 (£4,109,744 at 31st March 2021).

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 was considered 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, estimated at £86,254. Following a review during the year, there was no further evidence of such a liability presenting and as such this provision has been reversed.

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 indemnity is one where the authority has negotiated an initial limited contingent liability of £6.003million, to be updated annually by RPI, for a period of 15 years from the date of transfer of 20th January 2008. 1 year remains 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 the potential future liability, after updating for RPI is £7.176 million (£6.679 million as at 31st March 2021) , 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 2022) is £125,021 (previously £124,456 for the period 21st January 2008 to 31st March 2021).

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 2021/22 totalled £6,087,000 (£5,991,000 in 2020/21) 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 £514,246 of contributions remaining payable to the scheme at the year end (£495,227 at 31st March 2021). 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, 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 2022 is split as follows, along with the weighted average duration of each group:

2020/21			2021/22		Weighted Average Duration (Years)
£000's	%		£000's	%	
367,088	51%	Active	373,917	53%	27.1
138,897	19%	Deferred	128,850	18%	9.3
216,972	30%	Pensioners	201,808	29%	19.5
722,957	100%	Total	704,575	100%	18.6

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

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.

To account for the McCloud Judgement (public service pensions age discrimination cases) the actuary has made an estimated adjustment to these liabilities from the 2019 valuation data to ensure that it is captured in the 31 March 2022 IAS19 balance sheet figures.

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
2020/21 £000's	2020/21 £000's		2021/22 £000's	2021/22 £000's
		Comprehensive Income and Expenditure Account		
		Net Cost of Services:		
20,168	0	current service cost	32,387	0
91	0	past service cost / (gain) including curtailments	180	0
0	0	settlement gain	0	0
20,259	0	Total Net Cost of Services	32,567	0
		Financing and Investment Income and Expenditure:		
12,733	86	interest cost on pension liabilities	14,740	75
(7,449)	0	interest income on plan assets	(8,508)	0
0	0	Impact of asset ceiling on net interest	0	0

25,543	86	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	38,799	75
		Other Comprehensive Income and Expenditure:		
64,244	331	(Gains) and losses on remeasurement	(71,489)	(174)
0	0	Effect of business combinations and disposals	0	0
64,244	331	Total Other Comprehensive Income and Expenditure	(71,489)	(174)
89,787	417	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(32,690)	(99)
		Movement in Reserves Statement		
(25,715)	86	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(38,799)	(75)
		Actual amount charged against the Council Fund for pensions in the year:		
13,617	409	employers' contributions payable to scheme	14,330	373

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 2023 is £14,925,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2023 are £384,000.

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

14.5 Actuarial Assumptions

The principal IAS19 assumptions used by the Actuary for these accounts are shown in the following table. Using the projected unit method, the Actuary determines the figures at the Balance Sheet date using the latest scheme valuation as a base, which was 31 March 2019.

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

Financial Assumptions	Local Government Pension Scheme & Teachers Unfunded Discretionary Benefits		
	31st March 2022	31st March 2021	31st March 2020
Rate of increase in salaries	3.5%	3.2%	2.2%
Rate of increase in pensions (inline with CPI)	3.2%	2.9%	1.9%
Rate for discounting scheme liabilities	2.7%	2.0%	2.3%
Life Expectancy:			
Current male pensioner aged 65 (years)	20.5	20.7	20.6
Current female pensioner aged 65 (years)	23.2	23.4	22.9
Future male pensioner aged 65 in 20 years' time (years)	21.8	22.1	21.6
Future female pensioner aged 65 in 20 years' time (years)	25.1	25.4	24.6

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 2022	Approximate % increase to Employer	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	14,195
0.5% increase in the Salary Increase Rate	4%	28,468
0.1% increase in the Salary Increase Rate	0%	1,359
0.1% increase in the Pension Increase Rate	2%	12,730

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 2021		Category	Quoted in Active markets	31st March 2022	
£000	%			£000	%
62,764	14.8%	Equities	Yes	0	0.0%
		Investment funds & Unit Trusts			
245,139	57.8%	Equities	No	336,753	74.4%
71,196	16.8%	Bonds	No	64,821	14.3%
30,830	7.3%	Other	No	39,840	8.8%
10,680	2.5%	Property	No	9,608	2.1%
3,729	0.9%	Cash accounts	No	1,465	0.3%
0	0.0%	Alternatives	No	0	0.0%
424,338	100.0%	Total		452,486	100.0%

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

The Movement in Fund Assets

Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits		Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits
2020/21 £000	2020/21 £000		2021/22 £000	2021/22 £000
322,980	0	As at 1st April	424,338	0
0	0	Settlement costs	0	0
7,449	0	Interest on plan assets	8,508	0
13,617	431	Employers contributions	14,330	373
3,539	0	Contributions by scheme participants	3,792	0

91,626	0	Gains / (losses) on remeasurement of assets	16,948	0
0	0	Administration expenses of plan assets	0	0
(14,873)	(431)	Benefits paid	(15,430)	(373)
424,338	0	As at 31st March	452,486	0

The Movement in Fund Liability

(549,563)	(3,943)	As at 1st April	(727,091)	(3,951)
(20,168)	0	Current service cost	(32,387)	0
(91)	0	Past service (cost) / gain (including curtailments)	(180)	0
0	0	Settlement gains	0	0
0	0	Curtailment costs	0	0
(12,733)	(86)	Interest on pension liabilities	(14,740)	(75)
(3,539)	0	Contributions by scheme participants	(3,792)	0
(155,870)	(331)	Gains / (losses) on remeasurement of liabs	54,541	174
14,873	409	Benefits paid	15,430	373
0	0	Effect of business combinations & disposals	0	0
(727,091)	(3,951)	As at 31st March	(708,219)	(3,479)

There were £1,583,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2020 £1,124,000 was payable) and £2,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£2,000 at 31 March 2021).

Within the £704,575,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2022 (£727,091,000 31 March 2021), there are £8,085,000 of unfunded liabilities (£3,957,000 as at 31st March 2021).

14.9 Summary of the movement in assets and liabilities

Over the five years ending the 31 March 2022, the fund's actuaries have estimated that the Authority had the following assets and liabilities:

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Local Government Pension Scheme					
Present value of scheme liabilities	(544,485)	(616,635)	(549,563)	(727,091)	(708,219)
Fair value of scheme assets	331,910	353,171	322,980	424,338	452,486
Surplus / (deficit) in the scheme	(212,575)	(263,464)	(226,583)	(302,753)	(255,733)
Teachers Unfunded Discretionary Benefits					
Present value of scheme liabilities	(5,070)	(4,749)	(3,943)	(3,951)	(3,479)
Fair value of scheme assets	0	0	0	0	0
Surplus / (deficit) in the scheme	(5,070)	(4,749)	(3,943)	(3,951)	(3,479)
Total					
Present value of scheme liabilities	(549,555)	(621,384)	(553,506)	(731,042)	(711,698)
Fair value of scheme assets	331,910	353,171	322,980	424,338	452,486
Surplus / (deficit) in the scheme	(217,645)	(268,213)	(230,526)	(306,704)	(259,212)
Year on year increase in net liability (or deficit)		(50,568)	37,687	(76,178)	47,492

There is a decrease in the combined net liability of the Greater Gwent pension funds of £47,492,000 from 1 April 2021 to 31 March 2022. This has resulted from a decrease in the value of scheme liabilities of £18.8m offset by an increase in the value of scheme assets. The decrease 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

2020/21 £000		2021/22 £000
6,946	Net (surplus) or deficit on the provision of services	3,199
	Non-cash transactions:	
(12,684)	Depreciation of non-current assets	(12,983)
(7,539)	Impairment and downward valuations	418
(79)	Amortisation of intangible non-current assets	(54)
(409)	Increase/decrease in impairment for provision for bad debts	(391)
(40)	Increase/(decrease) in inventories	112
4,417	Increase/(decrease) in debtors	9,823
(11,438)	(Increase)/decrease in creditors	(14,822)
(132)	(Increase)/decrease in provisions	67
(11,775)	Pension liability	(24,172)
201	CCRCDC: Capital & Revenue Grants recognised	633
0	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	1,363
(4,593)	Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised	(3,171)
2,412	Movement in the value of investment properties	3,601
	Items classified in another classification in the cash flow statement	
2,909	Other payments for investing activities	1,191
9,811	Other receipts from investing activities	9,016
(34)	Other payments for financing activities	(33)
(753)	Other receipts for financing activities	(1,441)
10,193	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,066
(12,585)	Net cash flows from Operating Activities	(24,578)

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:

2020/21 £000		2021/22 £000
	Returns on Investments received:	
(219)	Interest received	(289)
(25)	Other interest and investment income	(15)
	Servicing of Finance paid:	
3,801	Interest paid	3,334
15	Interest element of finance lease rental payments	16
3,572		3,047

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 2021	In Year Movement	At 31st March 2022
	£000	£000	£000
Current Assets			
Cash held by the Authority	172	(118)	55
Bank current accounts	0	0	0
Short-term call account deposits	18,986	15,068	34,053
Current Liabilities			
Bank current account overdrafts	(621)	(1,059)	(1,680)
Total	18,538	13,890	32,428

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:

2020/21 £000		2021/22 £000
608	Basic allowance	600
208	Special responsibility allowance	216
2	Travel allowance	3
0	Subsistence allowance	0
4	ICT Costs	4
822	Total	823

16.2 Audit Costs

The Authority has incurred the following costs during 2021/22 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:

2020/21 £000		2021/22 £000
176	Fees payable to the appointed auditor with regard to external audit services - financial audit	183
103	Fees payable to the appointed auditor with regard to external audit services - Local Government Measure	107
40	Fees payable to the appointed auditor for certification of grant claims & returns	54
319	Total	344

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 University 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 2022 was:

2020/21 £000		2021/22 £000
	Funding	
(262)	Monmouthshire County Council	(272)
(197)	Monmouthshire Local Health Board	(205)
(459)	Total Funding	(477)

Expenditure		
326	Employee related	355
78	Premises related	84
1	Transport related	0
35	Supplies & Services	28
39	Agency & Contracted	44
479	Total Expenditure	511
20	Net (Under)/over spend	34

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 £4,991,000 (£4,106,000 for 2020/21) and gross income of £4,991,000 (£4,106,000 for 2020/21) for the financial year ended 31st March 2022. Monmouthshire County Council's contribution for the year was £419,000 (£382,000 for 2020/21).

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 £3,809,000 (£3,768,000 for 2020/21) and gross income of £3,675,000 (£3,612,000 for 2020/21) for the financial year ended 31st March 2022. Monmouthshire County Council's total contribution for the year was £1,191,000 (£1,171,000 for 2020/21).

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 £16,109,000 (£16,623,000 for 2020/21) and gross income of £15,987,000 (£16,637,000 for 2020/21) for the financial year ended 31st March 2022. Monmouthshire County Council's total contribution for the year was £1,456,000 (£1,411,000 for 2020/21).

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 £99,844,467 (£95,841,580 for 2020/21) and funding of £99,844,467 (£95,841,580 for 2020/21) for the financial year ended 31st March 2022. Monmouthshire County Council's total contribution for the year was £9,419,985 (£8,870,266 for 2020/21).

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 2021/22 is shown in Note 16.1. During 2021/22, works and services to the value of £18.667m (£17.892m in 2020/21) were commissioned from other public bodies and companies in which nine members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition, grants totalling £66,507 (£96,809 in 2020/21) were made to voluntary organisations in which three 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. Receipts from other public bodies that members had an interest in totalled £478,732 (Monmouthshire Housing Association £420,982, CSC Foundry £54,000 and BBNP £3,750). 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.

Payments to / from Other Bodies

The Authority made payments and received income from other bodies during 2021-22 financial year. Payments were made to; Aneurin Bevan Health Board £1,637,011; Monmouthshire Housing Association £317,817; Homemakers £62,007 and Brecon Beacons National Park £49,128 for services received. The Authority received a payment of £3,750 for services supplied to The Brecon Beacons National Park. Receipts received totalled £1,792,897 (Monmouth Housing £420,982, Aneurin Bevan £1,314k and CSC Foundry £54k)

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 2021/22 and held the following position during the year:

- **Member of the Cardiff Capital Region Investment Committee**
- **Shared Resource Services - Board Member**
- **Governor (Honorary) - Cardiff Metropolitan University**

The Head of Strategic Projects held the following position during the year:

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

The Chief Officer for Communities & Place 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 2022:

2020/21					2021/22			
Income £000	Expend £000	Assets £000	Liabilities £000		Income £000	Expend £000	Assets £000	Liabilities £000
(605)	257	5,542	(227)	Welsh Church Act Fund**	(594)	177	5,869	(138)

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.

** The 2020/21 figures have been restated to reflect the final accounts.

(3)	3	129	(61)	Llanelly Hill Social Welfare Centre	(6)	5	129	(60)
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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.

(0)	0	7	0	Chairman's Charity	(0)	7	0	0
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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>				
(42)	16	656	(2)	Monmouthshire Farm School Endowment	(28)	11	679	(8)
(1,332)	1,119	1,045	0	Appointeeship - Personal Monies	(1,188)	1,131	1,102	(1,045)

16.6 Related Businesses and Operations

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

In respect of the Cardiff Capital Region City Deal (CCRCD), the Authority has included its share of income, expenditure, assets, liabilities, reserves and cash flows relating to the arrangement within the single entity accounting statements and disclosures. 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 previously held a 19% share holding in the company. The Company's latest available trading results are the accounts for the year ending 31st March 2021.

31st March 2021		31st March 2022
£000 Final		£000 Draft
168	Net Assets/(Liabilities)	Not available
183	Profit/(Loss) before Taxation	Not available
183	Profit/(Loss) after Taxation	Not available
0	Dividends	Not available

During the financial year the Council's involvement with Dragon Waste Limited ended, and at the balance sheet date no monies were owed to or from the company in respect of the arrangement.

Net payments of £699,848 were made to Dragon Waste Limited during 2021/22 (£1,597,524 during 2020/21), reflecting activity up to and including the end date of the arrangement.

Further information can be found in Dragon Waste Limited Financial Statements for the year ended 31 March 2021 which are available from the Company Secretary, Ardley Cottage, Ardley, Bicester, England, OX27 7PH.

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 2021/22 included in the Council's Accounts totalled £2.237m (£2.133m in 2020/21).

The Authority owed £4,545 to SRS Public at the 31st March 2022 (£3,541 owed as at 31st March 2021).

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 2022.

31st March 2021		31st March 2022
£000 Final		£000 Draft
133	Net Assets/(Liabilities)	136
(3)	Profit/(Loss) before Taxation	(4)
(3)	Profit/(Loss) after Taxation	(4)
0	Dividends	0

There were no transactions between Monmouthshire County Council and SRS (BS) during 2021/22 (nil in 2020/21).

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 30th September 2021.

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

31st May 2021		30th Sep 2021
£000 Final		£000 Draft
308	Total Assets/(Liabilities)	322
8	Profit/(Loss) before Taxation	6
8	Profit/(Loss) after Taxation	5
0	Dividends	0

There were no transactions between Monmouthshire County Council and Y Prentis during 2021/22 (nil in 2020/21).

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 2022.

31st March 2021		31st March 2022
£000 Final		£000 Draft
244	Total Assets/(Liabilities)	264

(2)	Profit/(Loss) before Taxation	8
(2)	Profit/(Loss) after Taxation	8
0	Dividends	0

Payments of £528,000 were made to the EAS during 2021/22 (£43,000 during 2020/21). Income received from EAS was £144,718 There were £161,983 balances owed by the EAS to MCC at 31st March 2022 (nil at 31st March 2021).

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 2022.

31st March 2021		31st March 2022
£000 Final		£000 Draft
305	Total Assets/(Liabilities)	214
(2)	Profit/(Loss) before Taxation	(92)
(2)	Profit/(Loss) after Taxation	(92)
0	Dividends	0

Payments of £182,244 were made to Gwent Archives during 2021/22 (£182,244 during 2020/21). There were no balances owing to/from Gwent Archives at 31st March 2022 (nil at 31st March 2021).

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 2022.

31st March 2021		31st March 2022
£000 Final		£000 Draft
2,363	Total Assets/(Liabilities)	2,026
63	Profit/(Loss) before Taxation	(390)
63	Profit/(Loss) after Taxation	(390)
0	Dividends	0

A dividend payment of £175,318 was due from Gwent Crematorium for the 2021/22 financial year (£210,382 during 2020/21). This was outstanding as at 31st March 2022 (nil at 31st March 2021).

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 2022.

31st March 2021		31st March 2022
£000 Final		£000 Draft
308	Total Assets/(Liabilities)	296
(12)	Profit/(Loss) before Taxation	(16)
(12)	Profit/(Loss) after Taxation	(16)
0	Dividends	0

Two payments of £27,000 were made to Project Gwyrdd during 2021/22 relating to 2019/20 and 2020/21. There was £27,000 owing to Project Gwyrdd at 31st March 2022 (£27,000 at 31st March 2021).

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.

The revenue contribution required during the year was £71,263 (£67,870 in 2020/21).

In terms of capital spending, no contribution was required in 2021/22 (£122k contribution in 2020/21) as the forecasted spend did not materialise. There were no balances owing to/from the joint committee at 31st March 2022 (nil at 31st March 2021).

CSC Foundry

During 2021/22 MCC had 'Significant Influence' over CSC Foundry Ltd which is a subsidiary of CCRCD. As at 31st March 2022 CSC Foundry had £3.0m invested with the Authority which is classified within Short term borrowing in the Balance sheet (£3.0m in 2020/21).

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 2022	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	121,754	0	0	121,754	28,125	149,879
Chief Officer - Children and Young People	89,416	0	0	89,416	20,655	110,071
Chief Officer - Communities & Place	89,526	0	0	89,526	20,681	110,207
Chief Officer - Social Care, Safeguarding & Health (April - September)	50,056	0	0	50,056	9,949	60,005
Chief Officer - Social Care, Safeguarding & Health (November - March)	42,154	0	0	42,154	9,738	51,892
Chief Officer - Resources & Deputy Chief Executive (Section 151 Officer)	93,142	0	0	93,142	21,516	114,658
Chief Officer - People & Governance & Monitoring Officer	85,691	0	0	85,691	19,100	104,791
Head of Policy, Performance & Scrutiny	71,409	0	0	71,409	16,496	87,905
Total	643,148	0	0	643,148	146,258	789,407

Year ended 31st March 2021						
Post Holder	Salary including fees and allowances £	Compensation for loss of employment £	Expense Allowances £	Total Remuneration excluding Pension contributions £	Pension Contributions (Based on Common Rate from Actuary) £	Total Remuneration including Pension contributions £
Chief Executive Officer	119,955	0	0	119,955	27,710	147,665
Chief Officer - Children & Young People	88,095	0	0	88,095	20,350	108,445
Chief Officer - Communities & Place	86,871	0	0	86,871	20,067	106,938
Chief Officer - Social Care, Safeguarding & Health	88,095	0	0	88,095	20,350	108,445
Chief Officer - Resources & Deputy Chief Executive (Section 151 Officer)	88,095	0	0	88,095	20,350	108,445
Chief Officer - People & Governance & Monitoring Officer	75,859	0	0	75,859	17,523	93,382
Head of Policy, Performance & Scrutiny	70,353	0	0	70,353	16,252	86,605
Total	617,323	0	0	617,323	142,602	759,925

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 2020/21). Expense allowances are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2021/22 (Nil in 2020/21).

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, the median employee position has been calculated as £24,432. This equates to spinal point 16 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5:1.

