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County Hall
Rhadyr
Usk
NP15 1GA

Wednesday, 14 February 2024

Notice of Meeting

Governance and Audit Committee

Thursday, 22nd February, 2024 at 2.00 pm,
County Hall, The Rhadyr, Usk, NP15 1GA and 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 matters being discussed by Governance and Audit Committee, you may attend the meeting in person (or join remotely via Microsoft Teams), or submit written representations (via Microsoft Word, maximum of 500 words). The deadline for submitting representations to the Council is 5pm three clear working days in advance of the meeting. All representations received will be made available to the committee members prior to the meeting. The amount of time afforded to each member of the public to speak is at the Committee Chair's discretion. We ask that contributions are no longer than 4 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	

	GACRegistertoSpeak@monmouthshire.gov If you would like to suggest future topics for consideration by Governance and Audit Committee, please do so by emailing GACRegistertoSpeak@monmouthshire.gov.uk	
4.	**To note the action list from the previous meeting.**	1 - 2
5.	**MCC Statement of Accounts**	3 - 154
6.	**Audit of Accounts Report (Audit Wales)**	155 - 178
7.	**23/24 Q3 Treasury Report**	179 - 200
8.	**Statement on the robustness of the budget process and the adequacy of reserves.**	To Follow
9.	**Capital Strategy, Treasury Strategy and MRP revision report**	201 - 272
10.	**Self Assessment of Performance Management**	273 - 290
11.	**Whole Authority Complaints Report**	291 - 298
12.	**Internal Audit Quarterly Report**	299 - 316
13.	**Governance and Audit Committee Work Programme**	317 - 322
14.	**Draft dates for 2024/25 (subject to Full Council Approval on 29th February 2024)** Thursday 6th June 2024 at 2.00pm Wednesday 17th July 2024 at 2.00pm Thursday 5th September 2024 at 2.00pm Thursday 17th October 2024 at 2.00pm Thursday 28th November 2024 at 2.00pm Thursday 16th January 2025 at 2.00pm Thursday 20th February 2025 at 2.00pm Thursday 13th March 2025 at 2.00pm Thursday 1st May 2025 at 2.00pm	
15.	**To confirm minutes of the previous meeting**	323 - 326
16.	**Next Meeting: 14th March 2024**	
17.	**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**	327 - 328

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 Sara Burch	***Cantref;***	***Labour and Co-Operative Party***
County Councillor John Crook	***Magor East with Undy;***	***Welsh Labour/Llafur Cymru***
County Councillor Tony Easson	***Dewstow;***	***Welsh Labour/Llafur Cymru***
County Councillor David Jones	***Crucorney;***	***Independent Group***
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 Ann Webb	***St Arvans;***	***Welsh Conservative Party***

Public Information

Access to paper copies of agendas and reports
A copy of this agenda and relevant reports can be made available to members of the public attending a meeting by requesting a copy from Democratic Services on 01633 644219. Please note that we must receive 24 hours notice prior to the meeting in order to provide you with a hard copy of this agenda.

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

- to become a zero-carbon county, supporting well-being, health and dignity for everyone at every stage of life.

Objectives we are working towards

- Fair place to live where the effects of inequality and poverty have been reduced;
- Green place to live and work with reduced carbon emissions and making a positive contribution to addressing the climate and nature emergency;
- Thriving and ambitious place, where there are vibrant town centres and where businesses can grow and develop
- Safe place to live where people have a home where they feel secure in;
- Connected place where people feel part of a community and are valued;
- Learning place where everybody has the opportunity to reach their potential

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.

Monmouthshire Governance & Audit Committee Question/Consideration Guide

Role of the Pre-meeting
1. Why is the Committee considering this agenda item? (relevance and materiality) 2. What is the Committee's role and what outcome do Members want to achieve? 3. Is there sufficient information to achieve this? If not, who could provide this? 4. What are the confidential views of the auditors on relevant matters? - Discuss members' views/ key concerns with the papers and agree priorities
Potential Questions/Considerations for the Meeting

Internal Audit (IA)	External Audit (EA)
1. What is the IA functional model and is it fit for purpose? 2. Does IA have sufficient authority and influence across the Authority? 3. Is IA suitably resourced and empowered? Is the annual IA plan appropriate? On what do we make this judgement? 4. Do Chief Officers demonstrably accept and champion the role of IA? How do they do this? 5. Are IA findings acted upon energetically by Officers? How is this demonstrated? Do we effectively challenge and hold officers to account for implementing IA findings? 6. How can we be confident that the internal control environment remains appropriate? 7. Do we have confidence in overall IA effectiveness? On what do we base this? 8. Is the annual/ periodic IA opinion plausible? 9. Do we have sufficient visibility over the work, output and effectiveness of allied IA teams, e.g. TCBC?	1. Is the EA team (financial and performance) credible? 2. Are we confident over the arrangements for developing the EA annual work plan/ timetable and is it aligned to our understanding of key risks? 3. Do Chief/ senior officers engage appropriately with EA? How is this demonstrated? 4. Is there a constructive relationship between IA, EA (and other inspectorates)? How is this evidenced? 5. Have relevant officers demonstrably considered the results/ conclusions of EA national and specific reports? 6. Do we have good visibility over emerging issues identified by EA? 7. In respect of ISA260 and equivalent EA financial reports, do officers clearly demonstrate understanding of issues raised and have a credible plan to resolve issues for next financial year? 8. Does EA have confidence in MCC's Officers and governance arrangements?
Governance 1. Is there a codified and cohesive description of MCC's overall governance arrangements? Is it fit for purpose? 2. Is there clarity over the governance of the various oversight and scrutiny arrangements for (and effectiveness	Budgeting/ Financial Risk/ Reserves *1.* Is there a clearly defined, governed and checkpointed process and timetable for developing the Authority's budget? 2. Is there an appropriate suite of financial risk related policies? Are they suitable? 3. Are the key financial/ operational

of) material partnerships and collaborations? 3. Is there clarity over the apportionment of responsibilities and decision making authorities? 4. How are governance/ control breaches identified and reported? 5. Are we confident that the arrangements for material expenditure (tendering, contracting and capital procurement) are robust? 6. Do we have confidence in whistleblowing (and similar arrangements) for raising concerns? *Corporate Risks* 1. Have key accountabilities for the identification, assessment, monitoring and management of risks been adequately defined and implemented? 2. Has the approach to risk management been designed and implemented effectively? 3. How can the Committee be confident that the Corporate Risk Register captures all significant risks facing the Authority? 4. Are the risk mitigation action plans credible and sufficient so as to achieve the desired outcomes?	assumptions understood, credible, documented and stress tested? 4. Does the Finance function have suitable capabilities and capacity to manage financial risk/ meet statutory requirements and obligations to the Council? 5. Do we have confidence that the budgetary process is likely to produce a plausible budget/ MTFP? 6. Are there suitable arrangements in place to manage and report on overall financial performance? *Financial Statements/ Misstatement Risk* 1. Is there a shared understanding as to the purpose of the Committee in reviewing draft financial statements? a. Are the Notes to the Accounts reasonable? b. Are the narrative reports, including the Annual Governance Statement reasonable and accord with the committee's view? 2. Are we comfortable with EA's work and audit opinion?
Questions for the Committee to conclude...	
Do we have the necessary information to form conclusions/make recommendations/ escalate matters to the executive, council, relevant scrutiny committee? Do we need to follow up? If so, how?	

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Governance and Audit Committee Action List
11th January 2024

Action	Subject/ Meeting	Officer	Outcome	Due date	Action Status	Recommended to close Action Yes/No
1	Action List: Statement of Accounts 2021/22	Jon Davies	Finance Team capacity – update on progress/outcomes. Chair to have early sight of paper	February 2024 meeting	OPEN	No
2	Action List: Audit Wales Work programme: Council progress	Matthew Gatehouse/ Richard Jones/Hannah Carter	People Strategy	May 2024	a) OPEN	
3	Action List: Whole authority Complaints report	Annette Evans/ Matt Gatehouse	A weighting system to be considered for future reports.	Next scheduled Report	OPEN	No
4	Freedom of Information, Data Protection and Data Subject Access Requests	Peter Davies	Deputy Chief Executive to consider which corporate risk control policies (extending beyond IT and data protection) that the Committee should periodically review and recommend for approval across the authority.	April 2024	OPEN	No
5	Statement of Accounts – charitable trust funds	Jon Davies	Information requested on the proportion of grants paid from the fund for the relief of poverty	February 2024	OPEN	Yes

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monmouthshire county council sir fynwy

SUBJECT:	**AUDITED STATEMENT OF ACCOUNTS 2022/23 - MONMOUTHSHIRE COUNTY COUNCIL**
MEETING:	**Governance & Audit Committee**
DATE:	**22nd February 2024**
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 2022/23, 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 2022/23 as shown at ***Appendix 1***.

3. KEY ISSUES

<u>The Accounts closure process to date</u>

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. Welsh Government, in recognising the continued pressure on Council's operating environments in the post-pandemic period, continue to allow the Council the flexibility to publish the statement of accounts after the statutory deadline. This is subject to providing a statutory notice as per paragraph 10(4) of the regulations detailing the reasons for not meeting the deadline. This notice was made by the Council on the 1st June 2023.

3.3. The draft Statement of Accounts were subsequently signed by the Responsible Finance Officer on the 19th July 2023, published on the Council's website, and considered by this committee at the meeting on the 20th of September 2023.

3.4. The production of the draft accounts was completed a full three weeks earlier than in the previous financial year, and broadly in line with the timetable communicated to Audit Wales at the start of the process.

3.5. A public inspection period commenced from 21st August to 17th September 2023 and no requests for further information or questions were received.