In 2020/21, the median employee position was 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

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 2022, was:

2020/21		Remuneration Band	2021/22	
Number of employees	(Of which are teaching staff)		Number of employees	(Of which are teaching staff)
1	1	£130,000 - £134,999	1	1
0	0	£125,000 - £129,999	0	0
0	0	£120,000 - £124,999	1	0
2	0	£115,000 - £119,999	2	1
0	0	£110,000 - £114,999	0	0
0	0	£105,000 - £109,999	0	0
0	0	£100,000 - £104,999	1	1
1	1	£95,000 - £99,999	1	1
1	1	£90,000 - £94,999	1	0
5	1	£85,000 - £89,999	4	1
0	0	£80,000 - £84,999	1	0
5	2	£75,000 - £79,999	8	2

12	2	£70,000 - £74,999	11	7
12	11	£65,000 - £69,999	12	11
17	15	£60,000 - £64,999	20	16
56	34	Total	63	41

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 2020/21) and 23.68% of pensionable pay for staff within the Teachers' Pension Scheme (23.68% in 2020/21).

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.

2020/21			Exit package Cost band	2021/22		
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
29	8	203	£0 - £20,000	25	6	203
1	0	27	£20,001 - £40,000	5	1	155
1	3	193	£40,001 - £60,000	0	0	0
2	1	194	£60,001 - £80,000	1	0	65
0	2	169	£80,001 - £100,000	0	0	0
0	0	0	£100,001 - £150,000	1	0	103
0	0	0	£150,001 - £200,000	0	0	0
33	14	786	Total	32	7	525

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 2021/22 financial year and its position at the year-end of 31st March 2022.

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, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS), and the Service Reporting Code of Practice 2021/22 (SeRCoP).

The Statement of Accounts has been prepared on a 'going concern' basis. 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.

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 2021/22 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years. Accounting changes that are introduced by the 2022/23 Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year). The Authority intends to adopt the new standard on 1st April 2024.
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes four changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS;
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard;
 - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material;
 - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

These changes are not expected to have a material impact on the Council's statements.

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 calculated on a prudent basis as 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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Consequences if actual results differ from assumption
Revaluation of Property, plant & equipment	Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset.	If the actual results differ from the assumptions the value of PPE will be over or understated. This would be adjusted when the assets were next revalued.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.

Pensions Liability	<p>Pensions Liability – Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries are engaged to provide the Council with expert advice about the assumptions to be applied. A sensitivity analysis of these assumptions is provided in Note 14. To account for the McCloud Judgement (public service pensions age discrimination cases) the actuary has made an estimated adjustment to these liabilities from the 2019 valuation data to ensure that it is captured in the 31 March 2022 IAS19 balance sheet figures.</p> <p>The Actuary has assessed the on-going impact of COVID 19 on these accounting positions as, the asset returns, values, bond yields and inflation have followed market movements and will affect the asset share value and also the value placed on obligation. For life expectancy assumptions the baseline longevity tables have not been updated due to a lack of relevant data. The future longevity trends have also not been amended as the data is not yet available to make an evidenced-based assessment.</p> <p>The Actuary has also assessed that the effect of the Ukraine war on the accounting position is quite small. Immediately after the invasion there was a fall in the Funds asset values, but by the end of March these had broadly recovered to previous levels, the Fund had an indirect exposure of 0.17% to Russian investments. The accounting assumptions used at 31 March 22 are based on market expectations which are shaped by global events including those in Ukraine.</p>	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 2022. The value of these claims is based on information provided by our Insurers 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 2022 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	<p>At 31st March 2022, the Authority had an outstanding balance of short term debtors totalling £45.5m. Against this debtors balance, there is an impairment allowance of £3.5m.</p> <p>It is not absolutely certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. The economic impact of high inflation and cost of living crisis has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.</p>	<p>An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection.</p>
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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, career average earnings, 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 rereasurement – 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 (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.

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 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:**
 - Carriageways** – Straight Line over 27 years
 - Street Lighting** – Straight Line over 20 years
 - Principal Rights of Way** – Straight Line over 15 years
 - Green Infrastructure** – Straight Line over 20 years
 - Bridges & Major Retaining Walls** – Straight Line over 30 years
 - Abergavenny & Caldicot Town Centre** – Straight Line over 20 years
 - Flood Alleviation & Land Slip** – Assessed on a case by case basis.

Useful lives of Infrastructure assets are reviewed annually.

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.

Audit of Accounts Report – Monmouthshire County Council

Audit year: 2021-22

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This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

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.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

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Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2021-22 annual report and accounts in this report.
- 2 We have already discussed these issues with the S151 Officer and Deputy S151 Officer.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £3.468m for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
 - Senior officer remuneration £1,000
 - Related party transactions (for individuals) £10,000
- 6 We have now substantially completed this years' audit.
- 7 However, at the time of writing, work is ongoing relating to an item of correspondence received from a member of the public which may delay the provision of our audit opinion. A verbal update on the status of this work will be provided at the Governance & Audit Committee on 16 February 2023.
- 8 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.
- 9 It was necessary to make a change to the audit Engagement Lead to that advertised in the Audit Plan. Derwyn Owen, a Director within Audit Wales, was the Engagement Lead for the audit of accounts.

Infrastructure Assets

- 10 In common with other local authorities, Monmouthshire County Council has taken advantage of temporary reliefs for reduced disclosures related to infrastructure assets allowed for in the Update to the Code and Specifications for Future Codes for Infrastructure Assets and the 2022 amendments to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.
- 11 The authority has not disclosed gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean gross cost and accumulated depreciation are not measured accurately and would not faithfully represent the asset position to the users of the financial statements.

- 12 The reliefs are a temporary expedient that are intended to allow authorities to address the information deficits and prepare robust information to support the carrying value of infrastructure assets. The temporary reliefs are only applicable for financial years up to and including 2024-25.
- 13 **Exhibit 1** shows the impact of this issue on the audit timetable and financial statements.

Exhibit 1 – impact of infrastructure issues

<p>Timetable</p>	<p>Given the continuing slippage arising from the COVID-19 pandemic and national issues relating to the audit of infrastructure assets, the Welsh Government provided flexibility in terms of both the accounts preparation deadlines and the audit deadlines:</p> <ul style="list-style-type: none"> • The timescale for completing your accounts was revised by the Welsh Government from 31 May 2022 to 31 August 2022. • We received the draft accounts on 9 August 2022. • Our deadline for completing our audit was changed from 31 July 2022 to 31 January 2023 • We expect your audit report to be signed on 17 February 2023.
<p>Financial statement disclosures</p>	<p>The historic cost and accumulated depreciation balances relating to infrastructure assets have been removed from the accounts. This means the infrastructure column has been removed from note 12.1 and the net book value of infrastructure assets is shown in the balance sheet.</p> <p>Additional narrative has been added to note 12 in relation to this adjustment.</p>

Proposed audit opinion

- 14 We intend to issue an unqualified audit opinion on this year’s accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 15 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 16 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.
- 17 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

18 We set out below the misstatements we identified in the accounts, which have been discussed with management but remain uncorrected. We request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons in writing for not correcting them:

Overstatement of year-end creditors (£261,000)

19 Our testing of year-end creditors identified that one of our sampled transactions had been incorrectly accrued for in the 2021-22 accounts despite some of the services not being delivered until 22-23. This error related specifically to creditors relating to capital projects.

20 The error identified is below our materiality threshold. We have performed further audit procedures to identify the circumstances surrounding the error and have isolated the transactions at risk of a similar error arising. The residual population at risk of similar errors is £1.372m which is below our materiality threshold. We are therefore satisfied that there is no risk of material misstatement present in the accounts relating to this issue.

21 Given the immaterial value of the amendments required, the number of affected disclosures and the tight timescale to approve the final accounts the Council has informed us that they do not wish to correct these items.

Overstatement of year-end creditors (£361,000)

22 We identified a further error within our creditors sample testing where a pre-payment for services of £361,000 had been incorrectly treated as a creditor rather than a debtor. In addition, the services related to the 22-23 financial year and had been incorrectly accrued into expenditure. We have completed further audit procedures and are satisfied that this is an isolated matter due to the specific nature of the transaction.

23 Given the immaterial value of the amendments required, the number of affected disclosures and the tight timescale to approve the final accounts the Council has informed us that they do not wish to correct this item.

Corrected misstatements

24 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

Other significant issues arising from the audit

- 25 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you, such as:
- Concerns about the qualitative aspects of accounting practices and financial reporting.
 - Any significant difficulties during the audit.
 - Significant matters discussed and corresponded upon with management which we need to report to those charged with governance
 - Any other matters significant to the oversight of the financial reporting process that we need to report, e.g. material misstatements, reporting inconsistencies etc.
 - Any identified material weaknesses in internal controls; and
 - Any other matters specifically required by auditing standards to be communicated to those charged with governance.
- 26 There are no such matters to report to you for your consideration for this year's audit.

Recommendations

- 27 The recommendations arising from our audit are set out in **Appendix 4**. Management has responded to them and we will follow up progress against them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

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

16 February 2023

Representations regarding the 2021-22 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Monmouthshire County Council for the year ended 31 March 2022 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021-22; in particular the financial statements give a true and fair view in accordance therewith;
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

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

Financial statement representations

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

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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

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

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

The financial statements are free of material misstatements, including omissions.

Representations by Monmouthshire County Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Governance and Audit Committee on 26 January 2023.

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

Signed by:

Signed by:

Peter Davies
Deputy Chief Executive (S151 officer)

Andrew Blackmore
Chair of the Governance and Audit
Committee

Date: 16 February 2023

Date: 16 February 2023

Appendix 2

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

Opinion on financial statements

I have audited the financial statements of Monmouthshire for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 Monmouthshire County Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Monmouthshire County Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

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 Responsible Financial Officer is responsible for the other information contained within the annual report. 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.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of Monmouthshire County Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10 the responsible financial officer is responsible for the

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the Council's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals.
- Obtaining an understanding of the Council's framework of authority as well as other legal and regulatory frameworks that the Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Council's controls, and the nature, timing and extent of the audit procedures performed.

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

Certificate of completion of audit

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

Adrian Crompton
Auditor General for Wales

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of Corrections Made

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

Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£8,408,000	12.1 Property, Plant & Equipment An additional exercise was completed by the Authority following the receipt of draft accounts to uplift the value of assets not included in the annual valuation. This resulted in a total increase of £8.408m to the net book value of property assets. This adjustment also impacted the revaluation reserve (note 10.7) and capital adjustment account (note 10.8).	To take account of inflationary increases in property values to ensure the carrying values in the accounts are materially in line with current values.
£2,243,000	10.1 Movement in Reserves & 10.8 Capital Adjustment Account The balance of CCRCD unusable reserves has been added to the Capital Adjustment Account as it relates to the Authority's share of CCRCD's Capital Adjustment Account rather than being shown separately in 10.1	To ensure the Capital Adjustment Account is not understated.
£1,363,000	15.1 Reconciliation of Comprehensive Income & Expenditure to Net Cash Flows from Operating Activities A misclassification error in the cashflow has now been corrected. This resulted in a decrease of £1.363m to the (increase)/decrease in creditors and a corresponding increase in Other non-cash items charged to the Surplus or Deficit on the Provision of Services.	To ensure entries in the cashflow statement and supporting notes are correctly classified.

£698,000	<p>11.4 Agency Income and Expenditure The value of one grant provided on an agency basis was understated by £698,000.</p> <p>As the grant was provided on an agency basis there is no impact on the comprehensive income and expenditure statement.</p>	To ensure the agency income and expenditure disclosures are complete.
£575,000	<p>12.1 Property Plant & Equipment To remove the gross book value of vehicles that are no longer owned by the Authority from the PPE note. The vehicles had been fully depreciated so there is no impact on the net book value of vehicles, plant, furniture & equipment at 31 March 2022</p>	To ensure the gross cost of vehicles is not overstated.
£235,000	<p>11.2 Expenditure and Income analysed by nature Reclassification of £235,000 of costs attributable to the disposal of non-current assets from the Other Service Expenses line to the Gain/loss on disposal of non-current assets line of the note.</p>	To ensure expenditure is appropriately classified.
Various	<p>12.9 Capital Commitments Removal of £400,000 school kitchens commitment from the note which had been overstated.</p> <p>£117,000 increase to Abergavenny Borough Theatre works commitment.</p> <p>£300,000 increase to Crick Road Care Home commitment.</p>	<p>To ensure only commitments of over £200k are included in the note in line with the Authority's de-minimis policy</p> <p>To ensure the total outstanding commitment at year-end is disclosed.</p>
Various	<p>14.2 Pension fund stakeholders Correction of the weighted average calculation from 19.6 to 18.6</p>	To ensure accuracy of the financial statements

	<p>14.7 Investments held by the pension fund</p> <p>31 March 2022 figures updated to show the 2022 position rather than the 2021 position. This increased the total investments by £90,000.</p>	To ensure the 2021-22 position is shown
Various	<p>16.4 Related Party Transactions</p> <p>Our audit work identified some transactions that had been incorrectly omitted from the disclosures. The figures in the note have been updated to include all transactions with related parties.</p>	To ensure completeness of the related party disclosures.
Various	<p>Various</p> <p>Several minor amendments were made to the financial statements relating to either revisions to disclosures of information, narrative changes, casting errors or typos.</p>	To ensure accuracy of the financial statements.

Appendix 4

Recommendations

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report:

Exhibit 4: Matter arising 1

Matter arising 1 – Member declarations for accounts purposes	
Findings	<p>The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (the Code) requires that transactions with related parties are disclosed within the financial statements. The Code sets out that related party considerations are applicable to both members and their close family. To ensure the completeness of these disclosures we review declarations of interest made by members each year.</p> <p>Whilst the Authority collates declarations of interest from members to inform its register of interest, this is only completed at the beginning of the electoral term in line with the Authority's code of conduct.</p> <p>For our 2021-22 audit this meant that most declarations were five years old.</p> <p>For annual accounts purposes and compliance with the Code, it is recommended that that an annual declaration is obtained from each member, including nil returns.</p>
Priority	High
Recommendation	The Council should consider requesting annual declarations from members to aide compiling the related party transactions disclosure note in the annual accounts.

Benefits of implementing the recommendation	Obtaining an annual return would ensure completeness of the disclosure note, compliance with the CIPFA code requirements and ensure a more efficient audit process.
Accepted in full by management	Yes
Management response	Recommendation accepted in full. Despite additional efforts to increase the response rate of returns received, it is recognised that the final position was incomplete. Officers will review the process moving forward and identify options for ensuring returns are completed in full, including nil returns. These options will explore the approach of aligning with the requirement for related party information for the accounts with the requirement for annual declarations of interest for Council business.
Implementation date	March 2023



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



REPORT

SUBJECT:	2023/24 Capital Strategy and 2023/24 Treasury Management Strategy
DIRECTORATE:	Resources
MEETING:	Governance & Audit Committee
DATE:	16th February 2023
DIVISION/WARDS AFFECTED:	Countywide

1. PURPOSE

- 1.1. The purpose of this report is to collect the Committee's views and response to the Council's draft Capital and Treasury Management Strategies, including the Minimum Revenue Provision (MRP) policy.
- 1.2. The report summarises and highlights the key areas relating to the strategy, alongside those areas of key implications and risks resulting from it which are brought to the Committees attention for their review and comment. As per prudential code requirements, following committee scrutiny the strategies will subsequently be reported to full Council for their own consideration and approval.

2. RECOMMENDATIONS

- 2.1. That Governance & Audit Committee considers the draft Capital strategy for 2023/24 as found at **Appendix 1** and endorses for onward circulation and approval by full Council.
- 2.2. That Governance & Audit Committee considers the draft Treasury management strategy for 2023/24 as found at **Appendix 2** and endorses for onward circulation and approval by full Council. This includes the:
 - 2023/24 Minimum Revenue Provision Policy Statement
 - 2023/24 Investment & Borrowing Strategies
- 2.3. That Governance & Audit Committee note the requirement to review the Council's treasury management activities on behalf of the Council by receiving quarterly treasury management activity updates during 2023/24 as per the requirements of the updated CIPFA Treasury Code of Practice.

3. KEY ISSUES

3.1. **2023/24 Capital Strategy**

Overview

- 3.2. The Capital Strategy sets out the longer-term context in which capital investment decisions are made and demonstrates that the Authority takes capital investment decisions that are in line with its Corporate priorities, and gives consideration to both risk, reward and impact. It also demonstrates that these decisions are taken whilst having proper regard to the stewardship of public funds, value for money, prudence, sustainability and affordability.
- 3.3. The capital plans of the Authority are inherently linked with the treasury management activities it undertakes, and therefore this report is brought alongside the Treasury management strategy report.
- 3.4. The main considerations arising from the Capital strategy shown in **Appendix 1** are summarised in this report below.
- 3.5. The Capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 3.6. The Cabinet's draft Community and Corporate Plan establishes a clear purpose to become a zero-carbon county, supporting wellbeing, health and dignity for everyone at every stage of life and sets the goals for Monmouthshire to be a:
- A fair place to live where the effects of inequality and poverty have been reduced;
 - A green place to live and work with reduced carbon emissions, making a positive contribution to addressing the climate and nature emergency;
 - A thriving and ambitious place, full of hope and enterprise;
 - A safe place to live where people have a home and community where they feel secure;
 - A connected place where people feel part of a community, are valued and connected;
 - A learning place where everybody has the opportunity to reach their potential.
- 3.7. Achievement of these objectives will be pursued via actions driven by an array of enabling plans and individual service plans. In some instances, these actions will involve a requirement for capital investment.
- 3.8. Whilst Cabinet make recommendations regarding the capital investment to be included within the programme, it is full Council that approves the borrowing limits that the overall programme must adhere to. A large degree of capital investment is funded from grants, or internal resources such as capital receipts and specific reserves, which do not impact on borrowing levels, but where borrowing is required, it is important that the approved limits are not exceeded. This is an important area of overall financial management governance in that debt funded capital expenditure, and the external borrowing that results, locks in the Council into financing costs sometimes for as long as 50 years. These costs are comprised of the external

loan interest costs and the provision for financing the debt funded capital expenditure, known as Minimum Revenue Provision (MRP).

3.9. In the current climate of financial constraints and a continued Medium Term Financial Projection (MTFP) revenue budget gap, capital investment needs to remain within affordable limits. Demand for capital resources remains high and therefore inevitably, prioritisation of projects, leveraging in other sources of funding and working with partners remain key to meeting this demand.

3.10. Within the context of significant demands for capital resources and limited availability, there is the need to develop our use of the various strategic plans across the organisation which drive the need for capital investment and develop alternative strategies to meet demand so the Councils own capital programme is prioritised within an affordable framework. This will include clearer and corporate visibility and assessment of demand for schools, highways and other operational assets.

3.11. Setting Capital Budgets

Capital Medium Term Financial Plan

Scheme type	Indicative Budget 2023/24	Indicative Budget 2024/25	Indicative Budget 2025/26	Indicative Budget 2026/27
Asset Management Schemes	2,230,049	2,230,049	2,230,049	2,230,049
School Development Schemes	29,324,638	19,456,606	4,151,797	0
Infrastructure & Transport Schemes	6,272,740	3,627,740	3,527,740	3,527,740
Regeneration Schemes	602,900	730,200	730,200	730,200
Inclusion Schemes	1,200,000	1,200,000	1,200,000	1,200,000
ICT Schemes	413,000	413,000	413,000	413,000
Vehicles Leasing	1,500,000	1,500,000	1,500,000	1,500,000
Capitalisation Directive	3,007,500	507,500	507,500	507,500
Other Schemes	1,126,000	1,126,000	1,126,000	1,126,000
TOTAL EXPENDITURE	45,676,828	30,791,096	15,386,287	11,234,490

3.12. The capital MTFP and capital strategy seek to work towards a financially sustainable core capital programme, whilst balancing the need to deliver capital investment plans in line with policy commitment and need. When considering the relative merits of further capital investment, the Capital and Asset Management Working Group (CAMWG) will apply the priority matrix in the capital strategy, either endorsing or amending the proposal for onward consideration by SLT and Members through the agreed mechanisms in place.

3.13. Council approve the overall revenue and capital budgets following recommendations from Cabinet. They also approve the borrowing limits of which the capital programme will need to remain within (the Authorised limit). This limit is a key performance indicator for treasury management and ensures that capital expenditure is limited and borrowing remains within an affordable limit.