3.6. The external audit process has been ongoing since August 2023 with the original expectancy that the process would conclude in November 2023.

3.7. Despite the best efforts of finance officers and Audit Wales colleagues it has not been possible to meet the original expected timeframe. From a Council perspective, the period has seen finance team capacity drawn into the draft budget process for 2024/25. Continued restrictions in resourcing across many of the Council departments which are relied upon to respond to audit queries has also impacted on the ability to bring audit matters to a close.

Audit conclusion

3.8. It is pleasing to note that the auditors intend to provide an ***unqualified audit opinion*** once again, 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 challenging period.

3.9. 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, along with updating asset valuations for eight assets that were not included in the original programme of revaluation.

3.10. The audit report also raises the following three recommendations, 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.

Recommendation 1

We found that the Council do not allocate its non-enhancing capital expenditure to individual assets. This means that subsequent revaluations of those assets could lead to an overstatement of the revaluation reserve.

For the 2023/24 financial statements, the Council should ensure that it allocates non-enhancing capital expenditure to the relevant asset within its fixed asset register.

Allocating the expenditure to the relevant asset will ensure that subsequent revaluations reverse impairment losses and that the revaluation reserve is not overstated.

Management comment: Recommendation accepted. This has primarily arisen in areas of widespread programmes of works where it hasn't been practicable or cost effective to split expenditure down to individual asset level.

Given the requirement to have clearly defined revaluation reserve balances per asset, an additional step will be added to the closure process for 2023/24 to ensure that this is maintained moving forward.

Recommendation 2

Last year we recommended that the Council implement an annual declaration process for members to aide compiling the related party transactions disclosure note.

The Council has implemented a process however several declarations had not been returned prior to the commencement of the audit.

In particular, 8 returns were not received until January 2024.

The Council should ensure the new processes is embedded via training to ensure all declarations are received annually.

Obtaining an annual return would ensure completeness of the disclosure note, compliance with the CIPFA code requirements and ensure a more efficient audit process.

Management comment: Recommendation accepted. The new process in place for 2022-23 was not fully embedded and established with members until June 2023 which disrupted the progress in collating declarations.

The Council has subsequently looked to support members fully in understanding their responsibilities and the process will be started in a timely manner to collate declarations as at 31st March 2024.

Recommendation 3

Our testing of property revaluations identified that property additions are posted to the fixed asset register after revaluations are posted. This means that the expenditure in the year isn't considered when re-valuing assets and could result in property valuations being overstated.

For 2022-23 we have determined that there is no material risk of overstatement to property valuations arising from this issue.

The Council should post fixed asset additions to the fixed asset register before valuation updates to ensure assets are appropriately valued and to ensure compliance with CIPFA code requirements. Posting additions before valuations will ensure all spend during the year is considered when revaluing an asset and will reduce the risk of material misstatement of the balance sheet and reserves.

Management comment: Recommendation accepted. The Council agrees that applying capital additions before valuations will maintain a consistent approach to revaluation and ensure accuracy and uniformity of approach. This will be embedded fully for 2023/24 closure processes.

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)
Cabinet Member for Resources
Audit Wales

6. BACKGROUND PAPERS

Appendix 1: Audited Statement of Accounts 2022/23
Appendix 2: Audit Wales ISA260 Audit of Accounts report

7. **AUTHORS:**

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MONMOUTHSHIRE COUNTY COUNCIL

FINAL AUDITED STATEMENT OF ACCOUNTS

2022/23

CONTENTS PAGE

1 NARRATIVE REPORT

1.1 Introduction

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

Key facts about Monmouthshire

Monmouthshire is the most South Eastern County in Wales covering the area from the main 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 just over 94,000.

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; 4 Independent; 2 Green Independent.

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 budget and functions are:

Social Care, Health & Safeguarding

£58.7m

Adult services

Children's services

Public protection

Resources & support

Children & Young People

£59.3m

Schools and Early Years provision

Standards

Resources

Communities & Place

£24.3m

Business growth & enterprise

Facilities & Fleet

Neighbourhood services

Planning & housing

Highways & Flooding

Monlife

£5.0m

Leisure

Youth & Outdoor Adventure

Countryside & culture

Resources

£8.1m

Finance & Audit

Commercial & landlord services

ICT

Corporate Health & Safety

Chief Executive's Unit

£1.8m

Policy

Scrutiny

Customer service

People & Governance

£5.0m

People

Democratic services

Emergency planning

Legal

Communications

Corporate & Treasury

£30.5m

Corporate management

Non-distributed costs

Precepts & levies

Insurances

Treasury

1.2 Operational Performance for the Year

2022/23 saw local elections in May 2022 returning a new political administration in Monmouthshire, with a newly formed Labour Cabinet led by Council Leader Mary-Ann Brocklesby. Following the election, the new Cabinet began to articulate the biggest challenges and opportunities facing the County, culminating in the development of a new Community & Corporate plan which was finally adopted by Council in April 2023.

The ambition outlined in the Plan looks to the long-term and is focused on the well-being of current and future generations. The actions cover the first steps of the journey and will continue to shape the development of the council's medium-term financial strategy to ensure that our spending follows clear priorities.

The Community and Corporate Plan establishes a clear purpose to become a zero-carbon county, supporting well-being, health and dignity for everyone at every stage of life. This is supported by six well-being objectives, with the progress made against these during 2022/23 outlined below:

A Safe Place to live

- The number of homeless households in temporary accommodation has decreased to 117 in 22/23, lower than last year's figure of 200, however this remains high. We have an ambition to decrease this number by 26/27
- The number of homeless applications who are successfully prevented from becoming homeless has remained at 50%
- The number of homeless households in Bed & Breakfast accommodation remains high at 92. We want to decrease this by the year 26/27

A Green Place to live

- We have achieved above-target recycling rates. During 22/23, the provisional percentage of municipal waste sent for recycling, reuse or composting was 69.5%, 5.5% points above the statutory target of 64%
- The amount of waste produced per person in Monmouthshire is decreasing; the annual residual waste produced per person in the county has decreased from 143kg in 21/22 to a provisional 125kg in 22/23
- We continue to expand our network of active travel routes; the number of active travel routes created or enhanced during 22/23 was 16

A Thriving & Ambitious place

- The number of working age people supported into employment through the Council's action is above the 100 we targeted to support, increasing from 100 in 21/22 to 142 in 22/23
- Only 2% of our school leavers are Not in Education Employment or Training (NEET). We want to decrease this to 1% by 26/27

A Fair place to live

- The number of primary school children who are receiving universal free school meals is 2,583. We will be implementing this for all primary school children
- Latest survey results show 33% of people feel they are able to influence decisions in their local area

A Connected Place where people care

- The percentage of child assessments completed within statutory timescales exceeded the target of 92% in 22/23 at 92.3%, we will look to maintain this over the coming years
- 83.5% of adult service users were happy with the care and support they received in 2022/23, below levels in previous years. We aim to increase and maintain this to 90% and above

A Learning Place

- The percentage of pupil attendance at primary school was 91.8% and 88.4% at secondary school, which is significantly lower than pre-pandemic levels. The Council has committed to supporting pupils and developing strategies to address the lower attendance presenting post-pandemic, particularly in secondary schools.
- The number of permanent exclusions across primary and secondary schools was 5. We will aim to decrease this by 2026/27.

1.3 Financial Performance for the Year

Revenue Budget for 2022/23

The 2022/23 financial year was a significantly challenging one for the Council. Although the immediate responsive impact of the COVID-19 pandemic abated, the legacy impact in the form of the cost of living crisis and high inflationary environment emerged. This directly impacted the Council by way of significantly increased costs for key supplies and materials, as well as higher than anticipated increases in employee pay. Partners and providers also experienced those same challenges, which resulted in further pressure on the Council's budget as those costs increased the price the Council pays for services procured externally or provided for on its behalf.

As well as high inflation, the demand for supportive Council services, such as Housing, Social care and Additional learning needs increased rapidly, and demand became more complex as a consequence of the legacy impact of the pandemic.

Despite in-year budget forecasts demonstrating a budgetary pressure of over £9m as a result of these unprecedented financial challenges, the Council was able to mitigate the overall impact through in-year budget recovery action, culminating in a revenue budget over spend at year-end of £3.5m, which was met from earmarked reserves.

Further details on the outturn position are provided in the July 2023 outturn report to Cabinet.

	Revised Budget £000	Actual £000	Variance £000
Net Expenditure:			
Net cost of services (as per internal management reporting)	**185,741**	**190,244**	**4,502**
Interest and Investment Income	(100)	(1,056)	(956)
Interest Payable and Similar Charges	3,956	4,748	792
Charges Required Under Regulation	6,714	6,664	(50)
Borrowing Cost Recoupment	(3,520)	(3,969)	(449)
Capital Expenditure Financing	133	133	0
Earmarked Contributions to/(from) Reserves	(226)	(226)	0
Net Revenue Budget	**192,698**	**196,537**	**3,839**
Financed by:			
General government grants	(77,524)	(77,524)	0
Non-domestic rates	(34,753)	(34,753)	0
Council tax	(87,785)	(87,886)	(101)
Council Tax Benefit Support (included in NCS)	7,363	7,129	(234)
Net Financing Budget	**(192,698)**	**(193,034)**	**(336)**
Year-end Deficit	**0**	**3,503**	**3,503**
Year-end Transfer from Earmarked Reserves	0	(3,503)	(3,503)
Year-end Reserves adjustment - Earmarked reserves to Council Fund	0	(577)	(577)
Council Fund (surplus)/deficit	**0**	**(577)**	**(577)**
Council Fund (surplus)/deficit - Schools	**0**	**2,699**	**2,699**
Council Fund (surplus)/deficit - Total	**0**	**2,122**	**2,122**

The net cost of services in the table above of £190.24m 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) of £200.04m 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. Further information on these can be found in Section 10 of the accounts.

Reserves & balances	2020/21 £000	2021/22 £000	2022/23 £000
Council Fund Balance	8,906	10,528	11,105
School Balances	3,418	6,955	4,256
Earmarked Reserves	10,671	16,115	11,549
Total Usable Reserves & balances available for Revenue Purposes	**22,996**	**33,598**	**26,910**

Schools: Schools received significant one-off Welsh Government funding support during the pandemic period in order to deal with the impacts of the Covid pandemic, and the recovery in learning required post-pandemic. Schools made significant investment from their accumulated balances during 2022/23 in order to aid in this recovery.

The following table summarises the schools year-end balances position by school type:

School Balances	2020/21 £000	2021/22 £000	2022/23 £000
Comprehensives	554	2,253	1,259
Primaries	2,838	4,622	3,027
Other	26	79	(31)
Total	**3,418**	**6,955**	**4,256**

Capital expenditure & financing

In addition to revenue spending, the Council spent £45.67m on its assets which is detailed below along with the corresponding finance streams:

2021/22 £000		2022/23 £000
	Expenditure	
1,328	Schools modernisation programme	12,258
11,599	Infrastructure	12,168
3,036	Asset management schemes	3,211
954	Inclusion schemes	2,832
644	ICT schemes	979
4,088	Regeneration schemes	6,910
1,809	Vehicles	1,977
1,752	Other	5,336
25,210	**Total Expenditure**	**45,670**
	Financing	
(3,448)	Capital receipts	(4,128)
(6,503)	Borrowing and Finance Lease Commitments	(10,608)
(15,025)	Grants and Contributions	(30,541)
(234)	Revenue and Reserve Contributions	(393)
(25,210)	**Total Financing**	**(45,670)**

Significant capital receipts

The most significant capital receipts received in 2022/23 were £7m for the disposal of Rockfield Development Site. All other receipts totalled £0.8m. The Council currently ring fences all capital receipts to support ongoing capital investment priorities in line with its Community & 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 2022/23 the valuations included Community Centres, Corporate Facilities, Hubs & Public Contact Centres and Recreational Spaces. The programme for subsequent years is as follows:

- 2023/24 – Primary Schools, Recreational Spaces, Nurseries & Playgroups and Cemeteries
- 2024/25 – 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 £413.4m to £480.0m, arising from recognising the in-year asset expenditure of £41.0m; the rolling programme of revaluations increasing their held value by £45.4m, additional Land & Building uplift of £3.0m; depreciation of £(14.4)m; impairment of £(4.3)m; and book value of disposals of £(4.1)m.

Borrowing arrangements and sources of funds

The Council's overall borrowing, on a principal valuation basis, totalled £200.2m as at 31st March 2023 (£176.2m as at 31st March 2022), comprising of the following:

31st March 2022 £000		31st March 2023 £000
87,358	Public Works Loan Board	120,792
13,812	Market Loans & Bank loans	13,811
6,031	Welsh Government	5,251
66,025	Local Government bodies	57,370
3,000	Special Purpose Vehicle	3,000
176,226	**Total borrowing**	**200,224**

Further information on borrowing arrangements is disclosed in notes 13.3 and 13.4 to the accounts. The increase in borrowing during 2022/23 was to support the Council's ongoing Capital investment programme. 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 2022/23 (including amounts raised for Police and Community Councils) was £1,847.25 (£1,785.68 in 2021/22) for properties in valuation Band D. We collected 96.4% in year of the total due (97.4% 2021/22). Our in-year collection rate for Non-Domestic Rates was 94.3% in 2022/23 (99.1% in 2021/22). During the year £58,000 Council Tax and £158,000 Non-Domestic Rates' debts were written off (£80,000 and £11,000 in 2021/22).

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 this figure for Monmouthshire and for 2022/23 this shows a net liability of £56,576,000 (£259,212,000 in 2021/22).

There is a decrease in the combined net liability of the Greater Gwent pension funds of £202,636,000 from 1 April 2022 to 31 March 2023. This has resulted from a decrease in the value of scheme liabilities of £204.66m offset by a reduction 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).

The date of the latest actuarial valuation was 31st 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.

1.4 The Financial Outlook

2023/24

The revenue budget setting process for 2023/24 was one of the most challenging budgets to date for the Council. The impact of inflation resulting in price rises on goods and services was significant, combined with soaring energy costs, increased borrowing costs, and increased pay costs. The legacy impact of the pandemic, and consequential cost of living crisis has increased demand for supportive Council services such as Social care, Homelessness, and Additional learning needs.

The size of the budget challenge, prior to any intervention, was over £26m with the cost of delivering existing services increasing by 14%. Income and funding increased by 9% (£16m) to meet some of these costs, but the Council has still been left to find savings of 5% (£10m) from services.

The Council was required to make difficult choices balancing the levels of service delivery, fees and charges, reserve usage, and Council Tax levels. As part of the process the Council approved an annual Council Tax increase of 5.95%, which increased the annual band D charge by £87.87 to £1,564.66 (excluding amounts raised for Police and Community Councils). Cabinet resolved to double its efforts to ensure that individuals and households eligible for council tax exemptions or reductions claim the benefit available to them. Take-up will be monitored through the year.

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 £45.7m (including contributions to the Cardiff Capital Region City Deal (CCRCD) initiative) budgeted to be spent in 2023/24.

The Medium Term

The medium term prognosis is of significant concern with the current Medium Term Financial Plan indicating a funding gap of £23.5m over the next three years based on indicative Welsh Government funding settlements, and prior to recognising new responsibilities and demands upon services. We are seeing rises in the demand for supportive services, and higher complexity needs in areas such as Children's services, Adult Social Care, Homelessness, and Children's additional learning.

Alongside this, the risks presenting in the wider economic environment around inflation, interest rates, and the labour market, are expected to place upward pressure on budgets over the medium term.

At a local level, it is important to recognise the impact that the current economic environment is having on our communities, with the ongoing cost of living crisis, driven by the legacy impact of the pandemic and ongoing conflict in Ukraine, having a significant impact upon disposable incomes and economic growth across the region.

The Council is not blessed with significant levels of reserves, and therefore difficult choices will need to be made in future budget rounds to balance the needs of service delivery and the aspirations of the Council's Community & Corporate Plan, with available funding. It is clear that a level of service transformation that looks to redefine the shape and size of our services will be required over the medium term, in order to arrive at a financially sustainable path for the Council. The Council's upcoming Medium Term Financial Strategy will be a key tool in delivering this change over time.

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 £74,826 (£71,263 in 2021/22). The capital contribution to the project was not required during 2022/23, as was the case in 2021/22, due to reprofiling of the investment pipeline.

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.

1.5 The Accounting Statements

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

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

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

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

Cash Flow Statement

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

Notes to the Accounts

The core financial statements outlined above are supported by notes to further assist the reader in interpreting the Authority's financial position for the year ended 31st March 2023. 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 2023 and its income and expenditure for the year ended 31st March 2023.

Peter Davies
Deputy Chief Executive (S151 Officer)

Date

monmouthshire
sir fynwy

ANNUAL GOVERNANCE STATEMENT

2022/23

Executive Summary

This Annual Governance Statement demonstrates that Monmouthshire County Council 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 can demonstrate 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.

The Council has managed to maintain the majority of its governance arrangements this year and has sound and effective arrangements in place in the services it delivers. The Code of Corporate Governance was presented to the Council's former Audit Committee in June 2020 and approved by Cabinet in September 2021.

Audit Wales's review of Good Governance (2017) 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 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 (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), 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 2021/22 Action Plan is shown on page 30.

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, 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 CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government', was initially approved by Council in July 2011; the Code was revised and updated again in June 2020, approved by Cabinet in 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 Council plan to review the Code of Corporate Governance during the 2023/24 financial year as an area for future improvement (action 2).

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 in 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 31st March 2023 and up to the date of approval of the statement of accounts.

The Governance Framework

10 The Council's Code of Corporate Governance is in line with the CIPFA / SOLACE 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

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 Since the Local Government elections in May 2022, a new administration and new Leader of the Council were elected. The administration has been working without a majority. Over the course of the year this administration, along with officers, developed a Community and Corporate Plan 2022-28. This was approved by Council on 20th April 2023.

14 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.

15 During 2021/22 Monmouthshire PSB merged with other local PSBs to form the Gwent PSB. The PSB presented its annual report 2021/22 in July 2022 to the Public Services Scrutiny Committee.

16 Over the course of the 2022/23 financial year, the Gwent PSB 'Draft Gwent Wellbeing Plan' was considered twice by the Public Services Scrutiny Committee. The Committee raised a number of concerns regarding the draft plan and questioned the efficacy of the pre-decision scrutiny of the plan. The Committee agreed to write to the Leader of the Council to highlight their concerns.

Review of Effectiveness

17 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.

18 The review of effectiveness has been completed using a six point scale which is used within Monmouthshire County Council to assess the performance framework and progress with the Community and Corporate Plan.

Level	Definition	Description
6	Excellent	Excellent or outstanding – All performance measures have achieved the target set and all actions have been delivered.
5	Very Good	Major strengths – A significant majority of actions and measures are on track. No more than one or two falling short.
4	Good	Important strengths with some areas for improvement – The weight of evidence shows that the successes are greater than the areas that have not been achieved.
3	Adequate	Strengths just outweigh weaknesses – The evidence of success marginally outweighs areas that are not on track. Some actions are behind schedule and some measures are falling short of planned targets.
2	Weak	Important weaknesses – The majority of measures and actions have not been achieved.
1	Unsatisfactory	Major weakness – In most areas performance is assessed as moving in the wrong direction and the vast majority of actions have not been delivered

19 The governance arrangements continue to be regarded as fit for purpose.

Chief Internal Auditor Statement and Annual Opinion

20 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion based upon and limited to the work performed on the overall adequacy and effectiveness of Monmouthshire County Council's framework of governance, risk management and internal control. This is achieved through a risk-based plan of work, agreed with

The Internal Audit team has completed its internal audit work for the year based upon the Operational Audit Plan approved by the Governance & Audit Committee in June 2022. The Plan was designed to ensure adequate coverage over the Council's financial and operational systems using a risk based assessment methodology.