3.14. Capital Financing

3.15. All capital expenditure incurred has to be physically financed. Once the finite available sources of internal financing (capital receipts, reserves/revenue) and external grant financing are extinguished the Authorities only recourse is to debt (borrowing).

Capital financing in £m

Source of funding	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
External sources	23.1	17.8	7.7	4.0
Capital Receipts	4.3	1.7	1.6	1.6
Revenue Reserves	0.1	0.1	0.1	0.1
Debt	18.2	11.1	6.0	5.5
Total	45.7	30.8	15.4	11.2

3.16. Approval of capital expenditure funded through borrowing locks the Council into committing revenue funding over a very long period (as long as 50 years). Minimum Revenue Provision (MRP) is required to be funded from revenue budgets to cover expected borrowing repayments and the level of MRP is increasing over the medium-term so the Authority needs to ensure its capital plans remain affordable and sustainable.

Proportion of financing costs to net revenue stream

Proportion of financing Costs to net revenue stream	2022/23 Estimate £m's	2023/24 Estimate £m's	2024/25 Estimate £m's	2025/26 Estimate £m's	2026/27 Estimate £m's
Net Interest payable	3.9	6.4	6.7	6.9	7.1
MRP	6.7	7.0	7.1	7.5	7.6
Total Financing costs	10.6	13.4	13.8	14.4	14.7
Net Revenue Stream	175.1	189.4	195.8	199.4	203.1
Proportion of net revenue stream %	6.06%	7.07%	7.06%	7.20%	7.24%

3.17. The table above compares financing costs to the net revenue stream i.e. the amount of income from Council Tax, business rates and general government grants. The overall proportion of financing costs remains fairly static over the MTFP window which is reflective of the total revenue stream increasing in line with expected inflationary impacts whilst the financing costs increase moderately in line further capital investment made, most notably the completion of the new Abergavenny 3-19 school.

3.18. Total financing costs remain sustainable within the context of the Authorities overall revenue budget in so much that they are fully provided for within the medium term financial plan.

Ongoing Capital Programme Development

3.19. In light of continuing local government funding constraints, it is important that the Council understands the key risks and future aspirations for capital investment. These are captured through various plans and strategies across the Council. As noted previously, there will be a range of priorities originating from these plans, particularly the draft Community and

Corporate Plan which will look to deliver on aspirational long term objectives such as the decarbonisation agenda and affordable housing.

3.20. Alongside this, it is important to consider the requirement to maintain the Councils current asset base. Constrained funding levels in previous years has resulted in a maintenance backlog which gives rise to the potential for major asset failures to occur where issues have developed over time. Although the risks associated are captured through ongoing condition surveys and monitoring, it is inevitable that as time progresses that more significant sums of investment will be required to maintain or substantially refurbish ageing assets.

3.21. There will inevitably be other priorities to be considered for inclusion within the capital programme over the medium to longer term, with the next phase of WG's Sustainable Communities for Learning Programme and further regeneration schemes that will require substantial match funding commitments. The consideration to support such priorities will need to be carefully balanced against other competing demands.

3.22. Capital Receipts

3.23. Any assets which are deemed to be surplus to service requirements will be identified for possible sale/income generation in consultation with the Estates department. The procedures governing disposals are captured in the Council's Surplus asset disposal policy.

Forecast Capital receipts

	2022/23	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000
Balance as at 1st April	8,773	10,849	9,249	8,152	6,655
Less: capital receipts used for financing	(3,776)	(1,547)	(1,194)	(1,094)	(1,094)
Less: capital receipts used to support capitalisation directive	(2,650)	(3,008)	(508)	(508)	(508)
Capital receipts Received	7,072	0	0	0	0
Capital receipts Forecast	1,430	2,954	604	104	104
Forecast Balance as at 31st March	10,849	9,249	8,152	6,655	5,158

3.24. The value of Capital receipts forecast after 2023/24 drops off quite considerably which is reflective of the replacement local development plan (RDLP) not proceeding as quickly as envisaged in the original delivery agreement. This will have a substantial impact on the balance of receipts available to fund future capital investment demands. It is therefore important that reliance on capital receipts used to support capitalisation direction (to fund one-off revenue costs eligible to be met from capital resources) is seen as a short term measure only.

3.25. Traditionally receipts have been earmarked to finance the Authorities future schools investment. Whilst the Council has further future schools aspirations, in recent years it was not proposed to advocate a similar approach to members in respect of tranche B. Schools based assets commonly have a useful life of 50 years+, and as such traditional long term loan funding can be sourced at competitive rates with limited annual revenue volatility. The Council derives greater revenue benefit by using capital receipts in affording replacement of short life assets, given the avoidance of proportionately more significant minimum revenue provision.

4. 2023/24 Treasury Management Strategy

Overview

- 4.1. The treasury management strategy sets out the Council's longer term borrowing requirement and plans, which is driven mainly by the capital programme requirements and the resulting impact on the revenue budget.
- 4.2. It includes how it will manage and invest its surplus cash which also have various targets/limits set as part of prudential indicators, treasury management indicators and also includes additional guidance of the Welsh Government Investment Guidance and the Minimum Revenue Provision Policy.
- 4.3. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the TM Code) which outlines that capital expenditure plans should be:

Affordable: It is important that the Council's capital investment remains within sustainable limits. The Code requires Councils to consider the resources currently available to them and those estimated to be available in the future, together with the totality of the capital plans and income and expenditure forecasts. As well as capital expenditure plans, Councils should consider the cost of past borrowing, ongoing and future maintenance requirements, planned asset disposals and the MRP policy, which all impact upon affordability.

Prudent: All external borrowing and other long-term liabilities are within prudent levels. The full Council set an authorised limit and operational boundary for external debt, these need to be consistent with the Council's plans for affordable capital expenditure and financing, and with its treasury management policy statement and practices.

Sustainable: taking into account the arrangements for repayment of debt (including through MRP) and consideration of risk and the potential impact on the Council's overall financial sustainability in the medium to longer term.

- 4.4. The Governance & Audit Committee in its role as the Council's delegated body to review and scrutinise the authority's financial affairs must receive as a minimum a quarterly treasury update report including an annual report after its close on treasury management activities during the year.
- 4.5. Overall responsibility for treasury management remains with the full Council. In effect, that body delegates the execution and administration of treasury management decisions to the Section 151 officer or deputy who will act in accordance with the Treasury management strategy, treasury management practices and CIPFA's Standard of Professional Practice on treasury management.
- 4.6. The detailed Treasury strategy for 2023/24 is included at **Appendix 2**. Key points of interest are summarised below.

Annual Minimum Revenue Provision (MRP) Policy Statement

4.7. The annual Minimum Revenue Provision is the mechanism used for spreading the capital expenditure financed by borrowing over the years to which benefit is provided. Regulations state that the authority must calculate for the current financial year an amount of minimum revenue provision which it considers to be prudent. In addition, there is the requirement for an Annual Minimum Revenue Provision Policy Statement to be drafted and submitted to full Council. This is shown in section 8 of the strategy. The policy also makes consideration of the Welsh Government MRP guidance.

Borrowing Strategy

4.8. With short-term interest rates currently lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. This is known as internal borrowing and will form a key part of the borrowing strategy for 2023/24.

4.9. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.

4.10. The Council has previously raised the majority of its long-term borrowing from the PWLB and expects to continue to do so during 2023/24. PWLB loans are no longer available to local Councils planning to buy investment assets primarily for yield and the Council intends to avoid this activity in order to retain its access to PWLB loans.

4.11. Short term borrowing has traditionally been sourced from the inter-Local authority market and this is expected to continue during 2023/24 as it provides a low administration cost option for borrowing at competitive rates of interest.

Borrowing prudential indicators

(Prudential indicator) - Gross Debt and the Capital Financing Requirement in £m

Gross Debt Forecast compared to CFR	2022/23 Estimate £m's	2023/24 Estimate £m's	2024/25 Estimate £m's	2025/26 Estimate £m's	2026/27 Estimate £m's
Debt (Inc. PFI, leases, right of use assets)	194.4	190.2	190.4	193.6	195.7
Capital Financing Requirement (Total)	206.9	223.2	227.3	225.9	223.8
(Under) / Over borrowed	(12.5)	(33.0)	(36.9)	(32.3)	(28.1)

4.12. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen in the table above, the Council expects to comply with this over the medium term window based on current estimates of future debt levels.

4.13. **Authorised limit:** The Council is legally required to approve an Authorised Limit for external debt each year. The Authorised Limit is the absolute maximum amount of borrowing that can be undertaken, in order to manage the overall, day to day, cash requirements of the Council.

It also allows for a level of borrowing in advance of need to be undertaken, where appropriate and affordable. In addition, the Council sets an ‘Operational Boundary’, which is the expected level of borrowing required to finance the current Capital Programme. Any increase required to the Authorised Limit needs to be approved by full Council.

- 4.14. Based on the capital programme proposed, it is recommended that the Council approve the following authorised limits and operational boundaries:

(Prudential indicator) - Authorised limit and operational boundary for external debt in £m

Authorised limit and Operational boundary	2022/23 Estimate £m's	2023/24 Estimate £m's	2024/25 Estimate £m's	2025/26 Estimate £m's	2026/27 Estimate £m's
Authorised limit - borrowing	251.4	263.9	255.5	244	245.9
Authorised limit - PFI, leases & right of use assets	4.4	4.4	4.4	4.4	4.3
Authorised Limit - total external debt	255.8	268.3	259.9	248.4	250.2
Operational Boundary - borrowing	227.4	239.9	231.5	220	221.9
Operational Boundary - PFI, leases & right of use assets	2.9	2.9	2.9	2.9	2.8
Operational Boundary - total external debt	230.3	242.8	234.4	222.9	224.7

Investment Strategy

- 4.15. Both the CIPFA Code and the WG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income
- 4.16. The Authority continues to hold a minimum of £10m of investments to meet the requirements of a professional client under the Mifid II regulations (Markets in financial instruments directive) and therefore consideration will continue to be given to investing balances with a more medium to long term outlook, albeit within the confines and framework of the internal borrowing approach outlined above.
- 4.17. The existing portfolio of strategic pooled funds currently provides a degree of risk diversification into different sectors, however the Council will closely monitor the returns on these investments in light of a heightened interest rate environment.
- 4.18. The approved counterparty list and limits are shown in table 17 of the Treasury strategy. The investment limits proposed complement the Authorities objective of striking an appropriate balance between risk and return, whilst minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 4.19. It is important to note that the counterparty rating limits and investment maturities act as limits and not targets and are further informed by market information alongside bespoke periodic advice from our treasury advisers as to sustainability and financial robustness of specific counterparties.

Environmental, social and governance (ESG) policy

- 4.20. Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level.
- 4.21. In 2023/24, when investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 4.22. A commitment was made by full Council in September 2022 to investigate how responsibly the Council invests its cash balances, and to develop a sustainable investment policy that is compatible with the Council's Declaration of a Climate Emergency and the Well Being of Future Generations Act. As noted above, the current framework and data sources available to enable a robust assessment of investments are still immature. Alongside this, many of the investments funds or bodies are multifaceted which makes current evaluation increasingly difficult. The Council will continue through 2023/24 to engage with its advisors Arlingclose to evaluate its existing investments and assess whether a more sophisticated ESG policy can be applied. Governance and Audit Committee will be kept informed of progress through the regular reporting of treasury performance into committee.

Prudential Indicators

- 4.23. The prudential and treasury indicators as recommended under the Prudential Code are outlined within the Treasury strategy and set out the limits and indicators that the treasury function will operate under for 2023/24.

5. REASONS

- 5.1. The Authority is required to produce a Capital Strategy to satisfy the requirements of the Prudential Code of Capital Finance. Many elements of the strategy are already in place and it is expected that in following an overall strategy that it will improve the process of managing the Authorities assets with the ultimate aim to ensure sustainability, and maximise the financial and social value of our assets for our communities. The ongoing challenging financial conditions mean we must have robust policies and programmes in place to ensure our estate is lean, efficient, meets the needs of service users and is fit for purpose.
- 5.2. The Authority is required to produce a Treasury Management Strategy including annual investment and borrowing strategies, and an MRP policy statement in order to comply with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code").

6. CONSULTEES:

Chief Officer, Resources (Section 151 officer)

Arlingclose – Treasury Management Advisors to Monmouthshire CC

7. APPENDICIES:

Appendix 1 – 2023/24 Capital strategy

Appendix 2 - 2023/24 Treasury Management Strategy including the Minimum Revenue Provision policy statement and Investment & Borrowing Strategies

8. AUTHORS:

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Capital Strategy & Treasury Management Strategy 2023/24

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1. Executive Summary

Capital Strategy

- 1.1. The requirement for Local Councils to produce an annual Capital Strategy is outlined in the CIPFA 2021 Prudential Code.
- 1.2. In order to demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, Councils should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.
- 1.3. As local Councils become increasingly complex and diverse it is vital that those charged with governance understand the long-term context in which investment decisions are made and the financial risks to which the Council is exposed.
- 1.4. With local Councils having increasingly wide powers around commercialisation, more being subject to group arrangements and the increase in combined Council arrangements it is no longer sufficient to consider only the individual local Council; the residual risks and liabilities to which it is subject should also be considered.
- 1.5. The Capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The development of a capital strategy allows flexibility to engage with full council to ensure that the overall strategy, governance procedures and risk appetite are fully understood by all elected members.
- 1.6. Decisions made now on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

Treasury Strategy

- 1.7. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council borrows and invests substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risks are therefore central to the Council's prudent financial management.
- 1.8. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the TM Code) which requires the Council to approve a treasury management strategy before the start of each financial year. In addition, the Welsh Government (WG) issued revised Guidance on Local

Council Investments in November 2019 that requires the Council to approve an investment strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the WG Guidance.

1.9. The TM Code identifies three key Treasury management principles:

1.10. **KEY PRINCIPLE 1**

Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

KEY PRINCIPLE 2

Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.

KEY PRINCIPLE 3

They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

The TM Code is clear that throughout public services, the priority for treasury management is to protect capital rather than to maximise return. The avoidance of all risk is neither appropriate nor possible. However, a balance must be struck with a keen responsibility for public money.

1.11. This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2023/24 Capital Strategy

1. Introduction

- 1.1. This Capital Strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and a summary of the implications for future financial sustainability.
- 1.2. Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this also includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.
- 1.3. Current Welsh Government legislation on the flexible use of capital receipts permits them to be used to fund revenue expenditure that will generate ongoing savings or reduce revenue costs or pressures over the longer term to an Council, or several Councils, and/or to another public body.
- 1.4. In the current economic climate of financial constraints and a continued Medium Term Financial Projection (MTFP) revenue budget gap, expenditure on capital needs to remain within affordable limits. Demand for capital resources remains high and therefore inevitably, prioritisation of projects, leveraging in other sources of funding and working with partners remain key to meeting this demand.
- 1.5. The strategy highlights the key risks and considerations:
 - The Council's medium term capital programme contains a substantial amount of borrowing, in particular until 2024/25 as part of the financing package of the new King Henry school in Abergavenny. Whilst this is affordable and included in the medium term revenue budget considerations, it would be unsustainable to continue at a such a heightened borrowing level thereafter, especially given the current economic climate and ongoing pressures upon the Council's revenue budget.
 - Within the context of significant demands for capital resources and limited availability, there is the need to develop our use of the various strategic plans across the organisation which drive the need for capital investment and develop alternative strategies to meet demand so the Councils own capital programme is prioritised within an affordable framework. This will include clearer visibility and assessment of demand for maintenance of assets such as property, highways and other operational assets, as well as focussing on asset rationalisation.

- Useable capital receipts have been used successfully to provide a limited one-off resource to support financing of the capital programme. In recent years the Council has made use of Welsh Government's guidance allowing flexible use of capital receipts to meet one-off revenue costs associated with service reform. The Council has called upon this flexibility since 2019/20 and plans to do similarly over the medium term.
- With useable capital receipts forecast to reduce to £4.1m by the end of 2026/27, the continued use of capital receipts for this purpose is recognised as necessary but will constrain the amount of receipts available for future capital investment.
- Approval of capital expenditure funded through borrowing locks the Council into committing revenue funding over a very long period (as long as 60 years). With Minimum Revenue Provision (MRP) budgets increasing over the medium-term, the Council needs to ensure its capital plans remain affordable and sustainable.
- The prudential indicators, including borrowing limits, are in line with the final budget proposals presented to Cabinet and Council in March 2023.

1.6. The strategy will be reviewed and updated on an annual basis alongside the Treasury Management Strategy given that both strategies are intrinsically linked.

1.7. The strategy sets out:

- The key objectives outlined in the Prudential Code and the governance arrangements for the Capital Strategy and programme (Section 2)
- The medium term capital programme, its financing, and the revenue implications arising from capital investment (Sections 3 to 5)
- Long term projections for the capital financing costs of the Council and where future demands arise from the various strategic plans across the Council for further capital investment. (Section 6)
- Capital disposals & receipts (Section 7)
- Links between the Capital Strategy and Treasury Management strategy, and treasury decision making. (Sections 8 to 10)
- Consideration of investment for service purposes and commercial activity of the Council and the strategy going forward. (Section 11 and 12)
- Summary of the skills and knowledge the Council holds in order for it to carry out its capital investment and treasury functions. (Section 13)

2. The Prudential Code

2.1. The objective of the Prudential Code is to ensure, within a clear framework, that the capital expenditure plans of local Councils are:

- **AFFORDABLE** - It is important that the Council's capital investment remains within sustainable limits. The Code requires Councils to consider the resources currently available to them and those estimated to be available in the future, together with the totality of the

capital plans and income and expenditure forecasts. As well as capital expenditure plans, Councils should consider the cost of past borrowing, ongoing and future maintenance requirements, planned asset disposals and the MRP policy, which all impact upon affordability.

- **PRUDENT** – All external borrowing and other long-term liabilities are within prudent levels. The full Council set an authorised limit and operational boundary for external debt, these need to be consistent with the Council's plans for affordable capital expenditure and financing, and with its treasury management policy statement and practices.
- **SUSTAINABLE** – taking into account the arrangements for repayment of debt (including through MRP) and consideration of risk and the potential impact on the Council's overall financial sustainability in the medium to longer term.

- 2.2. The risks associated with investments for commercial purposes should be proportionate to the Council's financial capacity and standing.
- 2.3. Treasury management decisions should be taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.
- 2.4. The Prudential Code requires Councils to look at capital expenditure plans, investments and debt in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long-term financing implications and potential risks to the Council.
- 2.5. In order to demonstrate that local Councils have fulfilled these objectives, the Prudential Code sets out the prudential indicators that must be used, and the factors that must be taken into account. These indicators are presented alongside the final budget presented to Council.
- 2.6. **Governance & reporting**
- 2.7. The responsibility for decision making and ongoing monitoring in respect of capital expenditure, investment and borrowing, including prudential indicators, remains with full Council. Although the detailed implementation and monitoring is delegated to Governance and Audit Committee, ultimate responsibility still lies with full Council.
- 2.8. The responsibility to approve the Capital strategy and the annual Treasury management strategy (including the investment strategy and MRP policy statement) lies with full Council.
- 2.9. Council delegates responsibility for the detailed implementation, monitoring and scrutiny of its treasury management policy, strategy and practices to the Governance & Audit Committee and for the execution and administration of treasury management decisions to the Section 151 officer or deputy, who will act in accordance with the policy and strategy and follow CIPFA's Standard of Professional Practice on Treasury Management.

- 2.10. The Council recognises the value in the use of treasury advisors to support the management of risk and to access specialist skills and resources. Support provided by its current advisors Arlingclose Limited includes advice on timing of decision making, training, credit updates, economic forecasts, research, articles and advice on capital finance.
- 2.11. Revised strategy: In accordance with the WG Guidance, full Council would be asked to approve a revised Treasury Management Strategy should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Council's capital programme or in the level of its investment balance, or a material loss in the fair value of a non-financial investment identified as part of the year end accounts preparation and audit process.

3. Setting capital budgets

- 3.1. Over the four financial years the Council is planning capital expenditure of £103.1m as summarised below:

Table 1: (Prudential indicator) - Capital Medium Term Financial Plan

Scheme type	Indicative Budget 2023/24	Indicative Budget 2024/25	Indicative Budget 2025/26	Indicative Budget 2026/27
Asset Management Schemes	2,230,049	2,230,049	2,230,049	2,230,049
School Development Schemes	29,324,638	19,456,606	4,151,797	0
Infrastructure & Transport Schemes	6,272,740	3,627,740	3,527,740	3,527,740
Regeneration Schemes	602,900	730,200	730,200	730,200
Inclusion Schemes	1,200,000	1,200,000	1,200,000	1,200,000
ICT Schemes	413,000	413,000	413,000	413,000
Vehicles Leasing	1,500,000	1,500,000	1,500,000	1,500,000
Capitalisation Directive	3,007,500	507,500	507,500	507,500
Other Schemes	1,126,000	1,126,000	1,126,000	1,126,000
TOTAL EXPENDITURE	45,676,828	30,791,096	15,386,287	11,234,490

- 3.2. Member responsibility for assets rests with the Cabinet member for Resources. The main governance and approval process for capital investment is summarised as follows:
- Council approve the overall revenue and capital budgets following recommendations from Cabinet. They also approve the borrowing limits of which the capital programme will need to remain within (**the Authorised limit**). This limit is a key performance indicator for treasury management and ensures that capital expenditure is limited and borrowing remains within an affordable limit.
 - Any variation of the Authorised borrowing limit can only be approved by Council.

- Council approve the Treasury Management, Investment & Borrowing strategies, which are intrinsically linked to capital expenditure and the capital strategy.
 - Items of capital investment are discussed and scrutinised at the Capital and Asset Management Working Group (CAMWG), which is made up of senior officers from all service areas. Discussion also includes planning for asset disposals; where capital investment is required, and; prioritisation of that investment in line with the priority matrix and the other strategic plans in place.
 - Recommendations on capital investment will be made by CAMWG to the Strategic Leadership Team (SLT) following review of the project appraisal, who will consider for onward inclusion in the capital budget and to be considered further by Cabinet and Council.
 - Monitoring of capital expenditure is reported to Cabinet and includes updates on capital receipts and any consequential impact on the revenue budget of the scheme progress made.
 - The 2023/24 and forward capital budgets include investment in schemes which attract significant match funding from external bodies which services will be responsible for bidding for. The CAMWG will play a pivotal role in ensuring that this investment is properly aligned with the overall Community and Corporate Plan priorities and is robustly assessed against the agreed priority matrix included below.
- 3.3. The identified backlog of capital budget pressures that currently sit outside of the above capital MTFP totals £52m and indicates that there is a higher call for capital expenditure than the Council considers it can affordably finance. This means that capital schemes will have to be prioritised or the capital available has to be spread more thinly than is ideal. All stakeholders must recognise that funding capital expenditure by borrowing only defers the charge to revenue budgets to future years, but at the same time if capital maintenance works are deferred then the total life costs of supporting an asset are likely to increase. This effect is often veiled in medium term financial planning as asset lives are much longer than four years.
- 3.4. Annual investment included in the capital programme for property maintenance, highways maintenance, relevant specific capital grants and the future schools programme will assist in addressing the highest priority backlog issues, focussing on worst condition first and associated risk. However, estate rationalisation programmes, closure/disposal of assets, asset transfers and other capital projects to refurbish or replace operational properties will also be utilised to offset the backlog funding required. This will not address the specific total backlog but is a way of targeting the main issues in an affordable manner.
- 3.5. There may be other requirements for capital funding for schemes that are not yet contained within the overall programme. Any new schemes that arise during the year will either need to be funded via specific funding sources (e.g. external grant) or represent a call upon any available programme under spends. It is important that capital expenditure remains at an affordable level within the framework agreed and, therefore, prioritisation of capital expenditure is essential and needs to be affordable and sustainable in the long-term.
- 3.6. The below priority ranking matrix approved as part of the inaugural capital strategy assists the CAMWG and SLT with their considerations of future capital investment.

Ref	Aspect	Indicative Rank
H&S	Health & safety works (life & limb works)	1
Legal	Legal & regulatory obligations	1
Rev	Allow a balanced revenue budget to be set, or a net deficit in revenue spending to be positively addressed	2
Corp	Deliver corporate plan priorities	2
Third	Attract significant 3 rd party or private match funding to the County	3
S2S	Spend to save transformational works (including flexible use of capital receipts)	3
INC	Spend to earn net income – rents, interest and dividends	3
Sust	Create sustainable income streams – business rates and council tax	3
AMP	Asset management plan outcomes	4
INF	Addresses major infrastructure investment	4

- 3.7. Regular reviews of previously approved schemes which have been delayed will be undertaken to ensure that they remain affordable within set budgets. This is especially relevant in the current economic climate of high inflation and supply chain disruption.

4. Capital financing requirement

- 4.1. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: (Prudential indicator) - Capital financing in £m

Source of funding	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
External sources	23.1	17.8	7.7	4.0
Capital Receipts	4.3	1.7	1.6	1.6
Revenue Reserves	0.1	0.1	0.1	0.1
Debt	18.2	11.1	6.0	5.5
Total	45.7	30.8	15.4	11.2

- 4.2. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance.
- 4.3. The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace the debt.
- 4.4. The table below provides the medium-term outlook for the Council's CFR, inclusive of the impact of PFI arrangements. This is based on the indicative medium term capital programme and, therefore, does not reflect any potential additional borrowing beyond that already approved.

Table 3: CFR and related MRP charges in £m

	2022/23 Forecast £m's	2023/24 Estimate £m's	2024/25 Estimate £m's	2025/26 Estimate £m's	2026/27 Estimate £m's
Capital Financing Requirement	206.9	223.3	227.3	225.9	223.8
Minimum Revenue Provision	6.6	7.0	7.1	7.4	7.6

- 4.5. The increase in capital expenditure, including that funded via other sources, will be a considerable operational challenge to achieve, as evidenced by the significant levels of slippage incurred over recent financial years. Therefore, it is important to recognise the possibility that the actual CFR may be lower than estimated by the end of the 2023/24 financial year, and in turn reducing the actual need to undertake external borrowing.
- 4.6. This presents a difficult consideration for the Council, as it is important that capital expenditure plans are realistic, as otherwise this can result in unnecessarily committing resources towards capital financing budgets, which in turn restricts alternative investment in achieving its service aspirations.

Note: With the introduction of the accounting requirements of IFRS 16 (Leases), the CFR and debt identified as relating to leases is likely to increase, due to the change in the way that finance leases for lessees are treated. CIPFA/LASAAC took the decision to initially defer the implementation of IFRS 16 Leases until the 2022/23 financial year in light of the COVID-19 pandemic and the resultant pressures on Council's. However, there has been a subsequent further deferral meaning that the introduction of the accounting standard is likely to impact the 2024/25 financial year at the earliest. Work is continuing to be undertaken to gather the relevant information necessary to gauge the impact upon the Council.

5. Revenue budget implications

- 5.1. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. These net annual charges are known as financing costs. The table below compares these financing costs to the net revenue stream i.e. the amount of income from Council Tax (MCC element), business rates and general government grants.

Table 4: (Prudential indicator) - Proportion of financing costs to net revenue stream

Proportion of financing Costs to net revenue stream	2022/23 Estimate £m's	2023/24 Estimate £m's	2024/25 Estimate £m's	2025/26 Estimate £m's	2026/27 Estimate £m's
Net Interest payable	3.9	6.4	6.7	6.9	7.1
MRP	6.7	7.0	7.1	7.5	7.6
Total Financing costs	10.6	13.4	13.8	14.4	14.7
Net Revenue Stream	175.1	189.4	195.8	199.4	203.1
Proportion of net revenue stream %	6.06%	7.07%	7.06%	7.20%	7.24%

- 5.2. The overall proportion of financing costs remains fairly static over the MTFP window which is reflective of the total revenue stream increasing in line with expected inflationary impacts whilst the financing costs increase moderately in line further capital investment made.
- 5.3. **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years afterwards. The Section 151 officer is satisfied that the proposed capital programme is prudent, affordable and sustainable because the financing costs have been spread over no more than, the lower of 50 years and the expected life of the resultant asset, so the assets will be paid for by the Council tax payers benefitting from them over the life of the assets. The financing costs for assets funded by debt are included in each annual revenue budget which is balanced before approval by Council.

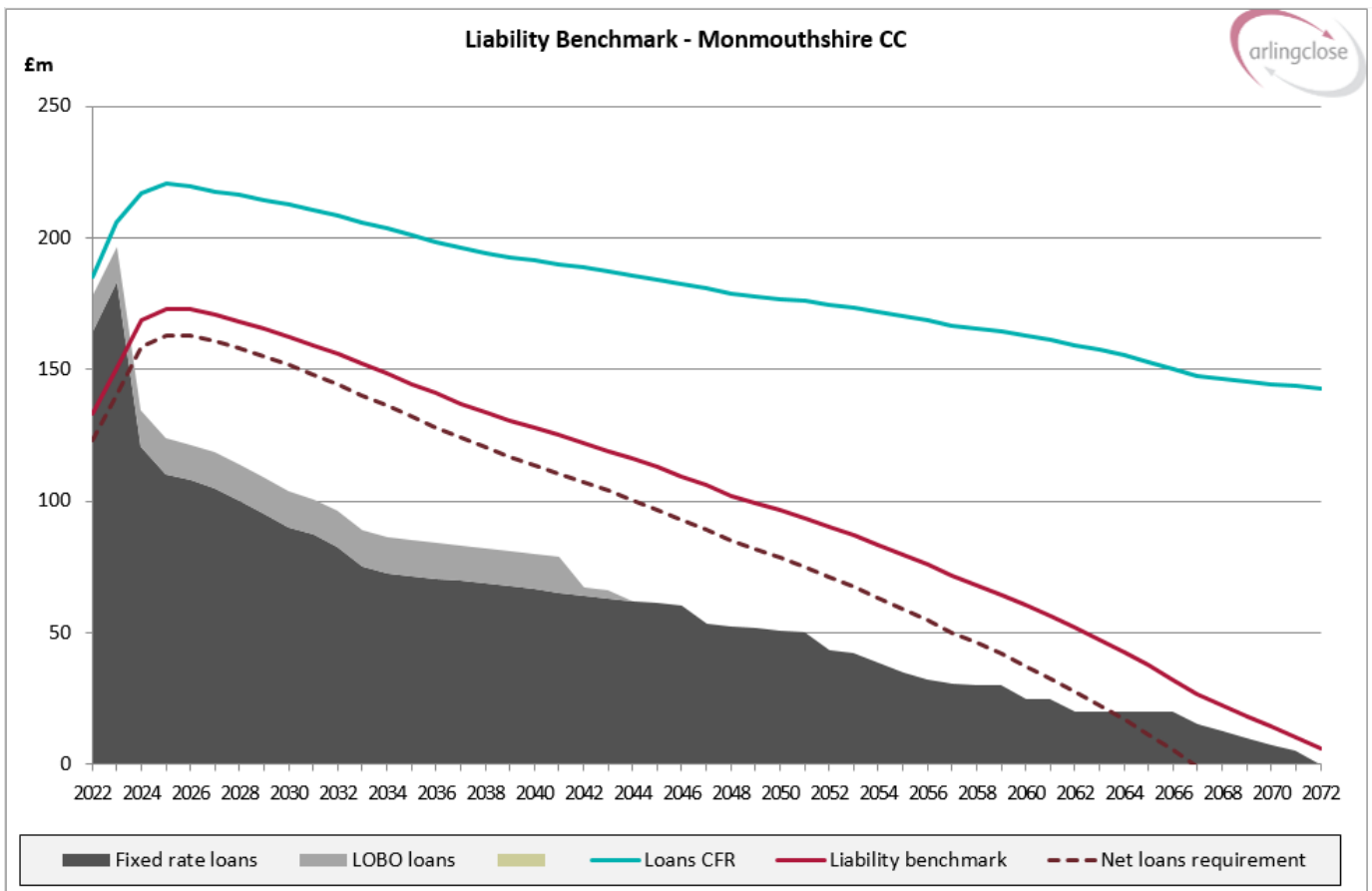
6. Long term capital financing projections

- 6.1. Capital investment is often for assets which have a long-term life i.e. buildings and road infrastructure may have an asset life in excess of 50 years. The financing of these assets could also be over a long-term period. Therefore, it is important to take a long-term view of capital expenditure plans and the impact that may have on the affordability and sustainability of capital expenditure. Once capital expenditure has been financed from borrowing the Council is committed to the revenue implications arising from that decision (i.e. the annual cost of MRP) for a long-term period.
- 6.2. Due to the financial constraints that the Council continues to operate under, it is anticipated that the ability to finance capital expenditure from borrowing will remain incredibly restricted over the long-term. This means that the Council will face a significant challenge in being

able to finance its medium to longer term capital aspirations in terms of maintenance backlogs, as well as the need to invest in new and existing assets.

6.3. The Liability benchmark shown below demonstrates the following, in terms of the impact of the current capital programme and projected capital investment financed from borrowing over the next 50 years:

- The impact the current capital programme has in terms of the increasing the CFR (blue line) and the consequent need for external borrowing, denoted by the steepness of the solid and dashed red curves over the initial years;
- A longer-term gradual reduction in the overall level of CFR, as shown by the trajectory of the solid blue line which is a result of indicative annual borrowing being below the level of annual MRP;
- A longer-term reduction in the need to undertake actual external borrowing, as shown by the trajectory of the dashed red line;
- A requirement for further external borrowing in the medium to long-term, despite lower capital expenditure levels, resulting from the need to refinance maturing loans.



- 6.4. It should be noted that the scenario above is for modelling purposes only and the actual position will be impacted by a number of factors that will ultimately determine the level of borrowing and associated capital financing costs. These factors include assumptions included on the level and deliverability of capital investment; the level of external financing for the programme; internal Council resources; and future MRP policy and treasury strategy.

Ongoing Capital Programme Development

- 6.5. In light of continuing funding constraints, it is important that the Council understands the key risks and future aspirations for capital investment. These are captured through various plans and strategies across the Council. There will be a range of priorities originating from these plans, particularly the Community and Corporate Plan which when approved, will look to deliver on aspirational long term objectives such as the decarbonisation agenda and affordable housing.
- 6.6. Alongside this, it is important to consider the requirement to maintain the Councils current asset base. As noted previously, this is something that has been severely impacted by constrained funding levels in previous years and has resulted in a maintenance backlog developing, which gives rise to the potential for major asset failures to occur where issues have developed over time. Although the risks associated are captured through ongoing condition surveys and monitoring, it is inevitable that as time progresses that more significant sums of investment will be required to maintain or substantially refurbish ageing assets.
- 6.7. The level of annual investment included in the capital programme for maintenance and refurbishment of assets assists in addressing the highest priority backlog issues, focussing on worst condition first and associated risk. However, estate rationalisation programmes, closure/disposal of assets, asset transfers and other capital projects to refurbish or replace operational properties will also be utilised to offset the backlog funding required. This will not address the specific total backlog but is a way of targeting the main issues in an affordable manner.
- 6.8. There will inevitably be other priorities to be considered for inclusion within the capital programme over the medium to longer term, with the next phase of WG's Sustainable Communities for Learning Programme and further regeneration schemes that will require substantial match funding commitments. The consideration to support such priorities will need to be carefully balanced against other competing demands.

7. Capital disposals & receipts

- 7.1. The Council's Asset Management strategy ([link](#)) sets out the Council's vision, priorities and key actions associated with managing our assets. The aim is to ensure sustainability and

maximise the financial and social value of our assets for our communities. The ongoing challenging economic conditions mean we must have robust policies and programmes in place to ensure our estate is lean, efficient, meets the needs of service users and is fit for purpose. The strategy also recognises the importance of maximising the income we can generate from our property assets to help support wider service delivery.

- 7.2. When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts “flexibly” on service transformation projects under the Welsh Government flexible use of capital receipts policy. Repayments of capital grants, loans and investments also generate capital receipts.
- 7.3. The Council anticipates the following capital receipts in the forthcoming financial years:

Table 5: Forecast Capital receipts

	2022/23	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000
Balance as at 1st April	8,773	10,849	9,249	8,152	6,655
Less: capital receipts used for financing	(3,776)	(1,547)	(1,194)	(1,094)	(1,094)
Less: capital receipts used to support capitalisation directive	(2,650)	(3,008)	(508)	(508)	(508)
Capital receipts Received	7,072	0	0	0	0
Capital receipts Forecast	1,430	2,954	604	104	104
Forecast Balance as at 31st March	10,849	9,249	8,152	6,655	5,158

- 7.4. Further specific details of planned asset disposals are included in the annual Capital budget papers deliberated by Members, with specific sales proposals being an exempt appendix from public reporting requirements due to potential to compromise of receipt maximisation.
- 7.5. The value of Capital receipts forecast after 2023/24 drops off quite considerably which is reflective of the replacement local development plan (RDLP) not proceeding as quickly as envisaged in the original delivery agreement. This will have a substantial impact on the balance of receipts available to fund future capital investment demands.
- 7.6. Traditionally receipts have been earmarked to finance the Councils future schools investment. In a change from previous practice, whilst the Council has further future schools aspirations, it is not proposed to advocate a similar approach to members in respect of futures tranches of investment. Schools based assets commonly have a useful life of 50 years+, and as such traditional long term loan funding can be sourced at competitive rates with limited annual revenue volatility. The Council derives greater revenue benefit by using capital receipts in affording replacement of short life assets, given the avoidance of proportionately more significant minimum revenue provision.

8. Treasury management

- 8.1. The Treasury management strategy (TMS) is considered alongside the Capital strategy at Council and the figures within it link directly to the impact of the debt resulting from the Capital strategy and the subsequent capital investment.
- 8.2. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 8.3. Based on historic capital expenditure and due to decisions taken in the past, as at 31st December 2022, the Council has £188.1m borrowing at a weighted average interest rate of 2.87% and £38.3m treasury investments at a weighted average rate of 2.96%.

9. Borrowing strategy

- 9.1. Whilst the Council has significant long term borrowing requirements, the Council's current strategy of funding capital expenditure is through utilising internal resources such as reserves (called 'internal borrowing') rather than undertaking new borrowing i.e. we defer taking out new long term borrowing and fund capital expenditure from day to day positive cash-flows for as long as we can.
- 9.2. By using this strategy, the Council can also minimise cash holding at a time when counterparty risk remains high. The interest rates achievable on the Council's investments are also significantly lower than the current rates payable on long term borrowing and this remains a primary driver for our current 'internally borrowed' strategy.
- 9.3. Whilst this strategy minimises investment counterparty risk, the risk of interest rate exposure is increased as the current low longer term borrowing rates may rise in the future. The market position is being constantly monitored in order to minimise this risk.
- 9.4. The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 9.5. Projected levels of the Council's total debt (which comprises borrowing, PFI liabilities and finance leases) are shown below, compared with the capital financing requirement.