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

The 2022/23 Audit opinion is partially reliant on previous work undertaken by the team where Reasonable Assurance opinions were issued; there have been no significant changes to the organisation's systems or key personnel and no major frauds were identified.

Internal Audit opinions on the work undertaken at the Shared Resource Service by Torfaen Internal Audit team were also taken into consideration.

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

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

Jan Furtek
Audit Manager (Acting Chief Internal Auditor)
June 2023

It is worth noting that the following changes to key Governance positions have occurred within Monmouthshire County Council between the end of the 2022/23 financial year and the date of publication of the Annual Statement of Accounts.

- The Chief Internal Auditor left the Authority in April 2023. The duties of this position are being fulfilled by the Audit Manager who is suitably qualified to undertake this role.
- The Chief Officer People & Governance (Monitoring Officer) left their role in July 2023, with their replacement appointed in November 2023 and redesignated as the Chief Officer for Law & Governance (Monitoring Officer).

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

6 Excellent	5 Very Good	4 Good	3 Adequate	2 Weak	1 Unsatisfactory

The Council is accountable not only for how much it spends, but also for how we use the resources under our stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes we have achieved. In addition, we have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, we can demonstrate the appropriateness of all our actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
Behaving with integrity	▪ Members Code of Conduct in Constitution which reflects Local Authorities (Model Code of Conduct) (Wales) Order 2016 ▪ Officers Code of Conduct in Constitution ▪ Registers of interests / hospitality ▪ Induction training ▪ Member/Officer Protocol in Constitution ▪ Member led Authority principles/document ▪ Member training programme ▪ Council Values — Openness, Fairness, Flexibility, Teamwork, Kindness ▪ Whistleblowing Policy ▪ Anti-Fraud, Bribery and Corruption Policy ▪ Standards Committee ▪ Standards Committee Annual Report presented to Council ▪ Member Dispute Resolution ▪ Complaints procedure	▪ The Code of Conduct for Members and the protocol on Member / Officer relationships are set out in the Constitution, was updated in May 2022. ▪ 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 2 times during 2022/23. ▪ Public Service Ombudsman Wales Annual Report (2021/22) was presented to Cabinet in October 2022. ▪ Conduct Complaints about MCC Members received by the Public Services Ombudsman: (see table below) ▪	▪ Establish a 'Governance Working Group' to discuss and review the Governance arrangements across Monmouthshire Council to ensure they are fit for purpose. (Action 1) ▪ As part of the Governance Working Group, review the Council's Code of Corporate Governance. (Action 2)

	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

<table>
<tr><th>Sub-Principles</th><th>What is in place to support this?</th><th>Effectiveness</th><th>Areas for Future Improvement</th></tr>
<tr><td>Behaving with integrity</td><td>▪ Decision 'Call In' process</td><td><table><tr><td>TOTAL COMPLAINTS CLOSED</td><td>2</td><td>1</td><td>2</td></tr></table>▪ No judicial reviews were commenced or dealt with at the pre-action stage in the previous year.
▪ The Governance & Audit Committee met 9 times during 2022/23 and has the responsibility for ensuring that sufficient checks are in place to identify any potential misconduct within the authority.</td><td></td></tr>
<tr><td>Demonstrating strong commitment to ethical values</td><td>▪ Council Values — Openness, Fairness, Flexibility, Teamwork, Kindness
▪ Contract procedure rules
▪ Financial procedure rules
▪ Codes of conduct for members and employees
▪ Whistleblowing Policy</td><td>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 learnt can be applied.
▪ All exemptions of the Contract Procedure Rules are reported through the Governance & Audit Committee periodically. The Internal Audit team co-ordinates the exemption process in conjunction with strategic procurement.
▪ The Governance & 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 2022/23.
▪ A Scrutiny and Executive Protocol is in place which is aligned to the updated constitution of May 2022 and provides parameters for effective executive and scrutiny relationships.</td><td></td></tr>
<tr><td>Respecting the rule of law</td><td>▪ Member and Officer Code of Conduct in Constitution
▪ Role of Chief Executive, Section 151 Officer and Monitoring Officer established in Constitution
▪ CIPFA statement on the Role of the Chief Financial Officer</td><td>▪ 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 intranet and website.
▪ 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</td><td></td></tr>
</table>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	▪ Anti-Fraud, Bribery and Corruption Policy ▪ Governance & Audit Committee ▪ Internal Audit Section ▪ Internal Audit Annual Report presented to Governance & Audit Committee ▪ External Auditors Annual Audit Letter ▪ Standards Committee ▪ Whistleblowing Policy ▪ Complaints procedure ▪ Decision 'Call In' process	Executive and Chief Officer Resources (S151 Officer) attends SLT, Cabinet and Council meetings. ▪ 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 2022/23, or in the previous year, 2021/22. ▪ An Anti-Bribery compliance update and annual risk assessment was presented to the Governance & Audit Committee by the Deputy Chief Executive (S151 Officer) in October 2022.	

Principle B: Ensuring openness and comprehensive stakeholder engagement

6 Excellent	5 Very Good	4 Good	3 Adequate	2 Weak	1 Unsatisfactory

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
Openness	▪ Agendas published in advance of meetings ▪ Minutes published following meetings ▪ Democratic meetings live streaming on YouTube ▪ Decision making process described in Constitution ▪ Forward Plan published on internet showing key decisions to be made by Council and Cabinet ▪ Annual budget consultation ▪ Freedom of Information Scheme ▪ Public questions at Council, Cabinet and Select Committees ▪ Engagement with hard to reach groups, including those with the protected characteristics defined by the Equality Act 2010. As well as engagement with children and young people to meet the requirement of the United Nations Convention on the Rights of the Child (UNCRC). ▪ Publication of open data sets on the Council's website	▪ Agendas are published in advance of all meetings on the Council's website; corresponding minutes are published post meeting. ▪ Transparency and openness are important to Monmouthshire; the Annual Statement of Accounts was taken through the Governance & 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. 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. ▪ A Forward Plan showing key decisions to be made by Council, Cabinet and Committees is published. ▪ The Council's website contains links to the following areas of open data in the interests of openness: ○ List of expenditure over £500 ○ Our spend data as a useful dashboard ○ Food Hygiene ratings ○ List of Primary Schools ○ List of Secondary Schools	▪ Review the minute taking process and assess any opportunities to further digitise. (Action 3) ▪ Increase the number of datasets published on the council's website. (Action 4)

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	▪ Publication of open data sets on the council website	Following a decision of the First Tier Information Rights Tribunal (EA/2018/0033) the Authority no longer publishes business rates data on its open data web page. It will no longer disclose information about business rate accounts in response to FOI requests. ▪ Policy and decision-making is facilitated through (i) Council and Cabinet; the meetings of which are open to the public and live steamed 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 & 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. ▪ 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. ▪ Corporate risks are published.	
Engaging comprehensively with institutional stakeholders	▪ Gwent Public Service Board Partnership arrangements and structure ▪ Monmouthshire Public Service Board Well-Being Plan ▪ Gwent Public Service Board Well-Being Plan ▪ Public Services Select Committee	▪ 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.	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		▪ Over the course of the 2022/23 financial year, the Gwent PSB 'Draft Gwent Wellbeing Plan' was considered twice by the Public Services Scrutiny Committee. The Committee raised a number of concerns regarding the draft plan and questioned the efficacy of the pre-decision scrutiny of the plan. The Committee agreed to write to the Leader of the Council to highlight their concerns.	
Engaging stakeholders effectively, including individual citizens and service users	▪ Ward role of Councillors ▪ Consultations on the council website and social media platforms ▪ Complaints Policy and Annual Report ▪ Medium Term Financial Plan (MTFP) ▪ Complaints procedure ▪ Integrated Impact Assessment including Future Generations evaluation and Equality Impact Assessment, on decision reports ▪ Strategic Equality Plan ▪ Communication via Social Media	▪ Social media e.g. Twitter, Facebook and YouTube, are 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. They can also submit written, audio or video representations to Scrutiny Committees and 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. ▪ Public engagement events and YouTube continued to be used in 2022/23 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. ▪ The Medium Term Financial Plan supports the vision for Monmouthshire and extensive public engagement continued in 2022/23 for the 2023/24 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.	