Table 6: (Prudential indicator) - Gross Debt and the Capital Financing Requirement in £m

Gross Debt Forecast compared to CFR	2022/23 Estimate £m's	2023/24 Estimate £m's	2024/25 Estimate £m's	2025/26 Estimate £m's	2026/27 Estimate £m's
Debt (Inc. PFI, leases, right of use assets)	194.4	190.2	190.4	193.6	195.7
Capital Financing Requirement (Total)	206.9	223.2	227.3	225.9	223.8
(Under) / Over borrowed	(12.5)	(33.0)	(36.9)	(32.3)	(28.1)

- 9.6. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen in the table above, the Council expects to comply with this in the medium term.
- 9.7. **Authorised limit:** The Council is legally obliged to approve an affordable borrowing limit (also termed the 'authorised limit' for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7: (Prudential indicator) - Authorised limit and operational boundary for external debt in £m

Authorised limit and Operational boundary	2022/23 Estimate £m's	2023/24 Estimate £m's	2024/25 Estimate £m's	2025/26 Estimate £m's	2026/27 Estimate £m's
Authorised limit - borrowing	251.4	263.9	255.5	244	245.9
Authorised limit - PFI, leases & right of use assets	4.4	4.4	4.4	4.4	4.3
Authorised Limit - total external debt	255.8	268.3	259.9	248.4	250.2
Operational Boundary - borrowing	227.4	239.9	231.5	220	221.9
Operational Boundary - PFI, leases & right of use assets	2.9	2.9	2.9	2.9	2.8
Operational Boundary - total external debt	230.3	242.8	234.4	222.9	224.7

10. Investment strategy

- 10.1. Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 10.2. The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local Councils or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager

makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8: Treasury management investments in £m

	31/3/2022 forecast £m's	31/3/2023 forecast £m's	31/3/2024 forecast £m's	31/3/2025 forecast £m's	31/3/2026 forecast £m's
Near-term investments	8.6	32.0	6.0	6.0	6.0
Longer-term investments	6.0	4.0	4.0	4.0	4.0
Total	14.6	36.0	10.0	10.0	10.0

10.3. **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the S151 Officer or Deputy and their staff, who must act in line with the treasury management strategy approved by full Council. The draft 2023/24 strategy is considered alongside this paper with a final version to be put forward for approval by full Council in March 2023. In addition quarterly treasury reports on activity are presented to Governance and Audit Committee who are responsible for scrutinising treasury management decisions.

11. Investments for Service Purposes

- 11.1. The Council has historically incurred the majority of its capital expenditure on the assets required to provide its services such as schools, highways and corporate facilities.
- 11.2. However it may also invest in other entities for the wider economic and societal benefits of its communities or businesses. This may include making loans or taking an equity interest in local bodies or the Council's subsidiaries and joint ventures which in turn contribute to services to Monmouthshire residents. It may also include providing guarantees to other bodies.
- 11.3. In light of the public service objective, the Council traditionally is willing to take more risk on these investments than it would with more traditional treasury investments, which are more highly regulated, however any such arrangement should only be entered into if such investments are assessed to break even after all costs are taken into account or if the benefits of the scheme are considered to be worth the net cost.
- 11.4. Decisions on service related investments (e.g. vibrant homes loans afforded through WG repayable grant or economic development loans) can be made by the relevant service manager provided a 100% loss can be covered by the managers existing budgets. Should additional budget/funding be required in the event of a default, then before making the service expense/investment, the Section 151 officer is required to be consulted and where member approval is felt necessary that the details and risks involved presented to Cabinet for approval.

- 11.5. The criteria and limits laid down in the strategy for treasury Investments can be used as a comparator to measure risks against. Most loans and shares are capital expenditure and such decision requires approval of full Council to be added to the capital programme.
- 11.6. A list of investments for service purposes including loans and guarantees will be maintained by the Treasury team and they will be assessed at least annually and reported as part of the annual accounts and include Foster carer loans and Low cost home ownership equity interest.

12. Commercial Activities

- 12.1. Following a sustained period of financial austerity and with financial support for local public services declining, the Council invested in commercial property and other commercial investments to support ongoing revenue budgets and promote wider economic regeneration and strategic policy aims within the County and its borders.
- 12.2. Total commercial investments are currently valued at £30.4m:

Table 9: Value of Commercial investments

Asset	Value @ 01/04/2021	Movement	Value @ 31/03/2022
Castlegate Business Park	6,870,500	-1,135,087	5,735,413
Castlegate Business Park - Service Charge	592,392	-250,024	342,368
Newport Leisure Park	18,000,000	909,000	18,909,000
Oak Grove Solar Farm	5,097,743	290,794	5,388,537
Broadway Loan	1,150,000	-175,926	974,074
Total	30,560,635	-170,584	30,375,318

- 12.3. Given the current economic environment, and the risks and challenges presenting following the Covid-19 pandemic, further investment into new commercial investment opportunities has been paused.
- 12.4. Under changes to the Public Works Loan Board (PWLB) lending arrangements in March 2020 the government ended access to the PWLB for Councils that wished to buy commercial assets primarily for yield, as assessed by the statutory section 151 officer of the Council. Councils that wish to buy commercial assets primarily for yield would remain free to do so but would not be able to take out new loans from the PWLB in that financial year.
- 12.5. Commercial investments will be revalued at least annually as part of the ongoing review of the Commercial investment portfolio, and the performance of these assets assessed regularly through the service budget monitoring of the Corporate Landlord service, via reporting to the Investment Committee and annually to Governance & Audit Committee.
- 12.6. With the increased financial returns expected on investment available from commercial investment, the Council naturally accepts higher risk compared with traditional treasury

investments. Risk exposures for property investments include a fall in capital value, vacancies, poor tenant performance, rent increases below inflation, lack of market appeal/obsolescence/cost to rectify, and changes in legislation. For other investments such as loans and equity, risks also include – fall in market value, poor repayment performance and insolvency/costs of debt recovery.

- 12.7. The Council has adopted a very prudent approach to the financial management of its commercial assets, in ensuring that business cases are predicated on affording the related borrowing before providing a net return to assist with revenue budget setting. It has also elected to treat such investments as capital expenditure and incur an explicit annual minimum revenue provision in affording the related borrowing, whereas Welsh Government guidance would have permitted deferment of these financing considerations to when property is sold, providing that the selling price can reasonably be anticipated to be greater than purchase price.
- 12.8. To date, commercial investments have focused primarily on property acquisition so the risks are managed by the corporate landlord service assisted by external professionals where necessary. They will manage asset maintenance and the tenant/landlord interface including collecting income. They will review cashflows and assess/forecast the value, quality and diversity of the investments in order to propose any modifications required to the portfolio to increase return and/or reduce risk.
- 12.9. Legislation in place requires the Council to regularly review performance of its Commercial investments and make consideration of:
- Retaining the asset and increasing net returns
 - Disposing of the asset
 - Retaining the asset for future capital gains
 - Maximising return on capital in another way
- 12.10. Decisions on commercial investments are made by the Investment Committee in line with the criteria and limits as set out in the Asset Investment Policy appended to the Asset Management Strategy.
- 12.11. Further details of the selection process for commercial investments, the limits agreed with Council and details of the identification and management of the risks associated with commercial investments are in the Asset Management Strategy, Asset Investment Policy and other supporting documents.

Table 10: Net income from commercial and service investments to net revenue stream

	2022/23 forecast £m's	2023/24 budget £m's	2024/25 budget £m's	2025/26 budget £m's	2026/27 budget £m's

Total gross income from commercial investments	2.54	2.81	3.17	3.23	3.23
Net revenue stream	175.1	189.4	195.8	199.4	203.1
Proportion of net revenue stream	1.45%	1.48%	1.62%	1.62%	1.59%

12.12. The ratio of commercial income compared to the Council's net revenue budget is considered prudent and proportionate and is not considered to expose the Council to undue risk if any one income stream was compromised. To assist in managing this risk the Council hold reserves for its commercial investments that look to further mitigate the factors that may impact upon future income generation.

13. Knowledge & skills

Internal expertise

- 13.1. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Section 151 officer, deputy Section 151 officer, and Head of Commercial and Integrated Landlord Services are professionally qualified with extensive Local Government experience between them.
- 13.2. The central accountancy team who manage day-to-day cashflow activities and monitor capital investment activity consists of experienced qualified and part-qualified accountants who maintain Continuous Professional Development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and obtain relevant skills.

External expertise

- 13.3. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisors, and Alder King as property investment advisors. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Members

- 13.4. Training is offered to members to ensure they have up to date skills to make capital and treasury decisions. The most recent training was provided in November 2022, with a number of new members attending for the first time. A register is also kept on member attendance.

2023/24 Treasury Management Strategy

1. Economic background and forecasts for interest rates

- 1.1. **Economic background:** The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Council's treasury management strategy for 2023/24.
- 1.2. The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6 3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.
- 1.3. The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.
- 1.4. The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.
- 1.5. CPI inflation is expected to have peaked at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However, the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.
- 1.6. The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%. Looking forward, the November MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.
- 1.7. Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.5% in December 2022 to 4.25%-4.5%. This rise follows

four successive 0.75% rises in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 7%. GDP grew at an annualised rate of 3.2% (revised up from 2.9%) between July and September 2022, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.

- 1.8. Inflation rose consistently in the Euro Zone since the start of the year, hitting a peak annual rate of 10.6% in October 2022, before declining to 10.1% in November. Economic growth has been weakening with an upwardly revised expansion of 0.3% (from 0.2%) in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.50% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and deposit facility rate to 2.0%.
- 1.9. **Credit outlook:** Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.
- 1.10. CDS price volatility was higher in 2022 compared to 2021 and the divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities has emerged once again.
- 1.11. The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local Councils and financial institutions, revising them from to negative from stable.
- 1.12. There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.
- 1.13. However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.
- 1.14. **Interest rate forecast:** The Council's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.
- 1.15. While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.

- 1.16. Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.
- 1.17. A more detailed economic and interest rate forecast provided by Arlingclose is attached at section 8.

2. Local Context

- 2.1. On 31st December 2022, the Council held £188.1m of borrowing and £38.3m of treasury investments as demonstrated below:

Table 11: Current debt and investment levels

	31st Dec 2021 Actual Portfolio £m's	Average Rate %	31st Dec 2022 Actual Portfolio £m's	Average Rate %
External borrowing:				
Public Works Loan Board	89.4	3.0%	116.7	3.2%
LOBO loans from banks	13.6	4.8%	13.6	4.8%
Welsh Government Loans	4.8	0.0%	5.7	0.0%
Council to Council & other ST loans	61.9	0.1%	52.0	1.8%
Total external borrowing	169.7	2.3%	188.1	2.9%
Treasury investments:				
Banks & building societies (unsecured)	2.0	0.0%	2.0	0.0%
Government (incl. local Councils)	6.5	0.0%	18.0	3.0%
Money Market Funds	28.0	0.0%	14.3	3.3%
Strategic pooled funds	3.5	4.3%	4.0	4.2%
Total treasury investments	40.0	0.4%	38.3	3.0%
Net debt	129.7		149.8	

- 2.2. Forecast changes in these sums are shown in the balance sheet analysis in table 12 below. This shows the future requirement for borrowing (the CFR) alongside those resources available to meet that requirement (external borrowing and useable reserves). Taking these together results in a forecast new external borrowing requirement, which increases over the term of the MTFP window.

Table 12: Balance sheet summary and forecast

	31.3.22 Actual £m's	31.3.23 Estimate £m's	31.3.24 Estimate £m's	31.3.25 Estimate £m's	31.3.26 Estimate £m's
Loans CFR	185.2	205.6	216.9	220.9	219.6

Less: External borrowing **	-176.2	-195.5	-133.2	-122.5	-120.3
Internal borrowing	9.0	10.1	83.7	98.4	99.3
Less: Usable reserves	-62.3	-65.3	-58.1	-57.9	-56.8
[Less/Plus]: Working capital	10.0	10.0	10.0	10.0	10.0
New External borrowing requirement	-43.3	-45.2	35.6	50.5	52.5

* leases and PFI liabilities that form part of the Council's total debt

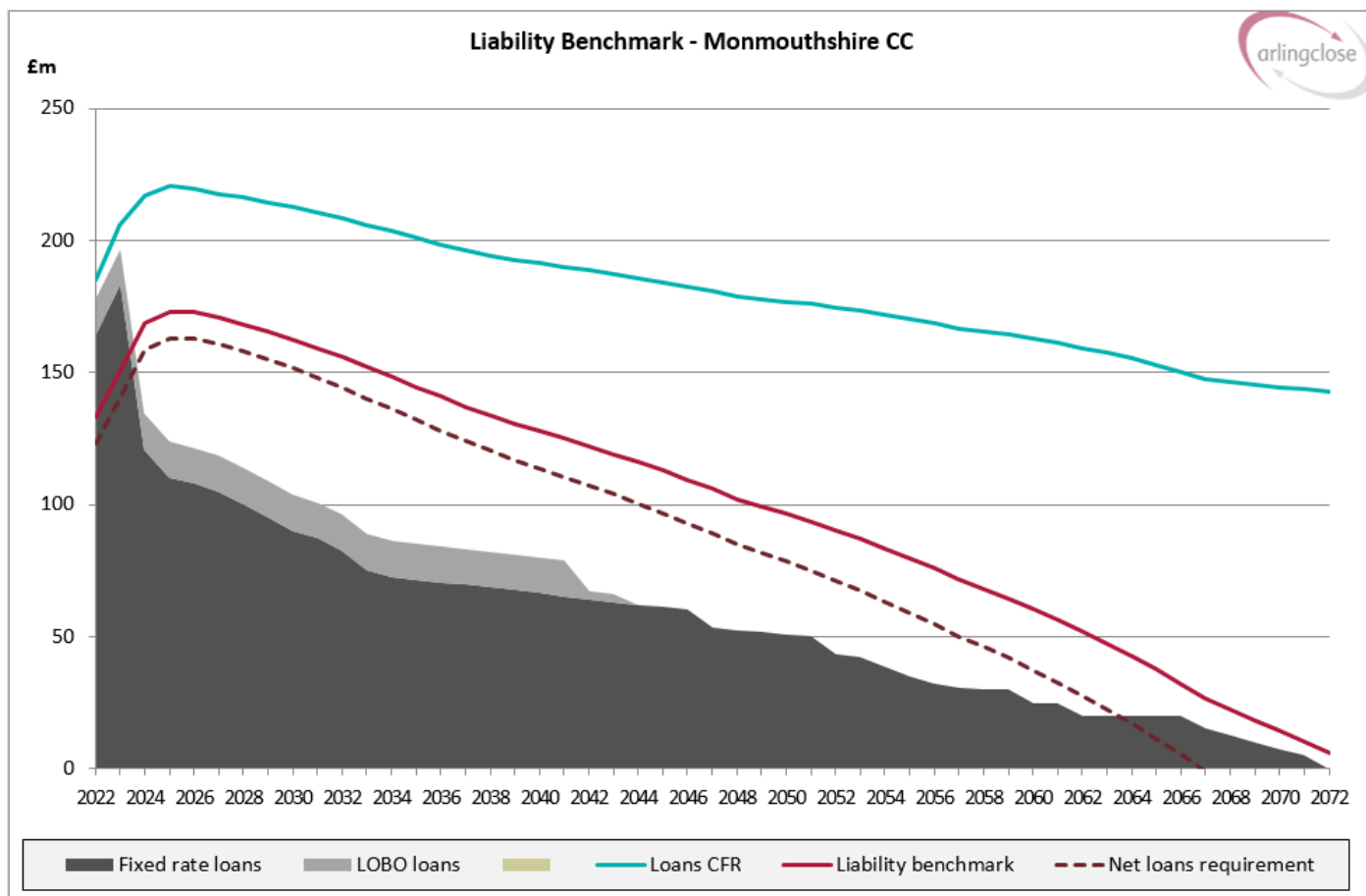
** shows only loans to which the Council is committed and excludes optional refinancing

- 2.3. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 2.4. The Council has an increasing CFR due to the indicative capital programme, but minimal investments and will therefore be required to borrow up to an additional £52.5m over the forecast period, as noted in table 12 above.
- 2.5. CIPFA's Prudential Code for Capital Finance in Local Councils recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 12 shows that the Council expects to comply with this recommendation during 2023/24.
- 2.6. **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 12 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.
- 2.7. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 13: (Prudential indicator) - Liability benchmark

	31.3.22 Actual £m's	31.3.23 Estimate £m's	31.3.24 Estimate £m's	31.3.25 Estimate £m's	31.3.26 Estimate £m's
Loans CFR	185.2	205.6	216.9	220.9	219.6
Less: Usable reserves	-62.3	-65.3	-58.1	-57.9	-56.8
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	132.9	150.3	168.8	173.0	172.8

2.8. The long-term liability benchmark below assumes capital expenditure funded by borrowing is maintained as per the capital MTFP and thereafter £3.4m per year; that minimum revenue provision on new capital expenditure is based on asset life as in the MTFP or 25 years and; income, expenditure and reserves held are not increasing or decreasing beyond the MTFP window. This is shown in the chart below:



2.9. Our underlying need to borrow is shown by the top blue line and increases sharply over the short term due to the current approved capital programme. However, due to the use of reserves and working capital, the Council is expected to need total external borrowing between the full and dotted red lines. As our existing loans portfolio (shown in grey) reduce as loans mature, new loans will therefore be required to fill the gap between the grey area and the red lines over the longer term. The Council intends to maintain about a 50% level of short term loans which will partly fill this gap, but we will still need to take out longer term loans, mainly to fund the long-term capital investment built into the Capital MTFP.

2.10. The Council does not intend to borrow in advance of need and will not do so just to gain financially from short term investment of that borrowing. However, this option may be considered if it is felt that borrowing in advance allows opportunities to lock into favourable long-term rates as part of risk mitigation. This will be limited to no more than the expected increase in the Council’s Capital Financing Requirement over its medium term financial plan.

3. Borrowing Strategy

- 3.1. The Council currently holds £188.1m of loans, an increase of £18.4m on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 12 shows that the Council expects to borrow up to £35.6m in 2023/24. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £273.5m.
- 3.2. **Objectives:** The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 3.3. **Strategy:** Given the significant cuts to public expenditure over recent years and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 3.4. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 3.5. The Council has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local Councils, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local Councils planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.
- 3.6. Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 3.7. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Greater Gwent Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
- CSC Foundry Ltd

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

- 3.8. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local Councils. This is a more complicated source of finance than the PWLB for two reasons: borrowing Councils will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.
- 3.9. **LOBOs:** The Council holds £13.6m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOs have options during 2023/24, and with interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Council will take the option to repay LOBO loans to reduce refinancing risk in later years. .
- 3.10. **Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.
- 3.11. **Debt rescheduling:** The PWLB allows Councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

3.12. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen in the table above, the Council expects to comply with this in the medium term.

Table 14: (Prudential indicator) - Gross Debt and the Capital Financing Requirement in £m

Gross Debt Forecast compared to CFR	2022/23 Estimate £m's	2023/24 Estimate £m's	2024/25 Estimate £m's	2025/26 Estimate £m's	2026/27 Estimate £m's
Debt (Inc. PFI, leases, right of use assets)	194.4	190.2	190.4	193.6	195.7
Capital Financing Requirement (Total)	206.9	223.2	227.3	225.9	223.8
(Under) / Over borrowed	(12.5)	(33.0)	(36.9)	(32.3)	(28.1)

13.5. **Authorised limit:** The Council is legally obliged to approve an affordable borrowing limit (also termed the 'authorised limit' for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

13.6. Based on the capital programme proposed, it is recommended that the Council approve the following authorised limits and operational boundaries. The undertaking of other long-term liabilities, within the overall limit, is delegated to the Section 151 Officer based on the outcome of financial option appraisals and best value considerations.

13.7. The operational boundary remains an internal management tool to monitor borrowing levels and exceeding the boundary would not represent a compliance failure.