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

6 Excellent	5 Very Good	4 Good	3 Adequate	2 Weak	1 Unsatisfactory

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
Defining Outcomes	▪ Corporate Plan produced and reviewed annually in accordance with Local Government & Elections Act 2021 and 'Wellbeing Objectives' in Wellbeing of Future Generations (Wales) Act 2015 ▪ Quarterly, six monthly & annual Performance Monitoring Reports ▪ Corporate Plan Annual Self-Assessment Report ▪ Public Service Board Well-being Plan annual report ▪ Service Business Plans produced annually and reviewed quarterly by each service area. ▪ Monthly Financial Monitoring meetings held for each service area ▪ Risk Management Policy and Guidance ▪ Whole Authority Strategic Risk Register ▪ Capital Review Programme ▪ Self-Assessment report	▪ 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. ▪ Over the course of the 2022/23 year, following the local government elections in May 2022, Officers have worked with the new administration to develop a Community & Corporate Plan for 2022-2028. Draft plans were submitted to and considered by Full Council in October 2022, and January 2023 prior to it being approved in April 2023. ▪ The Community & Corporate Plan 2022-2028, "Taking Monmouthshire Forward" sets a purpose 'To become a zero-carbon county, supporting well-being, health and dignity for everyone at every stage of life'. This is underpinned by the Councils 6 objectives (fair place, green place, thriving & ambitious place, safe place, connected place and learning place) and 5 values (teamwork, openness, fairness, flexibility and kindness). ▪ Monmouthshire County Council is a member of the Gwent PSB (July 2021), where we work with other public services and the	▪ Review the revenue and capital budget process and the Councils financial strategy. (Action 5)

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		Following a decision of the First Tier Information Rights Tribunal (EA/2018/0033) the Authority no longer publishes business rates data on its open data web page. It will no longer disclose information about business rate accounts in response to FOI requests. ▪ Policy and decision-making is facilitated through (i) Council and Cabinet; the meetings of which are open to the public and live steamed 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 & 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. ▪ 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. ▪ Corporate risks are published.	
Engaging comprehensively with institutional stakeholders	▪ Gwent Public Service Board Partnership arrangements and structure ▪ Monmouthshire Public Service Board Well-Being Plan ▪ Gwent Public Service Board Well-Being Plan ▪ Public Services Select Committee	▪ 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.	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	▪ Future Generations Evaluation, including Equality Impact Assessment, on decision making reports ▪ Service Business Plans produced annually and reviewed quarterly by each service area. ▪ Climate Emergency Strategy and Action Plan	In May 2019 Monmouthshire County Council declared a Climate Emergency. Plans are underway to meet our target to reduce council carbon emissions to zero by 2030. In November 2021, following wide community consultation, an updated and amended action plan was published.	

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

6 Excellent	**5 Very Good**	4 Good	3 Adequate	2 Weak	1 Unsatisfactory

Local government achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource input while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
Determining interventions	▪ Corporate Plan ▪ Scrutiny / Select Committee function ▪ Risk management policy and guidance ▪ Whole Authority Strategic Risk Register ▪ Finance and Legal implications in all Council, Cabinet and Committee reports report writing template and guidance ▪ Future Generations Evaluation (including Equality Impact Assessment) ▪ Results of consultation exercises ▪ Reports to Government Agencies ▪ Enabling strategy framework	▪ 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 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 Guidance on Schools Causing Concern (March 2016). ▪ Regular reporting into Cabinet, Scrutiny and Governance & 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 & Audit Committee in September 2022 and Performance & Overview Scrutiny Committee in December 2022. ▪ 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 163 complaints received in 2021/22, 151 were resolved informally with 12 being formally investigated, 2 of which were referred the Ombudsman, with none formally ▪	▪ Ensure that a suite of enabling strategies and a framework is in place to identify and support any interventions needed. (Action 6)

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		investigated. 455 comments were received along with 246 compliments (Governance & Audit Committee March 2023). ▪ A separate report containing the Ombudsman's findings in relation to complaints about Monmouthshire County Council was reported separately to both Cabinet and Governance & Audit Committee. It showed that Monmouthshire has one of the lowest levels of complaints reported to the Ombudsman at 0.21 per 1,000 residents. ▪ Consultation on budget proposals is extensive. ▪ The Authority makes numerous annual returns to various external Governing Bodies, such as the Food Standards Agency, Drinking Water Inspectorate, Department for Levelling Up & Communities, Department for Transport, Home Office, Gambling Commission, DEFRA, Health & Safety Executive, General Registrar's Office, National Fraud Initiative and other government departments'. These allow the Council to self-assess and determine if any intervention is required within the services provided.	
Planning Interventions	▪ Monthly Financial Monitoring meetings for each Directorate reviews progress and authorises corrective action where necessary ▪ Medium Term Financial Plan ▪ Annual budget setting process in place including consultation exercise ▪ Financial procedure rules ▪ Senior Management Structure ▪ Corporate Plan produced and reviewed annually in accordance with Local Government and Elections Act 2021 and 'Wellbeing Objectives' in Wellbeing of Future Generations (Wales) Act 2015 ▪ Quarterly, six monthly & annual Performance Monitoring Reports ▪ Annual Self-Assessment Report	▪ The Council has established robust planning and control cycles covering strategic and operational plans, priorities and targets which is achieved through: ○ A timetable for producing and reviewing plans on an annual basis. ○ Working with a consultation and engagement strategy. ○ Quarterly and annual performance monitoring including achievement of national and local performance indicators. ▪ There is robust Medium Term Financial Planning. ▪ There is an annual budget setting process in place including an extensive consultation exercise. ▪ Self-assessment report presented to Governance & Audit Committee and Performance & Overview Scrutiny Committee to review, scrutinise and make any recommendations for changes. ▪ Self-assessment report agreed by Council and published in September 2022. The report provides an assessment of the extent the council met its wellbeing goals, which were set out in the Corporate Plan 2017- 22, the evidence to show this and identified areas of improvement. It also provided an evaluation	▪ Review Service Business Plans to ensure they align to the new Community & Corporate Plan. (Action 7)

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	▪ Public Service Board Well-being Plan ▪ Public Service Board Well-being Plan annual report ▪ Service Business Plans produced annually and reviewed quarterly by each service area. ▪ Risk Management Policy and Guidance ▪ Whole Authority Strategic Risk Register ▪ Reports to Government Agencies	of the key activity delivered as part of the interim Coronavirus strategies and the 'enabling functions' that support council services to meet changing demands and ensure their sustainability including financial planning, workforce planning, procurement, assets, digital and data.	
Optimising achievement of intended outcomes	▪ Quarterly Financial Monitoring reports to Cabinet and scrutiny ▪ Mid-Year Budget Statement to Cabinet ▪ Medium Term Financial Plan ▪ Budget consultation ▪ Community & Corporate Plan ▪ Annual Self-Assessment Report	▪ The Council ensures the Medium Term Financial Strategy integrates and balances service priorities, affordability and other resource constraints by setting out any shortfall in resources and spending requirements in the context of service priorities. ▪ To ensure that the budget process is all inclusive there is regular engagement with members with robust scrutiny by the Service Improvement & Finance Scrutiny ▪ The achievement of the Community & Corporate Plan is reviewed at least annually.	

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

6	5	4	3	2	1
Excellent	Very Good	Good	**Adequate**	Weak	Unsatisfactory

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
Developing the entity's capacity	▪ Performance review for all staff where required by them or their line manager ▪ People Strategy ▪ Quarterly financial reports to Cabinet and Scrutiny Committees ▪ Partnership & collaborative working arrangements ▪ Quarterly, six monthly & annual Performance Monitoring Reports ▪ Community & Corporate Plan Annual Self-Assessment Report ▪ Public Service Board Well-being Plan annual report ▪ Service Business Plans produced annually and reviewed quarterly by each service area.	▪ 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. ▪ 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. ▪ 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 2022.	▪ A learning management system to be implemented across the organisation to coordinate all training including for schools. (Action 8) ▪ A full analysis to define and identify any training need(s). A focus will be to prioritise ensuring people are suitably qualified and experienced to fulfil roles, capable of leadership, future professional development, and staff are digitally enabled. (Action 9)

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		▪ 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. ▪ Appropriate and relevant job descriptions were in place for the Chief Executive, Strategic Leadership Team (SLT), Monitoring Officer and Head of Finance. ▪ 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.	
Developing the capability of the entity's leadership and other individuals	▪ Member/Officer Protocol in Constitution ▪ Scheme of Delegation published in Constitution ▪ Scrutiny member development programme ▪ Occupational Health and Wellbeing Policy exists with aim of promoting the health and wellbeing of all employees to enable them to achieve their full potential at work ▪ Internal and external audit reports and action plans	▪ Monmouthshire Council takes an active part in the INFUSE programme which is designed to build skills and capacity for future public services across the Cardiff Capital Region. 9 associates from MCC took part in cohort 3 which commenced in January 2023. ▪ There has been member led training with both senior officers and cabinet members. ▪ There are regular 1-2-1 meetings with the Leader, Cabinet members, Chief Executive, SLT and Heads of Service. ▪ The Constitution sets out the Scheme of Delegation which is regularly reviewed. ▪ Annual appraisal and performance review	

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

6 Excellent	5 Very Good	4 **Good**	3 Adequate	2 Weak	1 Unsatisfactory

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will ensure financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Sub-Principles	**What is in place to support this?**	**Effectiveness**	**Areas for Future Improvement**
Managing Risk	▪ Risk Management Policy and Guidance ▪ Whole Authority Strategic Risk Register ▪ Service Business Plans produced annually and reviewed quarterly by each service area, including service risk registers ▪ Strategic Risk Register reported to Governance & Audit Committee, Performance & Overview Scrutiny Committee and Cabinet	▪ The Council's Strategic Risk Management Policy was updated and approved by Cabinet in March 2019; progress was reported into Governance & Audit Committee in September 2022. 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. ▪ 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.	▪ Review and update the Councils Strategic Risk Management Policy. Improve how reports are presented to Cabinet and the Governance & Audit Committee to provide the necessary assurance. (Action 10) ▪ Review the governance arrangements for Corporate Health and Safety to ensure the Council is provided with an assurance that key health and safety risks are being managed effectively across the organisation. (Action 11)