Table 15: (Prudential indicator) - Authorised limit and operational boundary for external debt in £m

Authorised limit and Operational boundary	2022/23 Estimate £m's	2023/24 Estimate £m's	2024/25 Estimate £m's	2025/26 Estimate £m's	2026/27 Estimate £m's
Authorised limit - borrowing	251.4	263.9	255.5	244	245.9
Authorised limit - PFI, leases & right of use assets	4.4	4.4	4.4	4.4	4.3
Authorised Limit - total external debt	255.8	268.3	259.9	248.4	250.2
Operational Boundary - borrowing	227.4	239.9	231.5	220	221.9
Operational Boundary - PFI, leases & right of use assets	2.9	2.9	2.9	2.9	2.8
Operational Boundary - total external debt	230.3	242.8	234.4	222.9	224.7

Maturity structure of borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 16: (Treasury management indicator) - Maturity structure of borrowing

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	60%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	30%	0%
10 years and within 20 years	30%	0%
20 years and within 30 years	30%	0%
30 years and within 40 years	30%	0%
40 years and within 50 years	30%	0%
50 years and above	30%	0%

4. Treasury investments

Treasury Investment strategy

- 4.1. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £10.5m and £53.2m million. It is anticipated that the level of investments held in 2023/24 will be lower, as cash balances are used in lieu of external borrowing, in line with the authority's internal borrowing strategy.
- 4.2. **Objectives:** Both the CIPFA Code and the WG Guidance require the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 4.3. **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds currently provides a degree of risk diversification into different sectors, however the Council will closely monitor the returns on these investments in light of a heightened interest rate environment.

- 4.4. The CIPFA Code does not permit local Councils to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.
- 4.5. **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 4.6. A commitment was made by full Council in September 2022 to investigate how responsibly the Council invests its cash balances, and to develop a sustainable investment policy that is compatible with the Council's Declaration of a Climate Emergency and the Well Being of Future Generations Act. As noted above, the current framework and data sources available to enable a robust assessment of investments are still immature. Alongside this, many of the investments funds or bodies are multifaceted which makes current evaluation increasingly difficult. The Council will continue through 2023/24 to engage with its advisors Arlingclose to evaluate its existing investments and assess whether a more sophisticated ESG policy can be applied. Governance and Audit Committee will be kept informed of progress through the regular reporting of treasury performance into committee.
- 4.7. **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 4.8. **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown.

Table 17: Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	Unlimited
Local Councils & other government entities	5 years	£4m	Unlimited
Secured investments *	5 years	£4m	75%

Sector	Time limit	Counterparty limit	Sector limit
Banks (unsecured) *	13 months	£2m (£3m total for the Councils operational bank)	50%
Building societies (unsecured) *	13 months	£2m	50%
Registered providers (e.g. Housing Associations (unsecured) *)	5 years	£2m	50%
Money market funds *	n/a	£4m	Unlimited
Strategic pooled funds	n/a	£5m	£10m
Real estate investment trusts	n/a	£5m	£10m
Other Investments	13 months	£2m	£5m

Credit rating	Banks unsecured	Secured investments	Government	Corporates
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a
AAA - AA+	£3m 13 months	£4m 5 years	n/a	£4m 5 years
AA - AA-	£3m 13 months	£4m 5 years	n/a	£4m 5 years
A+ - A	£3m 13 months	£4m 2 years	n/a	£4m 2 years
A-	£3m 13 months	£4m 13 months	n/a	£4m 13 months

This table must be read in conjunction with the notes below

*** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local Councils and multilateral development banks. These investments are not subject to bail-in, and there

is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

Operational bank accounts: The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £3m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 4.9. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 4.10. **Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 4.11. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local Councils. This will cause investment returns to fall but will protect the principal sum invested.
- 4.12. **Investment limits:** The Council's revenue reserves available to cover investment losses are forecast to be £27.1m on 31st March 2023 and £26.6 m on 31st March 2024. In order that no more than 25% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5m. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 4.13. Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks

do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 18: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£4m per country

- 4.14. **Liquidity management:** The Council uses its own cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.
- 4.15. The Council will spread its liquid cash over at least two providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Indicators

- 4.16. The Council measures and manages its exposures to treasury management risks using the following indicators.
- 4.17. **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating / credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating / score	A-/5.0

- 4.18. **Long-term treasury management investments:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£5m	£4m	£2m	£5m

- 4.19. Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

5. Related matters

- 5.1. The CIPFA Code requires the Council to include the following in its treasury management strategy:
- 5.2. **Financial derivatives:**) Local Councils have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 24 of the Local Government and Elections (Wales) Act 2021 removes much of the uncertainty over local Councils' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 5.3. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 5.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 5.5. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 5.6. **External Funds:** The Council will from time to time hold fund on behalf of external organisations, companies or individuals. Unless a specific agreement is in place for the investment of the funds held, the Council will normally allocate interest returns based on a calculation of the average returns achieved from an overnight deposit rate with the Debt Management Office over the period held.
- 5.7. **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the

Council's treasury management activities, the Section 151 officer or deputy believes this to be the most appropriate status.

- 5.8. **Government Guidance:** Further matters required by the WG Guidance are included in Section 6 below.

Financial Implications

- 5.9. The budget for investment income in 2023/24 is £635k, based on an average investment portfolio of £10m and existing pooled fund investments. Returns are expected to come from pooled fund investments, from shorter term investments with the Government, from secured/unsecured investments, or from Money Market Funds.
- 5.10. The budget for debt interest paid in 2023/24 is £6.7m, based on existing loans and assumed new borrowing at an average rate of 4%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.

Other Options Considered

- 5.11. The WG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local Councils to adopt. The Section 151 officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

6. Additional requirements of Welsh Government Investment Guidance

- 6.1. The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local Councils that are not integral to this Council's treasury management processes. The guidance also covers investments that are not part of treasury management, for example investment property and loans to local organisations.
- 6.2. **Contribution:** The Council's investments contribute to its service delivery objectives and/or to promote wellbeing as follows:
- treasury management investments support effective treasury management activities,
 - loans to local organisations provide financial support to those organisations to enable them to deliver local public services that would otherwise be provided directly by the Council, and
 - investment property provides a net financial surplus that is reinvested into local public services and supports economic regeneration.
- 6.3. **Climate change:** The Authority's investment decisions consider long term climate risks to support a low carbon economy to the extent that the Council has invested in, as part of the overall capital programme, a number of energy efficiency related schemes, including LED lighting and Solar PV, as well as ultra-low emission vehicles. In addition, the new Abergavenny 3-19 school is being constructed on a net carbon zero basis.
- 6.4. **Specified investments:** The WG Guidance defines specified investments as those:
- denominated in pound sterling,
 - due to be repaid within 12 months of arrangement unless the counterparty is a local Council,
 - not defined as capital expenditure by legislation, and
 - invested with one of:
 - the UK Government,
 - a UK local Council, parish council or community council, or
 - a body or investment scheme of "high credit quality".
- 6.5. The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of [A-] or higher.
- 6.6. **Loans:** The WG Guidance defines a loan as a written or oral agreement where the Council temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local Council.

- 6.7. The Council uses an allowed ‘expected credit loss’ model for loans and receivables as set out in *International Financial Reporting Standard 9 Financial Instruments* as adopted by proper practices to measure the credit risk of its loan portfolio. Appropriate consideration is given to state aid rules and competition law. The Council has appropriate credit control arrangements to recover overdue repayments in place.
- 6.8. **Non-specified investments:** Any financial investment not meeting the definition of a specified investment or a loan is classed as non-specified. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies. Limits on non-specified investments are shown in table 19; the Council confirms that its current non-specified investments remain within these limits.

Table 19: Non-specified investment limits

	Cash limit
Units in pooled funds without credit ratings or rated below [A-]	£10m
Shares in real estate investment trusts	£10m
Shares in local organisations	£5m
Total non-specified investments	£25m

- 6.9. **Non-financial investments:** This category covers non-financial assets held primarily or partially to generate a profit, primarily investment property. Security is determined by comparing each asset’s purchase price to its fair value using the model in International Accounting Standard 40: Investment Property as adapted by proper practices. On an assessment as at 31st March 2022, the Council’s investment property portfolio does not currently provide sufficient security for capital investment since its fair value is below its purchase price. The Council is therefore continue to closely review options to secure the capital invested, including:
- Retaining the asset and increasing net returns
 - Disposing of the asset
 - Retaining the asset for future capital gains
 - Maximising return on capital in another way
- 6.10. The Council consider that the scale of its commercial investments including property are proportionate to the resources of the Council since gross income from such investments represent around 1.5% of the overall net revenue budget stream.
- 6.11. **Liquidity:** The Council’s liquidity management has been detailed in the main Treasury report with regard to treasury activities. Before supporting local entities or placing a commercial investment the impact on liquidity is fully addressed, most commonly by taking out loans of an appropriate maturity to ensure funds are available for the life of the activity. £40,000 of

seed funding was placed with SRS Ltd in 2011/12 with the intention of it remaining there for the long term to support that entity.

- 6.12. Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council will follow its Investment strategy for Commercial assets which ensures that any borrowed capital will be repaid with annual income earned from the investment or that an exit strategy identified during the due diligence will be followed.
- 6.13. **Investment advisers:** The Council has appointed Arlingclose Limited as treasury management advisers with the current contract running until 31st March 2025, and has used Alder King as advisers for the last two Commercial investment Property Acquisitions. The quality of these services is controlled by the Finance and Estates teams and also the Investment Committee appointed to oversee the Commercial Investments.
- 6.14. **Borrowing in advance of need:** Welsh Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority, after having regard to the guidance, will only borrow in advance of need as part of a strategy for reducing risk of future interest rate rises and would not undertake such activity purely in order to profit from an investment.
- 6.15. **Capacity and skills:** The Section 151 officer is responsible for ensuring that those elected members and statutory officers involved in the investment decision making process have appropriate capacity, skills and information to enable them to:
- take informed decisions as to whether to enter into a specific investment;
 - assess individual investments in the context of the strategic objectives and risk profile of the local Council; and
 - understand how the quantum of these decisions have changed the overall risk exposure of the local Council.
- 6.16. Steps taken include relevant training for elected members and a minimum level of qualification for statutory officers, as well as ensuring continuing professional development, via attendance at relevant training courses. Officers will always take advice from its independent advisers regarding investment and borrowing activity.
- 6.17. **Commercial deals:** The investment committee is responsible for ensuring that those tasked with negotiating commercial deals have the appropriate skills and access to information to allow them to operate with regard to the principles of the prudential framework and regulatory regime within which the Council operates.
- 6.18. **Corporate Governance:** The Council has a clear corporate governance framework set out within its constitution, delegation framework and Annual Governance Statement. This ensures that decisions regarding investment are taken at the appropriate level. For example,

the overarching treasury strategy and framework is approved by full Council. Operational decisions, such as day to day cashflow management, including borrowing, are delegated to the Section 151 officer or Deputy.

7. Advisors Economic & Interest Rate Forecast – December 2021

Underlying assumptions:

- The influence of the mini-budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.
- Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.
- The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.
- The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.
- Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.
- While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB seems to harbour (worryingly) few doubts about the short term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.

Forecast:

- The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.
- The MPC will cut rates in the medium term to stimulate a stuttering UK economy, but will be reluctant to do so until wage growth eases. We see rate cuts in the first half of 2024.
- Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.25	3.25
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.00	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.50	3.40	3.40	3.40
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.43	3.60	3.80	3.80	3.80	3.70	3.60	3.50	3.40	3.30	3.30	3.30	3.30
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.47	3.50	3.60	3.60	3.60	3.60	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.86	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
 PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
 UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

8. MRP Policy Statement 2023/24

8.1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to Welsh Government's Guidance on Minimum Revenue Provision (the WG Guidance) most recently issued in 2018.

- 8.2. The broad aim of the WG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 8.3. The WG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.
- 8.4. MRP options recommended in the Guidance include:
- Option 1: Regulatory Method
 - Option 2: CFR Method
 - Option 3: Asset Life Method – based on equal instalments or using an annuity method
 - Option 4: Depreciation Method

Note: This does not preclude other prudent methods.

- 8.5. The following statement only incorporates options recommended in the Guidance.

MRP in 2023/24:

- 8.6. ***MRP on Supported Borrowing funded Expenditure:*** The Council's policy is to apply Option 3, the Asset life method in respect of supported capital expenditure funded from borrowing. The charge will be based on 2% per annum, equivalent to equal instalments over a 50 year life.
- 8.7. ***MRP on Unsupported Borrowing funded Expenditure:*** The Council's policy is to apply Option 3, the Asset life method in respect of unsupported capital expenditure funded from borrowing. The MRP is calculated on an annuity basis within the asset life method, whereby the MRP element increases over time to reflect a consistent charge over life of the assets taking into account the real value of money. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. These lives may be reduced if it is prudent to do so because the resultant income stream or useful life to the Council is shorter.
- 8.8. ***MRP in respect of leases and PFI:*** For assets acquired by leases or Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- 8.9. For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council may make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying

MRP until the year after the assets become operational. While this is not one of the options in the WG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.

8.10. In all cases Capital expenditure incurred during 2023/24 will not be subject to an MRP charge until 2024/25. The 2023/24 budget proposals reflect these outlined positions.

9. Glossary of treasury terms

Authorised Limit	The affordable borrowing limit determined in compliance with the Local Government Act 2003 (English and Welsh Councils) and the Local Government in Scotland Act 2003. This Prudential Indicator is a statutory limit for total external debt. It is set by the Council and needs to be consistent with the Council's plans for capital expenditure financing and funding. The Authorised Limit provides headroom over and above the <i>Operational Boundary</i> to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit. (see also <i>Operational Boundary</i> , below)
Balances and Reserves	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
Bail-in	Refers to the process which the banking regulatory Councils will use to restructure a financial institution which is failing or likely to fail. Unsecured creditors of and investors in that financial institution will participate in its restructure who will, as a consequence, incur a non-recoverable loss (commonly referred to as a 'haircut') on their obligation/investment. Local Council investments with banks and building societies such as term deposits, certificates of deposit, call accounts and non-collateralised bonds are unsecured investments and are therefore vulnerable to bail-in.
Bank Rate	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
Bond	A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of capital assets
Capital Financing Requirement (CFR)	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local Council that has not been financed.
Capital growth	Increase in the value of the asset (in the context of a collective investment scheme, it will be the increase in the unit price of the fund)

Capital receipts	Money obtained on the sale of a capital asset.
CIPFA	Chartered Institute of Public Finance and Accountancy
Constant Net Asset Value (CNAV)	Also referred to as Stable Net Asset Value. A term used in relation to the valuation of 1 share in a fund. This means that at all times the value of 1 share is £1/€1/US\$1 (depending on the currency of the fund). The Constant NAV is maintained since dividend income (or interest) is either added to the shareholders' account by creating shares equal to the value of interest earned or paid to the shareholder's bank account, depending on which option is selected by the shareholder.
Collective Investment Schemes	Funds in which several investors collectively hold units or shares. The assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'Pooled Funds'). Unit Trusts and Open-Ended Investment Companies are types of collective investment schemes / pooled funds.
Corporate Bonds	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Corporate Bond Funds	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
CPI <i>Also see RPI</i>	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
Credit Default Swap (CDS)	A Credit Default Swap is similar to an insurance policy against a credit default. Both the buyer and seller of a CDS are exposed to credit risk. Naked CDS, i.e. one which is not linked to an underlying security, can lead to speculative trading.
Credit Rating	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.
Cost of carry	When a loan is borrowed in advance of requirement, this is the difference between the interest rate and (other associated costs) on the loan and the income earned from investing the cash in the interim.
Credit default swaps	Financial instrument for swapping the risk of debt default; the buyer effectively pays a premium against the risk of default.
Diversification / diversified exposure	The spreading of investments among different types of assets or between markets in order to reduce risk.
Derivatives	Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded 'over the counter'.

ECB	European Central Bank
Federal Reserve	The US central bank. (Often referred to as “the Fed”)
Floating Rate Notes	A bond issued by a company where the interest rate paid on the bond changes at set intervals (generally every 3 months). The rate of interest is linked to LIBOR and may therefore increase or decrease at each rate setting
GDP	Gross domestic product - also termed as “growth” in the economy. The value of the national aggregate production of goods and services in the economy.
General Fund	This includes most of the day-to-day spending and income. (All spending and income related to the management and maintenance of the housing stock is kept separately in the HRA).
Gilts (UK Govt)	Gilts are bonds issued by the UK Government. They take their name from ‘gilt-edged’: being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
Housing Revenue Account (HRA)	A ring-fenced account of all housing income and expenditure, required by statute
IFRS	International Financial Reporting Standards
Income Distribution	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a ‘dividend’
Investments - Secured - unsecured	Secured investments which have underlying collateral in the form of assets which can be called upon in the event of default Unsecured investments do not have underlying collateral. Such investments made by local Councils with banks and building societies are at risk of bail-in should the regulator determine that the bank is failing or likely to fail.
Liability Benchmark	Term in CIPFA’s Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level (which may be zero).
LOBOs	LOBO stands for ‘Lender’s Option Borrower’s Option’. The underlying loan facility is typically long term and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at predetermined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the ‘option’ to either accept the new imposed fixed rate or repay the loan facility.
LVNAV (Low Volatility Net Asset Value)	From 2019 Money Market Funds will have to operate under a variable Net Value Structure with minimal volatility (fluctuations around £1 limited to between 99.8p to 100.2p)
Maturity	The date when an investment or borrowing is repaid.

Maturity profile	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by-quarter or month-by-month basis.
MiFID II	MiFID II replaced the Markets in Financial Instruments Directive (MiFID I) from 3 January 2018. It is a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.
Money Market Funds (MMF)	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.
Minimum Revenue Provision	An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets
Non-Specified Investments	Term used in the Communities and Local Government Guidance and Welsh Assembly Guidance for Local Council Investments. It includes any investment for periods greater than one year or those with bodies that do not have a high credit rating, use of which must be justified.
Net Asset Value (NAV)	A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.
Operational Boundary	This is the limit set by the Council as its most likely, i.e. prudent, estimate level of external debt, but not the worst case scenario. This limit links directly to the Council's plans for capital expenditure, the estimates of the Capital Financing Requirement (CFR) and the estimate of cashflow requirements for the year.
Permitted Investments	Term used by Scottish Councils as those the Council has formally approved for use.
Pooled funds	See Collective Investment Schemes (above)
Premiums and Discounts	<p>In the context of local Council borrowing, (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the discount is the gain arising when a loan is redeemed prior to its maturity date. If on a £1 million loan, it is calculated* that a £100,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,100,000 plus accrued interest. If on a £1 million loan, it is calculated that a £100,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £900,000 plus accrued interest.</p> <p>PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate.</p> <p>*The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid</p>

	prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.
Private Finance Initiative (PFI)	Private Finance Initiative (PFI) provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. Contracts can typically last for 30 years, during which time the asset is leased by a public Council.
Prudential Code	Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local Council capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.
Prudential Indicators	Indicators determined by the local Council to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators between Councils.
PWLB	Public Works Loans Board. It is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local Councils and other prescribed bodies, and to collect the repayments.
Quantitative Easing	In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It "does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions - that could be insurance companies, pension funds, banks or non-financial firms - and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy". Source: Bank of England
Registered Provider of Social Housing	Formerly known as Housing Association
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges

RPI	Retail Prices Index. A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the CPI index.
SORP	Statement of Recommended Practice for Accounting (Code of Practice on Local Council Accounting in the United Kingdom).
Specified Investments	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Council Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local Councils and bodies that have a high credit rating.
Supported Borrowing	Borrowing for which the costs are supported by the government or third party.
Supranational Bonds	Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an AAA rating in their own right. Examples of supranational organisations are those issued by the European Investment Bank, the International Bank for Reconstruction and Development.
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services. The current Code is the edition released in autumn 2011.
Temporary Borrowing	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (interest)
Unsupported Borrowing	Borrowing which is self-financed by the local Council. This is also sometimes referred to as Prudential Borrowing.
Usable Reserves	Resources available to finance future revenue and capital expenditure
Variable Net Asset Value (VNAV)	A term used in relation to the valuation of 1 share in a fund. This means that the net asset value (NAV) of these funds is calculated daily based on market prices.
Working Capital	Timing differences between income/expenditure and receipts/payments
Yield	The measure of the return on an investment instrument



SUBJECT:	INTERNAL AUDIT Assessment of Internal Audit Team Capacity and Resource
DIRECTORATE:	Resources
MEETING:	Governance & Audit Committee
DATE:	16th February 2023
DIVISION/WARDS AFFECTED:	All

1. PURPOSE

To make Members of the Governance & Audit Committee aware of the impact of the budget saving proposal to take one FTE Senior Auditor out of the current Internal Audit Team establishment.