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		▪ 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 & 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. ▪ The Council's Strategic Risk Assessment for 2022/23 contained 14 risks. These were reviewed throughout the year with the latest version was presented to Governance & Audit Committee in March 2023. Following mitigation there were 8 medium risks and 8 high risks.	
Managing performance	▪ Community & Corporate Plan produced and reviewed annually ▪ Corporate Plan Annual Self-Assessment Report ▪ Service Business Plans produced annually and reviewed quarterly by each service area. ▪ Quarterly, six monthly & annual Performance Monitoring Reports ▪ Director of Social Services Annual report ▪ Chief Officer Children & Young People Annual Report ▪ Scrutiny function ▪ Bi-monthly Directorate and Financial monitoring meetings	▪ Audit Wales presented the Councils ISA2060 report for 2021/22 to the Governance & Audit Committee in February 2023. ▪ The Councils Self-Assessment report 2021/22 was completed in line with requirements outlined in the Local Government and Elections (Wales) Act 2021 to ensure that members and the public had a clear and transparent assessment of the Council's performance in 2021/22. ▪ The Authority makes numerous annual returns to various external Governing Bodies and Government Agencies, such as the Food Standards Agency, Drinking Water Inspectorate, Department for Levelling Up & Communities, Department for Transport, Home Office, Gambling Commission, DEFRA, Health & Safety Executive, General Registrar's Office, National Fraud Initiative and other government departments'.	
Robust internal control	▪ Governance & Audit Committee provides assurance on effectiveness ▪	▪ The Governance & Audit Committee considers the effectiveness of the Council's arrangements for securing continuous improvement including risk management	▪ Update the Council's Anti-Fraud, Bribery & Corruption Policy and

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	on internal control, risk management and governance ▪ Governance & Audit Committee Annual Report to Council ▪ Anti-Fraud, Bribery and Corruption Policy ▪ Role of Internal Audit Section ▪ Annual Plans approved by Governance & Audit Committee ▪ Annual Reports to Governance & Audit Committee ▪ Annual Governance Statement	arrangements. The Governance & 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 & Audit Committee has an independent, non-political, Chairperson who prepares an annual report of the work of the Governance & Audit Committee. ▪ 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 & Audit Committee September 2021). The Chief Internal Auditor reports a summary of audit findings to the Governance & 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. ▪ 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. A new external quality assessment is now overdue. ▪ 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. ▪ 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	raise awareness across the Council. (Action 12 - c/f) ▪ Complete an External Quality Assessment of the Council's Internal Audit Service as required by the Public Sector Internal Audit Standards. (Action 13)

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<tr><th>Sub-Principles</th><th>What is in place to support this?</th><th>Effectiveness</th><th>Areas for Future Improvement</th></tr>
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Governance & Audit Committee (October 2022). 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 & Audit Committee (January 2020). This needs to be further rolled out across the Council.
The overall opinion on the adequacy of the internal control environment for 2022/23 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 2022/23 were;
<table>
<tr><th>Opinion</th><th>2020-21</th><th>2021-22</th><th>2022-23</th></tr>
<tr><td>Substantial Assurance</td><td>2</td><td>5</td><td>7</td></tr>
<tr><td>Considerable Assurance</td><td>6</td><td>6</td><td>10</td></tr>
<tr><td>Reasonable Assurance</td><td>1</td><td>7</td><td>4</td></tr>
<tr><td>Limited Assurance</td><td>0</td><td>2</td><td>1</td></tr>
<tr><td>Total</td><td>9</td><td>20</td><td>22</td></tr>
</table>

Reasons why the outcome of an audit review which was deemed to provide Limited Assurance will be presented in a report to the Governance & Audit Committee; assurances have been sought from respective operational managers that action will be taken to make the necessary improvements in control.
The Internal Audit team did not have a full complement of staff for the whole year. 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 2022/23 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.

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<tr><td>Managing data</td><td>

We have established an Information Security & Technology Team across the organisation, including education

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Our comprehensive governance and security arrangements for data and information have enabled us to gain accreditation in industry standards for cyber security.

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Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	▪ A cyber security team is in place to support, advise and train our workforce. The same team provides a cyber audit function of our ICT infrastructure and governance arrangements ▪ The Information Governance Group with participants from each directorate ▪ A Senior Information Risk Officer (SIRO) in place ▪ Mandatory training in GDPR and Cyber Security, alongside comprehensive guidance and policies for all aspects of data management ▪ Information Asset Register ▪ Information sharing & publication guidance in place ▪ A comprehensive EDRMS is in place ▪ Annual National and Local performance Indicator data collection process and internal audit arrangements	▪ Cyber security arrangements cover cultural, physical and electronic barriers to data access and misuse. ▪ Information governance is maintained through policies, guidelines, and training that are reported and disseminated via the Information Governance Group, headed up by the SIRO and with departmental representatives. Performance is reported to the Governance & Audit Committee, and this year our performance targets have been exceeded. ▪ Privacy notices are published online and have been updated through the year. ▪ Schedules are maintained of all MCC information 'line of business' systems to ensure they are fit for purpose and upgraded/replaced as needed. ▪ A central EDRMS system is being rolled out to electronically manage, share and retain all data and information outside of line of business systems. ▪ Networks and forums are in place to work with the South East Wales Information Forum (SWIF) and WARP (Warning Advice and Security Point) and the NCSC (National Cyber Security Centre). ▪ Data arrangements are audited by Audit Wales and performance reported through the Governance & Audit Committee. ▪ The ICT service, the SRS, are audited by the host organisation Torfaen County Borough Council, and all audits are reported through the SRS governance structures.	
Strong public financial management	▪ Financial procedure rules in Constitution ▪ Contract procedure rules in Constitution ▪ Accounting Instructions on Intranet ▪ Spending Restrictions document on Intranet	▪ The Council ensures both long term achievement of outcomes and short term performance through the delivery of the Medium Term Financial Plan. ▪ In July 2018, the Council's 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.	▪ Deliver awareness raising training sessions on the importance of compliance with revised Contract Procedure Rules and Financial Procedure Rules. (Action 14 – c/f) ▪ To produce a new Socially Responsible Procurement Strategy. (Action 15)

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		▪ The Councils Contract Procedure Rules were updated in March 2021.	

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

6 Excellent	5 Very Good	4 Good	3 Adequate	2 Weak	1 Unsatisfactory

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out it's activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
Implementing good practice in transparency	▪ Report writing template and guidance ▪ Integrated Impact Assessment including Future Generations evaluation and Equality Impact Assessment, on decision reports	▪ The Council aims to present understandable and transparent reports for both stakeholders and the public which is supported by:- ▪ A Report Authors Protocol which ensures consistency in reports. ▪ A Clear Writing guide for Officers. ▪ All reports are signed off by Chief Officers, S151 Officer and Monitoring Officer prior to publication. ▪ Where possible exempt reports are split so that the main report can be heard in public with confidential information being a separate exempt report. ▪ Publication of delegated decisions. ▪ Reports are published on the website	▪ Alignment of Council, Cabinet, ICMD and Scrutiny forward work planners. (Action 16)
Implementing good practices in reporting	▪ Annual Statement of Accounts audited by an external auditor and approved by Council ▪ Code of Corporate Governance based on CIPFA/SOLACE Framework 2016 ▪ Annual Governance Statement ▪ Corporate Plan Annual Self-Assessment Report ▪ Service Business Plans produced annually and reviewed quarterly by each service area	▪ Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Governance & Audit Committee before being endorsed by Council. All public meetings of the Council, including Council, Cabinet, Select, Governance & 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.	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
Assurance and effective accountability	▪ External Audit provided by Audit Wales ▪ ESTYN reviews & reports ▪ Care Inspectorate Wales reviews & reports ▪ Performance of Internal Audit Section monitored by Governance & Audit Committee ▪ Implementation of Audit Wales and Internal Audit recommendations monitored by Governance & Audit Committee ▪ Peer Review, Corporate Assessment and Corporate Governance Review action plan monitored by SLT ▪ Annual Governance Statement	▪ 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. ▪ 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. ▪ The Governance & 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 & Audit Committee presents its Annual report to Council. ▪ The Whole Authority Report: Complaints, Comments and Compliments 2021/22 was presented to Governance & Audit Committee in March 2023 which identified the number and types of feedback, received and dealt with, from 1 April 2021 until 31 March 2022. ▪ Reports and plans to implement Audit Wales and Internal Audit recommendations are reported (as relevant) to Scrutiny and the Governance & Audit Committee. ▪ All agreed recommendation and actions from Internal Audit reviews are monitored. ▪ The Council takes note of all reports issued by External Regulators such as Audit Wales, ESTYN and Care Inspectorate Wales. Action plans are agreed and followed up.	