2. RECOMMENDATION(S)

That the Committee consider the points made in this report and if they feel appropriate express their comments or concerns formally to the Deputy Chief Executive and Cabinet as part of the Council's formal budget consultation process.

3. KEY ISSUES

- 3.1 All Internal Audit teams working in the public sector in the UK are required to comply with the Public Sector Internal Audit Standards (PSIAS) in application of the Institute of Internal Auditors (IIA) International Standards. The Public Sector Internal Audit Standards came into force in April 2013 (updated March 2017).
- 3.2 Internal auditing is 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. It provides that assurance to senior management and the Governance & Audit Committee within Monmouthshire Council.
- 3.3 The Internal Audit Team provides this assurance via opinions issued on the audit work undertaken, the definition of which is shown at Appendix 1. The opinions are based on strengths and weaknesses identified where the weaknesses are risk rated, as shown at Appendix 1.

- 3.4 The Chief Internal Auditor must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Where the Chief Internal Auditor believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the Governance & Audit Committee.
- 3.5 Prior to the Covid pandemic the Internal Audit (IA) Team had been fairly stable, with its resources static for the previous 7 years. The Auditor was seconded out of the team to support the administration of the Welsh Government Covid grants to local businesses mid 2020 and then achieved an internal promotion and didn't return to the team. The Audit Manager successfully gained a promotion with an external organisation and left Monmouthshire in February 2022. One of the Senior Auditors then left the team to pursue a career with an external internal audit provider. The Auditor vacancy was filled through an internal promotion in November 2021.
- 3.6 Although the team was carrying vacancies moving into the 2022/23 IA plan, the structure remained the same as the previous 7 years as shown at Appendix 2a. The establishment is currently 5.5 FTEs as the Chief Internal Auditor works on a 50:50 collaborative basis with a neighbouring council.
- 3.7 The 2022/23 IA Plan is based on delivering 658 operational audit days and was prepared on the assumption that both the Audit Manager and Senior Audit vacancies would be filled by September 2022. Both posts were advertised externally through a recruitment campaign but the Chief Internal Auditor was unable to appoint into either post. As the vacancies have still not been filled an external internal audit provider has been brought in to complete audit jobs in line with the agreed plan.
- 3.8 The original 2022/23 IA Plan includes 35 opinion related audit jobs across all directorates, as shown at Appendix 3. Additional opinion audits have been added regarding follow up audits required in year taking the total to 38 opinions. A summary of audit opinions issued over the past 3 years along with the overall annual opinion is shown at Appendix 3.
- 3.9 On average, a Senior Auditor would contribute 180 operational days to the annual IA Plan and will deliver approximately 10 opinion related audit jobs during the year in addition to added value financial advice to ensure sound financial stewardship across all Council services. The gross cost of a Senior Auditor in the team per annum is £44,500.

4. REASONS

- 4.1 Due to the significant financial pressures currently facing the Council the service managers within the Resources Directorate were required to provide a contribution to efficiency / cost savings.
- 4.2 The proposal submitted from Internal Audit is to take the vacant Senior Auditor post out of the establishment in order to contribute a £44,500 saving. The Council's budget proposals are currently out for public consultation. The proposed structure would be as shown at Appendix 2b.
- 4.3 The impact of this would be to reduce the annual audit plan by 180 operational audit days and reduce the number of opinion related audit jobs by at least 10. This would lead to less audit coverage across the services provided by the Council and a much reduced level of assurance to management and the Governance & Audit Committee on the adequacy of the governance, internal control and risk management arrangements in place within the Council.
- 4.4 The Chief Internal Auditor's annual opinion would be based on less assurance based opinions issued in the year. Some key risks may not get audited or would need to be pushed back in the audit planning cycle; areas of concern or high risk would be audited less frequently.
- 4.5 There would be reduced capacity within the team to provide financial advice across services to ensure sound and appropriate financial stewardship of public money. The capacity to investigate allegations of fraud or theft would also be reduced within the team.
- 4.6 Additional pressure will be put on remaining staff to deal with ongoing audit work and provide financial advice across a greater number of services. Remaining staff will need to broaden their knowledge and experience across a wider range of services.
- 4.7 Reduced resource in the team could impact on proactive auditing, providing training on sound financial management, fraud prevention. A smaller team is more difficult to recruit into and limits development opportunities for those remaining; also impacts negatively on the morale of the staff remaining.

5. RESOURCE IMPLICATIONS

IA Team establishment could be reduced to 4.5 FTEs.

6. CONSULTEES

Deputy Chief Executive

Results of Consultation:

N/A

7. BACKGROUND PAPERS

Internal Audit Management Information 2022/23
Public Sector Internal Auditing Standards

8. AUTHORS AND CONTACT DETAILS

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Internal Audit Opinions

Each report contains an opinion which is an overall assessment of the control environment reviewed.

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

The table below summarises the finding ratings used during our audits:

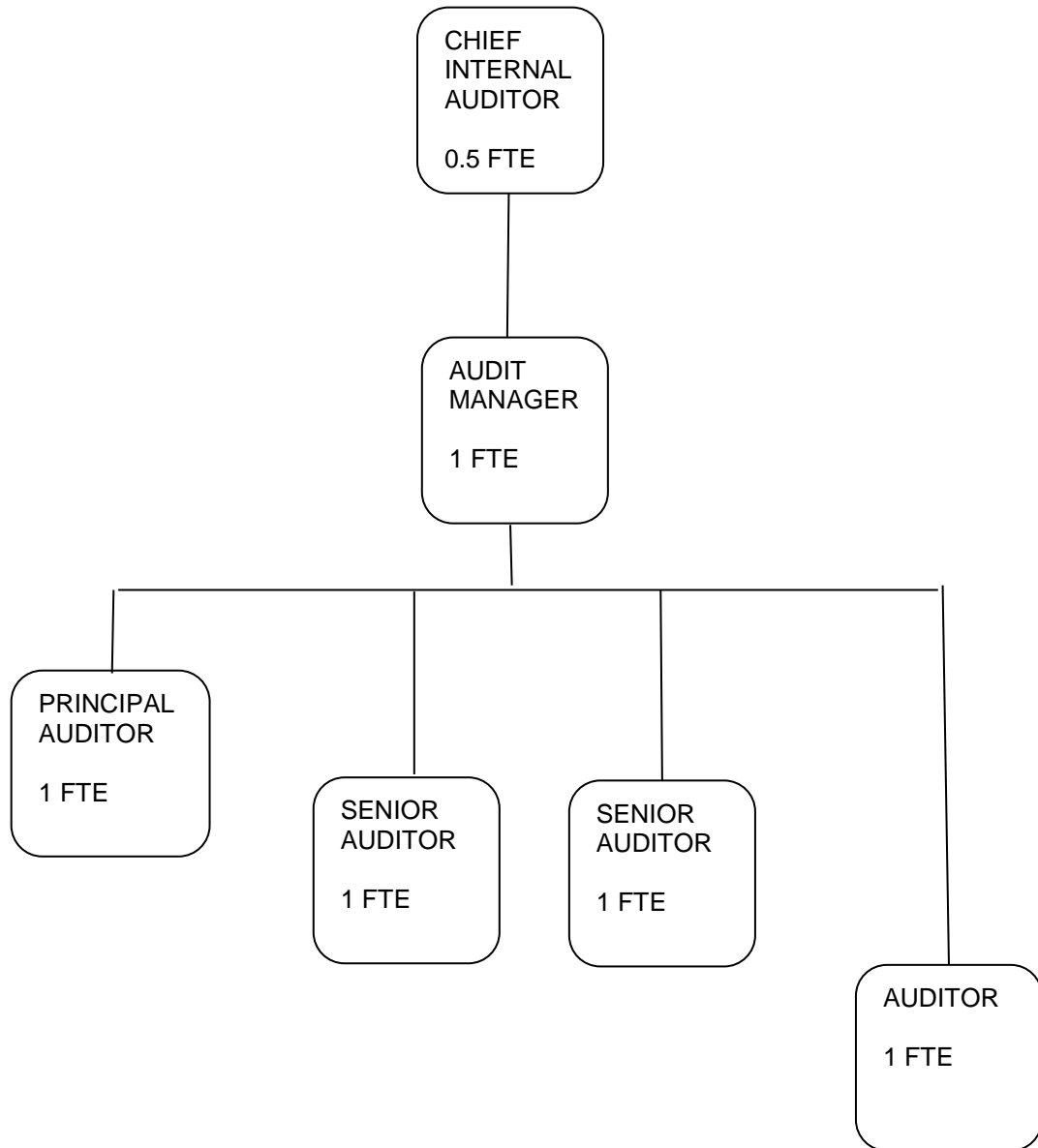
RATING	RISK DESCRIPTION	IMPACT
1	Significant	(Significant) – Major / unacceptable risk identified. Risks exist which could impact on the key business objectives. Immediate action required to address risks.
2	Moderate	(Important) – Risk identified that requires attention. Risks identified which are not business critical but which require management attention as soon as possible.
3	Minor	(Minimal) – Low risk partially mitigated but should still be addressed. Audit comments highlight a suggestion or idea that management may want to consider.
4	Strength	(No risk) – Good operational practices confirmed. Well controlled processes delivering a sound internal control framework.

For grant claim audits:

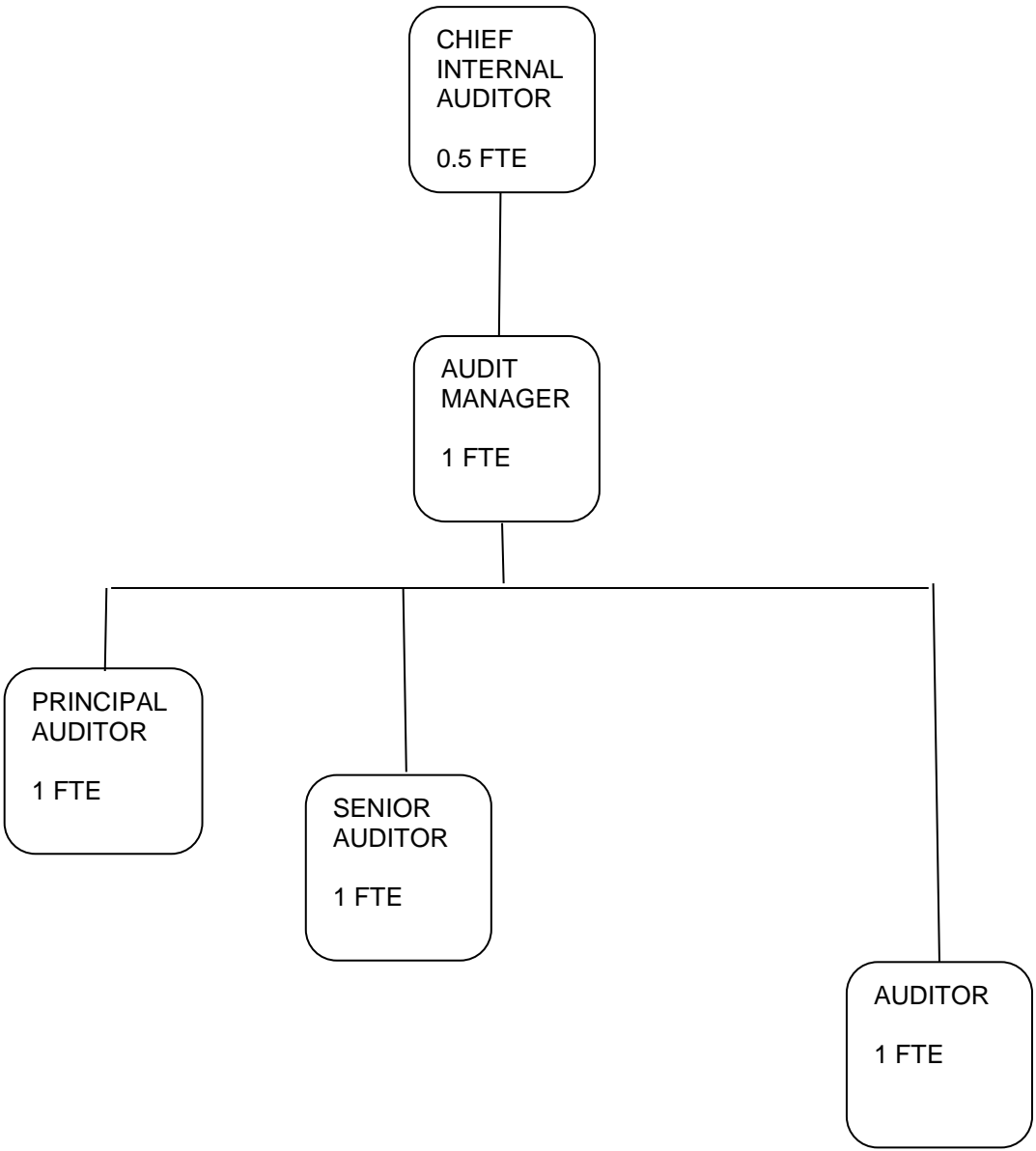
Unqualified opinion - the terms and conditions of the grant were generally complied with;

Qualified opinion - the terms and conditions of the grant were not fully complied with; the identified breaches of terms and conditions will be reported to the grantor and internally to relevant Head of Service/Chief Officer.

IA Team Establishment 2022/23



Proposed IA Team Establishment 2023/24



Extract of 2022/23 IA Plan

DIRECTORATE SUMMARY			
	Days	Allocation of Audit Resources	Opinion jobs
Resources	115	17%	8
People & Governance	40	6%	2
Children & Young People	122	19%	7
Social Care, Health & Safeguarding	116	18%	7
Enterprise	89	14%	5
MonLife	45	7%	3
Chief Executives	11	2%	1
Corporate Work	51	8%	2
	588		35
Special Investigations	70	11%	
Available Productive Audit Days	658	100%	

EXTRACT FROM IA ANNUAL REPORT 2021/22:

Audit Opinion	2019/20	%	2020/21	%	2021/22	%
Substantial	2	7	2	22	5	25
Considerable	11	38	6	67	6	30
Reasonable	7	24	1	11	7	35
Limited	9	31	0	0	2	10
	29	100	9	100	20	100

Overall Opinion	Reasonable	Reasonable	Reasonable
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**SUBJECT: INTERNAL AUDIT
Progress Report for 9 Months into 2022/23**

DIRECTORATE: Resources

MEETING: Governance & Audit Committee

DATE: 16th February 2023

DIVISION/WARDS AFFECTED: All

1. PURPOSE

To consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 31st December 2022.

To consider the performance of the Internal Audit Section over the first 9 months of the current financial year.

2. RECOMMENDATION(S)

That the Committee note the audit opinions issued.

That the Committee note the progress made by the Section towards meeting the 2022/23 Operational Audit Plan and the Section's performance indicators at the 9 month stage of the financial year.

3. KEY ISSUES

3.1 This report gives brief details of the work undertaken so far in the year along with the Section's performance indicators for the 9 months to 31st December 2022.

3.2 The Public Sector Internal Audit Standards came into force in April 2013 (updated March 2017) which the Internal Audit team needs to demonstrate it is compliant with; these replaced the former Code of Practice for Internal Audit within Local Government.

3.3 A requirement of the PSIAS is for the Internal Audit team to be externally assessed once every five years to ensure compliance with these Standards. The Welsh Chief Auditors' Group proposed an option of a peer review to meet the requirements of this external assessment, which has been agreed by respective S 151 Officers of local authorities in Wales. Monmouthshire's peer review took place during 2017/18 with

the outcome being that the team is generally compliant; no significant areas of non compliance. The next review will be due in 2023.

3.4 The Internal Plan 2022/23 was approved by Governance and Audit Committee in June 2022.

3.5 The year end opinion for 2022/23 will be based on the audit work undertaken during the year, cumulative audit knowledge from previous years on key financial systems along with any assurance gained from other parties where relevant.

4. REASONS

4.1 In terms of assurance, the definitions of the four internal audit opinions and the risk ratings used by the Section are shown at Appendix 1 for Members' information. These are based on strengths and weaknesses identified from the audit; the assurance opinion is likely to be less favourable where weaknesses outweigh strengths with a greater proportion of significant risked issues.

4.2 Since the start of the financial year, the Internal Audit Section has completed 31 audit jobs to draft stage from its 2022/23 Operational Audit Plan; 13 of these being opinion related and are shown in the table below and at Appendix 1; 3 grant claims were audited. No Limited audit opinions have been issued so far this year.

Opinion Summary		
Substantial	4	<ul style="list-style-type: none"> • PTU Maintenance follow up • Dewstow • Llanvihangel Crucorney • King Henry V111
Considerable	8	<ul style="list-style-type: none"> • Freedom of Information • Fleet / Vehicle H&S follow up • H&S Buildings follow up • Land Charges • Food Procurement Follow Up • Street Cleansing • Caldicot Castle • Llandogo Primary School follow up
Reasonable	1	<ul style="list-style-type: none"> • Carers Service
Limited	0	
Total	13	

- 4.3 In relation to the normal audit opinion related reports, 5 had been issued in draft by the end of the 3rd Quarter, 8 had been finalised.
- 4.4 Work has been ongoing with the Digital Team regarding the progress of the implementation of Internal Audit Recommendations from previously issued audit reports. Progress will be reported to the Governance and Audit Committee and the Strategic Leadership team (SLT) later in the year.
- 4.5 Other audit work in line with the plan has started and site visits have recommenced; 69% of planned work has commenced. Follow up audits are progressing.
- 4.6 Finalisation work from 2021/22 continued; of the 8 reviews at draft report stage at 31st March 2022, 8 have subsequently been finalised.
- 4.7 There has been minimal work undertaken on special investigations during 2022/23 so far by the team; no specific investigations are underway.
- 4.8 Appendix 3 of the report gives details of the Section's performance indicators as at 31st December 2022.
- 4.9 52% of the 2022/23 Audit Plan has been completed as at 31st December 2022 which is in line with the target of 50%.
- 4.10 Getting audit reports out in a timely manner is important; on average draft reports are being issued within 4 days against a target of 10 days and final reports are being issued within 8 days against the target of 10 days.
- 4.11 Although Audit Evaluation Questionnaires have been sent out to service managers on the finalisation of the audit report, audit records show that only one has been returned. This will be followed up by the team. Service managers have the opportunity to feedback to the team on how satisfied they were with the audits through this process. Consideration will be given to developing an 'e-form' to make this a more efficient process.
- 4.12 The team did not start the year with a full complement of staff due to unfilled vacancies. The team has been operating without an Audit Manager (AM) and a Senior Auditor (SA) for the year. Both posts have been advertised but we were not in a position to shortlist applicants; the AM post was re-advertised, due to significant budget pressures the Council is currently facing the SA post has been put forward as a budget saving. A separate paper on this is on the Committee's agenda for this meeting.
- 4.13 The team co-ordinates the administration of the National Fraud Initiative (NFI) data sets on behalf of the Council. Data collection for

the 2022 exercise has been completed with all of the datasets uploaded.

5. SERVICE MANAGEMENT RESPONSIBILITIES

- 5.1 Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by including their management responses within the audit reports. When management agree the audit action plans they are accepting responsibility for implementing the agreed recommendations within the agreed timescales.
- 5.2 Ultimately, managers within MCC are responsible for maintaining adequate internal controls within the systems they operate and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Chief Officers and Heads of Service for information and appropriate action where necessary.

6. FOLLOW UP AUDIT REVIEWS

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

7. RESOURCE IMPLICATIONS

None.

8. CONSULTEES

Deputy Chief Executive

Results of Consultation:

N/A

9. BACKGROUND PAPERS

Operational Audit Plan 2022/23

10. AUTHORS AND CONTACT DETAILS

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

AUDIT COMMITTEE FEBRUARY 2023 - INTERNAL AUDIT PROGRESS

APPENDIX 1

Internal Audit Opinions

Each report contains an opinion which is an overall assessment of the control environment reviewed.

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

The table below summarises the finding ratings used during our audits:

RATING	RISK DESCRIPTION	IMPACT
1	Significant	(Significant) – Major / unacceptable risk identified. Risks exist which could impact on the key business objectives. Immediate action required to address risks.
2	Moderate	(Important) – Risk identified that requires attention. Risks identified which are not business critical but which require management attention as soon as possible.
3	Minor	(Minimal) – Low risk partially mitigated but should still be addressed. Audit comments highlight a suggestion or idea that management may want to consider.
4	Strength	(No risk) – Good operational practices confirmed. Well controlled processes delivering a sound internal control framework.

For grant claim audits:

Unqualified opinion - the terms and conditions of the grant were generally complied with;

Qualified opinion - the terms and conditions of the grant were not fully complied with; the identified breaches of terms and conditions will be reported to the grantor and internally to relevant Head of Service/Chief Officer.

Status of reports as at 31st December 2022

Internal Audit reviews /jobs from the 2022/23 Operational Audit Plan where fieldwork has been completed to draft or final report stage issued since 1/4/22 are listed in the table below.

Internal Control Opinions give the auditor's overall assurance on the control environment operating in each system/establishment under review.

Internal Audit Services - Management Information for 2022/23 – Quarter 3

Opinion Summary	
Substantial	4
Considerable	8
Reasonable	1
Limited	0
Total	13

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final / Draft	Opinion given
P2223-08	Resources	Commercial, Property, Fleet, Facilities	PTU Maintenance follow up	High	Draft	Substantial
P2223-21	Children & Young People	Primary Schools	Dewstow	Low	Final	Substantial
P2223-22	Children & Young People	Primary Schools	Llanvihangel Crucorney	Low	Final	Substantial
P2223-26	Children & Young People	Secondary Schools	King Henry V111	Medium	Final	Substantial
P2223-06	Resources	Digital	Freedom of Information	Medium	Final	Considerable
P2223-07	Resources	Commercial, Property, Fleet, Facilities	Fleet / Vehicle H&S follow up	High	Draft	Considerable
P2223-09	Resources	Commercial, Property, Fleet, Facilities	H&S Buildings follow up	High	Final	Considerable
P2223-14	People & Governance	Legal	Land Charges	Medium	Final	Considerable
P2223-42	Enterprise	Enterprise and Community Animation	Food Procurement Follow Up	High	Draft	Considerable

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final / Draft	Opinion given
P2223-47	Enterprise	Neighbourhood Services	Street Cleansing	Medium	Draft	Considerable
P2223-52	Mon Life	Heritage	Caldicot Castle	Medium	Final	Considerable
P2223-64	Children & Young People	Primary Schools	Llandogo Primary School Follow Up	High	Final	Considerable
P2223-30	Social Care & Health	Adult Services	Carers Service	Medium	Draft	Reasonable
P2223-18	Children & Young People	CYP Finance & Support Services	School Improvement Grant	Low	Final	Unqualified
P2223-19	Children & Young People	CYP Finance & Support Services	Pupil Development Grant	Low	Final	Unqualified
P2223-45	Enterprise	Enterprise and Community Animation	Housing Support Grant	Medium	Final	Unqualified

Non – opinion / Added Value Audit Work

Job number	Directorate	Service	Job Name
P2223-04	Resources	Finance - Revenues, Systems & Exchequer	Imprest Accounts Closure
P2223-10	Resources	Resources General	Audit Advice
P2223-12	Resources	Resources General	Implementation of previous recommendations
P2223-15	People & Governance	People & Governance General	Audit Advice
P2223-27	Children & Young People	CYP General	Audit Advice
P2223-29	Children & Young People	CYP General	Implementation of previous recommendations
P2223-37	Social Care & Health	SCH&Safeguarding General	Audit Advice
P2223-38	Social Care & Health	SCH&Safeguarding General	Financial Assessments (D&B)
P2223-40	Social Care & Health	SCH&Safeguarding General	Implementation of previous recommendations
P2223-48	Enterprise	Enterprise General	Audit advice
P2223-50	Enterprise	Enterprise General	Implementation of previous recommendations
P2223-55	Mon Life	Mon Life General	Implementation of previous recommendations
P2223-58	Corporate	Corporate	Annual Governance Statement (AGS)
P2223-63	Corporate	Corporate General	Implementation of previous recommendations

AUDIT COMMITTEE FEBRUARY 2023 - INTERNAL AUDIT PROGRESS

APPENDIX 3

Performance Indicators

N /A – not available

	2021/22	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	11%	28%	40%	64%	80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	9 days	5 days	6 days	6 days	15 days
3	Average no. of days from receipt of response to draft report to issue of the final report	3 days	4 days	4 days	5 days	10 days
4	Percentage of recommendations made that were accepted by the clients	97%	97%	98%	99%	95%
5	Percentage of clients at least 'satisfied' by audit process	100%	100%	100%	100%	95%
6	Percentage of directly chargeable time (actual v planned)	77%	90%	72%	74%	60%
7	Number of special investigations	1	1	1	1	

	2022/23	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	11%	28%	52%		50% in Q3 80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	14 days	5 days	4 days		10 days
3	Average no. of days from receipt of response to draft report to issue of the final report	30 days	17 days	8 days		10 days
4	Percentage of recommendations made that were accepted by the clients	90%	100%	100%		95%
5	Percentage of clients at least 'satisfied' by audit process	N/A	N/A	N/A		95%
6	Percentage of directly chargeable time (actual v planned)	68%	67%	66%		100%
7	Number of special investigations	0	0	0		

PI 4 – was reported as 68% in Q2, when rechecked this was actually 100%

GOVERNANCE AND AUDIT COMMITTEE FORWARD PL
REPORT
20TH JUNE 2022
Audit Wales Work Programme
Annual governance statement review 2021-2
Annual Audit Plan 2022-23
Freedom of Information (FOI) & Data Protection Act (DPA) Breaches & Data Subject Access Request (DSARs) report - (twice yearly)
6 month update - Progress report on Unfavourable Audit Options
Internal Audit Draft Operational Plan 2022/3
Self Assessment Process
14TH JULY 2022
2021/22 MCC Statement of Accounts - verbal update
Audit Plan - Welsh Church Accounts
Internal Audit Outturn report 2021/2
Governance & Audit Committee Annual Report
Draft Statement of Accounts 2021/22 - Charitable Trust Funds
Draft self assessment report 2021/22
2022/23 Treasury Outturn Report
8TH SEPTEMBER 2022
2021/22 MCC Statement of Accounts
Quarterly update and timetable
Internal Audit Progress report - quarter 1
Audit Wales Springing forward & Councils Management Response
Whole Authority Strategic Risk Assessment
13TH OCTOBER 2022
Anti bribery Risk Assessment
Assurance and Risk assessment review
Annual Grants report
Invitation of officers & S151 officer regarding Limited Opinions
Audit Wales Work Programme: Council Progress Update
24TH NOVEMBER 2022
2022/23 Mid-year Treasury management update

Q2 Progress report for 6 months 21/22
Update on unfavourable Internal Audit Opinions
The Ombudsman's Annual Letter (2021/22)
Annual Performance Review of Investment Committee
Audit Wales Work Programme and Timetable Quarter 2
26TH JANUARY 2023
2021/22 WCF/Mon Farm Statement of Accounts - Final
ISA 260 or equivalent for Trust Funds
Cyber security report (Pink Papers)
Review of the Committees Terms of Reference aligned to the Plan
Collaboration & Partnership arrangements
16TH FEBRUARY 2023
2021/22 MCC Statement of Accounts - final
ISA260 Response to Accounts
2023/24 Capital Strategy and Treasury Strategy
Assessment of the Robustness of the budget process and adequacy of reserves
Assessment of Internal Audit Team Capacity and Resource
Internal Audit Progress report - quarter 3
30TH MARCH 2023
Annual Performance Review of Investment Committee
Audit Wales Annual Audit 23-24
Audit Wales Work Programme: Council Progress Update
Whole Authority Annual Complaints report
Audit Wales Annual Audit Summary
Overview of Performance Management Arrangements
Review of the Strategic Risk Register - 6 monthly
Implementation of Internal Audit agreed recommendations

JUNE - FOI report

ANNER 2022-3
LEAD OFFICER
Audit Wales
Andrew Wathan
Audit Wales
Sian Hayward
Andrew Wathan
Andrew Wathan
Richard Jones
Jon Davies
Audit Wales
Andrew Wathan
Philip White
Jon Davies/Dave Jarrett/Nikki Wellington
Richard Jones
Jon Davies
Jon Davies
Audit Wales
Andrew Wathan
Richard Jones
Richard Jones
Peter Davies
Audit Wales
Audit Wales
Andrew Wathan
Richard Jones
Jon Davies

Andrew Wathan
Andrew Wathan
Annette Evans
Nick Keyse
Audit Wales
Dave Jarrett/Nikki Wellington
Audit Wales
Sian Hayward
Andrew Wathan
Andrew Wathan/Richard Jones
Jonathan Davies
Audit Wales/Peter Davies
Jon Davies
Peter Davies
Andrew Wathan
Andrew Wathan
Nick Keyse
Audit Wales
Richard Jones
Annette Evans
Audit Wales/Richard Jones
Performance Manager
Richard Jones
Andrew Wathan

Sian Hayward

Public Document Pack Agenda Item 11

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 26th January, 2023 at 2.00 pm

PRESENT: Andrew Blackmore (Chairman)
County Councillor Peter Strong (Vice Chairman)

County Councillor: Ian Chandler, John Crook, Tony Easson,
Malcolm Lane, Phil Murphy, and Laura Wright

ALSO IN ATTENDANCE:

Colin Prosser Lay Member
Martin Veale Lay Member
Rhodri Guest Lay Member

OFFICERS IN ATTENDANCE:

Andrew Wathan	Chief Internal Auditor
Peter Davies	Deputy Chief Executive and Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Richard Jones	The Performance and Data Insight Manager
Jonathan Davies	Head of Finance
Rachel Freitag	Audit Wales Officer
Kathy Buckley	Chief Information Security Officer
Sian Hayward	Digital and Technology Manager

APOLOGIES:

County Councillors Tony Kear

1. Declarations of Interest

Items 6/7: Welsh Church Fund/Monmouthshire Farm School Endowment Trust and ISA260 - Martin Veale declared a personal non-prejudicial interest as a Governor of Coleg Gwent (formerly Usk Agricultural College) in respect of Monmouthshire Farm School Endowment Trust.

2. Public Open Forum

No members of the public had expressed an interest to speak.

3. To note the Action List from the previous meeting

The Action List from the previous meeting was noted. In doing so, the following points were made:

1. Key Collaborations:
 - 1(a) CLOSED. See Agenda Item 5.

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 26th January, 2023 at 2.00 pm

- 1(b) OPEN. The Internal Audit Team is conducting an audit of the governance arrangements and will report back to Governance and Audit Committee in due course.
- 2. Cross referencing reports with Terms of Reference: CLOSED. See Agenda Item 8.
- 3. MCC Statement of Accounts (final): OPEN. Item deferred from agenda. The Head of Finance provided an update that plans to bring the final accounts to this meeting were well advanced before Christmas, but the development of the 2023/24 budget, and other pressing issues, have caused delays. There is one Audit Wales query outstanding and papers should be ready for the next meeting. It was confirmed that several other Welsh and English authorities have not met the deadlines. The Committee was reminded of the national issues that have led to delays.

It was explained that the deadline of 31st July 2022 was extended to 30th November 2022 then 31st January 2023 (discretionary deadlines). There are no consequences arising from missing these discretionary deadlines. It was accepted that a paper to explain the deferment should have been presented to this meeting. The Audit Wales Officer clarified that the statutory deadline is 31st July 2022. The November and January deadlines were expectations.

- 4. Anti-Bribery, Fraud and Corruption: Regarding the question raised about vetting of key staff, the Deputy Chief Executive took advice from the Monitoring Officer/Chief Officer, People and Governance and an employment lawyer to assess risk, the controls in place, and to consider the history of fraud in the authority. As there is no history of fraud and a small numbers of cash handling roles, it is considered that there is no net benefit to vetting key staff. Action: CLOSED
- 5. Unfavourable Internal Audit Opinions: A e mail was circulated to members of the Governance and Audit Committee. Action: CLOSED

4. Collaboration and Partnership Report

The Performance and Data Insight Manager presented a report on Key Collaborations and Partnerships. Following presentation of the report, questions were invited.

Members seeking detailed information outside the scope of the Governance and Audit Committee about the Burns Commission Steering Group, Health Visitors and Flying Start, and Monnow Vale Health And Social Care Facility were directed to the relevant Chief Officers.

A Member sought assurance of robust governance, audit, and reporting back arrangements where there are pooled budgets. It was explained that lead officers are attributed to each collaboration on the list to take responsibility that arrangements are in place. Internal Audit examine a sample from the list to check effectiveness and identify key themes. This work is ongoing, based on samples only and will be reported upon in due course.

A Member asked if there were models or templates for the governance arrangements for partnerships / collaborations and asked how it is decided which authority leads and if there is guidance around proportionality of funding. The Deputy Chief Executive explained that all public bodies will be closely considering the benefits of collaborative work and the ability to deliver key outcomes in the current economic climate. Willingness and trust are implicit for a successful collaboration. The lead authority is decided as part of overall discussions case by case considering if the collaboration is in each authority's interest. The list and ongoing audit work will provide shared learning to develop future practice for existing and new arrangements.

MONMOUTHSHIRE COUNTY COUNCIL

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As suggested by a Member it was agreed to add the job title of the person attributed to each collaboration so that it is easier to understand the position of the collaboration in the internal governance structure.

A Member asked that the nature of the authority's role is added to the list (a member of the group, partner, board members, leading etc) and also information on the most appropriate scrutiny committee with accountability for oversight of the arrangement in terms of whether anticipated outcomes were being achieved accepting that there may be overlaps.

The Chair welcomed this work as a first step in understanding how the partnerships and collaborations fit into the authority's governance structure, how they are scrutinised and the role of the governance and audit committee; the next step is to understand and assess more fully the authority's core governance arrangements as summarised in the Constitution.

As recommended in the report, the Governance and Audit Committee noted the 'key' partnership and collaborations identified and provided any feedback. The Governance and Audit Committee will add to its forward work programme a report on partnership and collaboration arrangements with further details regarding governance, reporting arrangements and finances informed by the initial findings identified through the Internal Audit review.

5. 2021/22 Welsh Church Fund/Monmouthshire Farm School Endowment Trust - Final

The Head of Finance presented the Audited / Examined Statement Of Accounts 2021/22 – Charitable Trust Funds Report. The following item, the ISA 260 or equivalent for Trust Funds was presented by the Audit Wales Officer. The items were considered together. The Committee was reminded that there is a full audit for the Welsh Church Fund, and an independent examination of the Monmouthshire Farm School Endowment Trust. It is proposed that unqualified opinions are issued for both funds.

Following presentation of the Welsh Church Fund report, Members were invited to ask questions:

Welsh Church Fund:

A Member queried, in the current financial climate, if it would be cheaper to have an independent review instead of Audit Wales' services. The Head of Finance responded that the authority has responsibilities as custodian of the Welsh Church Fund. The Committee has previously considered this point and concluded to maintain the current arrangement so as to provide sufficient assurance for all the bodies that are members of the consolidated fund.

A Member agreed with this approach as several authorities rely on the Fund for monies to distribute to worthy causes and organisations. The robust audit approach is to be welcomed.

A Member queried how and to whom the monies are distributed and sought clarification on current levels of transparency. The Head of Finance explained that the Welsh Church Fund Committee membership and terms of reference are publicly available on the MCC website. There was a change in the decision-making process during 2022/23. The report of the Grant awards was previously ratified by Cabinet but now this function is carried out by Individual Cabinet Member Decision. Each authority has a different

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 26th January, 2023 at 2.00 pm

mechanism for awarding grants. Details of the grants awarded by each authority can be made available if required. The details are not published in the accounts as applications are sometimes made by named individuals. It was clarified that if an annual allocation is not spent, it can be rolled forward to the subsequent year.

A Member wished to make it clear that each authority has its own Committee and procedures.

In response to a question, it was confirmed that each authority has reference to the Welsh Church Fund on its website with details of eligibility and the application process. Consideration will be given to disclosure of the types of grants awarded being published in the MCC accounts.

In relation to considering the next annual set of accounts for the Welsh Church Fund. the Chair expressed the view that the trustees should provide an affirmation to the Governance and Audit Committee that grants have been made in accordance with the rules of the trust.

As detailed in the report recommendations, the audited 2021/22 statement of accounts for The Welsh Church Act Fund were approved in conjunction with the Audit Wales ISA260 Audit of Accounts report for The Welsh Church Act Fund.

The Chair signed the letter of representation on behalf of the Committee.

Following presentation of the Monmouthshire Farm School Endowment Trust Fund report, Members were invited to ask questions:

Monmouthshire Farm School Endowment Trust Fund

A Member of the Monmouthshire Farm School Endowment Trust Fund Committee provided feedback that the accounts were reviewed by the Committee adding that an item of debt had been completely paid.

Clarification was provided by the Audit Wales Officer that the Auditor General certifies the accounts after they have been approved.

A Member noted this is a small fund, part of Coleg Gwent estate and queried why it is being operated independently from that and questioned the benefits to recipients to justify the administration. It was explained that applications are received from students e.g. starting their courses they may need laptops, equine equipment or chainsaws. Set amounts are used as guidance, usually a third of the claim amount is granted. There is a set amount of funds available per annum that cannot be exceeded and is usually fully utilised. Representatives of Coleg Gwent attend meetings.

A Member asked for clarification on the limits to expenditure noting that a substantial surplus has been carried forward. It was explained that expenditure relies on volumes of applications and the period concerned was still under Covid restrictions hence volumes were materially reduced. Applications this year have returned to normal.

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As detailed in the report recommendations, the independently examined financial statements for The Monmouthshire Farm School Endowment Trust Fund for 2021/22 were approved in conjunction with the Independent Examination Report for The Monmouthshire Farm School Endowment Trust Fund.

6. ISA260 or equivalent for Trust Funds

This item was considered at the same time as the previous item.

7. Review of the Committee Terms of Reference aligned to the Audit Plan

The Chief Internal Auditor presented a report on the Governance & Audit Committee Work Programme in line with its Terms of Reference. Following presentation of the report, Members were invited to ask questions:

Members thanked the Chief Internal Auditor for his report and favoured the version in Appendix 2. It was noted that meeting dates were agreed by Council at its last meeting.

As per the report recommendations, the Governance & Audit Committee approved the proposed new format for the Governance & Audit Committee's forward work programme which aligns with its Terms of Reference.

8. Governance and Audit Committee Work Programme

The Governance and Audit Committee Work Programme was noted.

The following items were added:

- Implications arising from the proposal to remove the vacant Senior Auditor post from the structure as a budget saving.
- Internal Audit Q3 Report to be moved from the March agenda to February

It was agreed to review the number/priority of items for the February and March agenda so as to ensure an appropriate balance.

9. To approve the minutes of the previous meeting held on 24th November 2022.

The minutes of the meeting held on 24th November 2022 were confirmed as an accurate record.

10. To note the date of the next meeting as 16th February 2023 at 2.00pm

11. 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 agreed 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. The Proper Officer's view was noted.

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Governance and Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 26th January, 2023 at 2.00 pm**

12. Cyber Security Report

The Head of Digital and the Chief Information Security Officer presented a report on Cyber Security. The Audit Wales report "Learning from cyber-attacks" was also considered. Members were provided with the opportunity to ask questions following presentation of the report.

Questions covered:

- Business Continuity Planning
- Collaboration with SRS, scrutiny of governance arrangements and reporting back to Governance and Audit Committee
- Staff Training
- Cyber-attacks and prevention

Meeting ended at 3.55 pm