Progress against the 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	Carried forward into 2023/24 (Action 5)
Raise awareness across the Council on Anti-Fraud, Bribery & Corruption	Carried forward into 2023/24 (Action 3)
Self-assess the Council's objectives and arrangements as required by the Local Government and Elections (Wales) Act 2021.	Complete - The Councils Self-Assessment report 2021/22 was completed in line with requirements outlined in the Local Government and Elections (Wales) Act 2021 to ensure that members and the public had a clear and transparent assessment of the Council's performance in 2021/22

Annual Governance Statement Action Plan 2022/23

No	Area for Improvement	By Who	By When
1	Establish a 'Governance Working Group' to discuss and review the Governance arrangements across Monmouthshire Council to ensure they are fit for purpose. (Principle A)	Chief Officer – Law & Governance	June 2023 & on-going
2	As part of the Governance Working Group, review the Council's Code of Corporate Governance. (Principle A)	Chief Officer – Law & Governance (Governance Working Group)	March 2024
3	Review the minute taking process and assess any opportunities to further digitise. (Principle B)	Chief Officer – Law & Governance (Governance Working Group)	December 2023
4	Increase the number of datasets published on the council's website. (Principle B)	Head Of Policy, Performance & Scrutiny	March 2024
5	Review the revenue and capital budget process and the Councils financial strategy. (Principle C)	Deputy Chief Executive & Chief Officer - Resources	October 2023
6	Ensure that a suite of enabling strategies and a framework is in place to identify and support any interventions needed. (Principle D)	SLT	September 2023
7	Review Service Business Plans to ensure they align to the new Community & Corporate Plan. (Principle D)	Head Of Policy, Performance & Scrutiny	December 2023
8	A learning management system to be implemented across the organisation to coordinate all training including for schools. (Principle E)	Chief Officer – Law & Governance	March 2024

Area for Improvement		Progress	
9	A full analysis to define and identify any training need(s). A focus will be to prioritise ensuring people are suitably qualified and experienced to fulfil roles, capable of leadership, future professional development, and staff are digitally enabled. (Principle E)	Chief Officer – Law & Governance (Governance Working Group)	March 2024
10	Review and update the Councils Strategic Risk Management Policy. Improve how reports are presented to Cabinet and the Governance & Audit Committee to provide the necessary assurance. (Principle F)	Head Of Policy, Performance & Scrutiny	March 2024
11	Review the governance arrangements for Corporate Health and Safety to ensure the Council is provided with an assurance that key health and safety risks are being effectively managed across the organisation. (Principle F)	Corporate Health & Safety Manager	March 2024
12 (c/f)	Update the Council's Anti-Fraud, Bribery & Corruption Policy and raise awareness across the Council. (Principle F)	Chief Internal Auditor	December 2023
13	Complete an External Quality Assessment of the Council's Internal Audit Service as required by the Public Sector Internal Audit Standards. (Principle F)	Chief Internal Auditor	March 2024
14 (c/f)	Deliver awareness raising training sessions on the importance of compliance with revised Contract Procedure Rules and Financial Procedure Rules. (Principle F)	Chief Internal Auditor	December 2023
15	To produce a new Socially Responsible Procurement Strategy. (Principle F)	Chief Officer – Communities & Place Head of Commissioning & Procurement	June 2023
16	Alignment of Council, Cabinet, ICMD and Scrutiny forward work planners. (Principle G)	Chief Officer – Law & Governance (Governance Working Group)	December 2023

Monitoring & Evaluation

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.

Certification by the Leader of the Council and the Chief Executive

Signed: Date:

Councillor Mary Ann Brocklesby, Leader of Monmouthshire County Council

Signed: Date:

Paul Matthews, Chief Executive

monmouthshire
sir fynwy

The 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 County Council for the year ended 31 March 2023 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 the 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 2022-23.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2023 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 2022-23.

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.

My staff and I are independent of the 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 the 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.

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 is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is 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:

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

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 11, the responsible financial officer is responsible for:

- the preparation of the statement of accounts, which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls 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;
- 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 the responsible financial officer anticipates that the services provided by the Council will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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

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 and those charged with governance, including obtaining and reviewing supporting documentation relating to Monmouthshire County Council's 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 following areas: revenue recognition, expenditure recognition and posting of unusual journals.
- Obtaining an understanding of Monmouthshire County Council's framework of authority as well as other legal and regulatory frameworks that Monmouthshire County 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 Monmouthshire County Council.
- Obtaining an understanding of related party relationships.

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 Monmouthshire County 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.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

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

Adrian Crompton	1 Capital Quarter
Auditor General for Wales	Tyndall Street
23 February 2024	Cardiff, CF10 4BZ

Movement In Reserves Statement for the Year Ended 31st March 2023

	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 2021		**12,324**	**10,671**	**9,581**	**32,576**	**(106,185)**	**2,698**	**(70,910)**
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**	(13,745)		**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**10,600**	**-**	**(489)**	**10,111**	**70,136**	**434**	**80,682**
Transfers to/(from) Earmarked Reserves	10.4	(5,444)	5,444		**-**			**-**
Prior period adjustment: CCRCD								**-**
Increase/(Decrease) in 2021/22		**5,157**	**5,444**	**(489)**	**10,111**	**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**
Movement in reserves during 2022/23								
Total Comprehensive Income and Expenditure		**(889)**	**-**	**-**	**(889)**	**259,830**	**1,711**	**260,652**
Adjustments between accounting basis & funding basis under regulations	10.2	(5,799)	-	3,754	**(2,044)**	2,044		**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**(6,688)**	**-**	**3,754**	**(2,933)**	**261,875**	**1,711**	**260,652**
Transfers to/(from) Earmarked Reserves	10.4	4,566	(4,566)	-	**-**	-	-	**0**
Increase/(Decrease) in 2022/23		**(2,122)**	**(4,566)**	**3,754**	**(2,933)**	**261,875**	**1,711**	**260,652**
Balance at 31st March 2023 carried forward		**15,361**	**11,549**	**12,846**	**39,755**	**225,825**	**4,844**	**270,426**

Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2023

2021/22					2022/23		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
78,687	(20,707)	57,980	Children & Young People		77,362	(20,429)	56,933
89,974	(31,075)	58,899	Social Care & Health		92,605	(23,095)	69,510
62,649	(29,936)	32,712	Communities & Place		71,516	(34,297)	37,219
14,156	(7,862)	6,294	Monlife		15,523	(8,241)	7,282
4,170	(1,107)	3,063	Chief Executives Unit		10,268	(7,797)	2,471
5,418	(864)	4,554	People & Governance		6,656	(522)	6,134
41,749	(26,946)	14,803	Resources		37,932	(19,301)	18,631
3,005	(1,562)	1,443	Corporate		2,209	(330)	1,879
385	(528)	(142)	Cardiff Capital Region City Deal (CCRCD)		1,465	(1,485)	(20)
300,193	**(120,587)**	**179,606**	**Cost of Services**	11.1	**315,537**	**(115,497)**	**200,040**
			Other operating expenditure:				
			Precepts & Levies:				
13,451	0	13,451	Gwent Police Authority		14,392	0	14,392
4,760	0	4,760	South Wales Fire & Rescue Authority		4,871	0	4,871
2,954	0	2,954	Community and Town Councils		3,158	0	3,158
116	0	116	National Parks		117	(1)	116
94	0	94	Internal Drainage Boards		94	0	94
2,868	(2,713)	155	Gains/losses on the disposal of non-current assets		0	(125)	(125)
		21,530	**Total Other operating expenditure**				**22,505**
18,179	(15,013)	3,165	Financing and investment income and expenditure	11.3	24,754	(18,727)	6,028
	(10)	(10)	Interest & Investment income: CCRCD			(96)	(96)
7		7	Change in Fair Value of Investment Properties: CCRCD		148		148
			Taxation & non-specific grant income:				
251	(84,441)	(84,190)	Council Tax	11.5	349	(88,235)	(87,886)
0	(32,018)	(32,018)	Non-domestic rates redistribution	11.5	0	(34,753)	(34,753)
0	(84,603)	(84,603)	General government grants	11.6	0	(105,064)	(105,064)
	(318)	(318)	Recognised Capital Grants & Contributions: CCRCD			(1,734)	(1,734)
30		30	Tax Expenses: CCRCD			(10)	(10)
		3,199	**(Surplus) or Deficit on Provision of Services**				**(822)**
			Other Comprehensive Income and Expenditure:				
		(12,204)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	12.1			(34,478)
		(13)					405
		(71,664)	(Gains)/losses on remeasurement of pension assets / liabilities	14.3			(225,757)
		(83,881)	**Total Other Comprehensive Income and Expenditure**				**(259,830)**
		(80,682)	**Total Comprehensive Income and Expenditure**				**(260,652)**

Balance Sheet as at 31st March 2023			
31st March 2022 £000s (**Restated)		Note	31st March 2023 £000s
242,640	Other land and buildings	12.1	287,142
11,097	Vehicles, plant, furniture and equipment	12.1	11,633
77,363	Infrastructure	12.1	81,758
4,528	Community assets	12.1	4,528
4,228	Assets under construction	12.1	18,702
10	Surplus assets not held for sale	12.1	10
4,871	Heritage Assets	12.7	9,378
68,620	Investment Property	12.5	66,862
88	Intangible Assets		34
1,186	Long-Term Investments	13.1	1,330
3,657	Long Term Debtors	13.5	3,558
418,289	**Long term assets**		**484,935**
18,170	Short Term Investments	13.1	16,852
554	Inventories		419
41,993	Short Term Debtors	13.5	58,289
34,108	Cash and Cash Equivalents	15.3	24,723
1,000	Assets Held for Sale	12.6	1,000
82	CCRCD: Deferred Tax asset		110
95,907	**Current Assets**		**101,394**
(1,680)	Cash and Cash Equivalents	15.3	(802)
(71,903)	Short Term Borrowing	13.1	(67,156)
(57,424)	Short Term Creditors	13.6	(45,870)
(519)	Provisions	13.7	(404)
(131,525)	**Current Liabilities**		**(114,233)**
(259,212)	Liability related to defined benefit pension scheme	10.9	(56,576)
(671)	Provisions	13.7	(574)
(104,324)	Long Term Borrowing	13.1	(133,072)
(1,553)	Long Term Creditors: CCRCD		(2,686)
(2,250)	Other Long Term Liabilities	13.1	(2,238)
(2,820)	Capital Grants Receipts in Advance	11.6	(4,612)
(2,068)	Revenue Grants Receipts in Advance		(1,912)
(372,897)	**Long Term Liabilities**		**(201,671)**
9,773	**Net Assets**		**270,426**
17,482	Council Fund Balance	10.3	15,360
16,115	Earmarked Reserves	10.4	11,549
9,092	Capital Receipts Reserve	10.6	12,846
891	Usable Reserves: CCRCD		1,405
43,580	**Usable Reserves**		**41,161**
46,036	Revaluation Reserve	10.7	77,372
(259,212)	Pensions Reserve	10.9	(56,576)
180,279	Capital Adjustment Account	10.8	210,379
3,612	Deferred Capital Receipts Reserve	10.11	3,409
(494)	Financial Instrument Adjustment Account		(472)
(14)	Financial Instrument Revaluation Reserve		(419)
(3,976)	Accumulating Absence Adjustment Account	10.10	(4,353)
(37)	Unusable Reserves: CCRCD		(75)
(33,807)	**Unusable Reserves**		**229,265**
9,773	**Total Reserves**		**270,426**

** 2021/22 restated to reflect an adjustment between provisions and creditors in relation to accumulated absence balances

Cash Flow Statement for the Year Ended 31st March 2023			
31st March 2022 £000		Note	31st March 2023 £000
3,199	Net (surplus) or deficit on the provision of services	15.1	(822)
(39,577)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	15.1	(4,158)
11,799	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15.1	30,754
(24,578)	**Net cash flows from Operating Activities**	15.1	25,775
20,947	Purchase of property, plant and equipment, investment property and intangible assets		41,149
15,000	Purchase of short-term and long-term investments		0
0	Other payments for investing activities		0
(2,958)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(7,883)
(20,558)	Proceeds from short-term and long-term investments		(1,378)
(9,016)	Other receipts from investing activities		(25,189)
3,415	**Net Cash (Inflow)/Outflow from Investing Activities**		6,699
	Financing Activities		
21,554	Repayments of short and long-term borrowing		9,780
33	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		33
(14,315)	Cash receipts of short and long-term borrowing		(33,778)
0	Other receipts from financing activities		0
7,272	**Net Cash (Inflow)/Outflow from Financing Activities**		(23,965)
(13,890)	**Net (increase) / decrease in cash and cash equivalents**		8,509
18,538	Cash and cash equivalents at the beginning of the reporting period		32,428
32,428	**Cash and cash equivalents at the end of the reporting period**	15.3	**23,921**

Notes to the Accounts

for the Year Ended

31st March 2023

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 2021 £000	Movement in Reserve £000	Balance at 31st March 2022 £000	Movement in Reserve £000	Balance at 31st March 2023 £000
Usable Reserves:						
Council Fund balance: Authority	10.3	8,906	1,621	10,528	577	11,105
Council Fund balance: LMS School Balances	10.5	3,418	3,536	6,955	(2,699)	4,256
Earmarked reserves	10.4	10,671	5,444	16,115	(4,566)	11,549
Capital Receipts Reserve	10.6	9,581	(489)	9,091	3,754	12,846
Usable Reserves: CCRCD		182	709	891	514	1,405
Total Usable Reserves		**32,758**	**10,822**	**43,580**	**(2,419)**	**41,161**
Unusable Reserves:						
Revaluation Reserve	10.7	38,407	7,629	46,036	31,336	77,372
Capital Adjustment Account	10.8	166,592	13,688	180,280	30,099	210,379
Financial Instruments Adjustment Account		(517)	23	(494)	23	(472)
Pension Reserve	10.9	(306,704)	47,492	(259,212)	202,636	(56,576)
Deferred Capital Receipts Reserve	10.11	2,692	920	3,612	(203)	3,409
Financial Instrument Revaluation Reserve		(28)	13	(14)	(405)	(419)
Accumulated Absences Adjustment Account	10.10	(4,111)	135	(3,976)	(377)	(4,353)
Unusable Reserves: CCRCD	16.6	0	(37)	(37)	(39)	(75)
Total Unusable Reserves		**(103,669)**	**69,863**	**(33,807)**	**263,071**	**229,265**
Total Authority Reserves		**(70,911)**	**80,686**	**9,773**	**260,652**	**270,426**

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 2022/23:	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	18,233	0	(18,233)
Charges for impairment of Heritage Assets	179	-	(179)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	(13,697)	0	13,697
Revaluation movements on Assets Held for Sale (charged to SDPS)	0	0	0
Movements in the market value of Investment Properties	18	0	(18)
Amortisation and impairment of intangible assets	54	0	(54)

Capital grants and contributions applied	(27,539)	0	27,539
Revenue expenditure funded from capital under statute	3,840	0	(3,840)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	4,140	0	(4,140)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment (MRP)	(6,642)	0	6,642
Capital expenditure charged against the Council Fund	(393)	0	393
Adjustments involving the Capital Receipts Reserve:			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(7,469)	7,883	(414)
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,128)	4,128
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	40,447	0	(40,447)
Employer's pensions contributions and direct payments to pensioners payable in the year	(17,326)	0	17,326
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	379	0	(379)
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	**(5,799)**	**3,754**	**2,044**

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	-	(18,781)
Charges for impairment of Heritage Assets	79	-	(79)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	(5,800)	-	5,800
Revaluation movements on Assets Held for Sale (charged to SDPS)	(530)	-	530
Movements in the market value of Investment Properties	(3,607)	-	3,608
Amortisation and impairment of intangible assets	54	-	(54)
Capital grants and contributions applied	(13,553)	-	13,553
Revenue expenditure funded from capital under statute	1,932	-	(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	-	(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)	-	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)	-	22
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the CIES	38,874	-	(38,874)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,702)	-	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)	-	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)**

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 £4,256,000 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 2021 £000	In Year Movement £000	At 31st March 2022 £000	In Year Movement £000	At 31st March 2023 £000
Amount of Council Fund Balance held by Schools under Local Management Schemes	3,418	3,536	6,955	(2,699)	4,256
Amount of Council Fund Balance generally available for new expenditure	8,906	1,621	10,528	577	11,105
Total Council Fund Balance	12,324	5,158	17,482	(2,122)	15,360
Earmarked Revenue Reserves	10,671	5,444	16,115	(4,566)	11,549
Total Usable Reserves available for Revenue Purposes	**22,996**	**10,602**	**33,598**	**(6,688)**	**26,910**

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 2022/23 can be summarised as follows:

	At 1st April 2021 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2022 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2023 £000
	(Restated)			(Restated)			
Invest to Redesign	**1,384**	132	(60)	**1,456**	125	(154)	**1,427**
Priority Investment	**1,905**			**1,905**			**1,905**
Insurance and risk management	**935**		(10)	**925**			**925**
IT Transformation	**854**	173	(96)	**931**		(185)	**746**
Treasury equalisation	**590**			**590**			**590**
Capital Investment	**627**			**627**		(2)	**625**
Redundancy and Pensions	**857**		(88)	**769**			**769**
Pay Inflation Reserve	**0**			**0**	1,316		**1,316**
Capital Receipt Generation	**416**		(51)	**365**		(51)	**314**
Service Reserves:							
Elections	**292**	35	(82)	**245**	35	(155)	**125**
Museums acquisition	**53**			**53**		(17)	**36**
Solar Farm Maintenance & Community Fund	**87**	153		**240**	23	(105)	**158**
Castlegate Business Park	**312**	125		**437**		(312)	**125**
Newport Leisure Park	**188**	177		**365**		(188)	**177**
Sustainability - PV Invertor Replacement Reserve	**15**	50		**65**			**65**
Covid19 Reset Reserve: Social Care	**0**	1,400		**1,400**		(1,400)	**0**
Covid19 Reset Reserve: Homelessness	**0**	1,400		**1,400**		(1,400)	**0**
Covid19 Reset Reserve: Leisure Income	**0**	300		**300**		(300)	**0**
Covid19 Reset Reserve: Pay Inflation	**0**	900		**900**		(900)	**0**
Cost of Living Discretionary Payment Reserve	**0**	499		**499**		(499)	**0**
SCH Electric Vehicle & Driving Lessons Reserve	**0**	214		**214**		(214)	**0**
Covid19 Hardship Fund Equalisation Reserve	**819**			**819**		(819)	**0**
Ukrainian Support Reserve	**0**			**0**	1,341		**1,341**
Local Resilience Forum	**198**		(44)	**154**	2	(27)	**129**
Grass Routes Buses	**161**	5		**166**	5		**171**
Schools sickness & maternity cover	**48**	148		**196**	101		**298**
Youth Offending Team	**150**			**150**			**150**
Building Control	**1**		(5)	**(4)**	2		**(2)**
Rural Development Plan	**621**	72		**693**		(675)	**19**
Highways Plant & Equipment Replacement	**100**	88		**188**		(47)	**141**
Homeless Prevention	**58**	10		**68**		(68)	**0**
Total	**10,671**	**5,881**	**(437)**	**16,115**	**2,950**	**(7,516)**	**11,549**

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

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

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.

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.

Treasury Equalisation Reserve - Originally created from loan rescheduling discounts and premia, the reserve is held to manage the longer term approach to treasury decisions.

Capital Investment Reserve - To finance future capital expenditure.

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

Pay Inflation Reserve - To mitigate against the volatility and budgetary risk of future pay settlements.

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.

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.

Ukrainian Support Reserve - Created from unspent Welsh and UK Government funding to cover future costs related to housing and supporting Ukrainian refugees.

Service Reserves - Held for a specific service purpose and maintained to support and develop service delivery, mitigate specific service risk, or support collaborative arrangements.

10.5 School Balances

The balance on the Council Fund includes £4,255,675 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 2021 £	In Year Movement £	At 31st March 2022 £	In Year Movement £	At 31st March 2023 £
Comprehensives					
Caldicot	229,408	578,377	807,785	(580,286)	227,499
Chepstow	(86,801)	(38,133)	(124,934)	(227,517)	(352,451)
King Henry VIII	197,496	558,635	756,131	29,048	785,180
Monmouth	214,192	600,066	814,258	(215,066)	599,192
Sub Total Comprehensives	**554,294**	**1,698,946**	**2,253,240**	**(993,820)**	**1,259,420**
Primaries					
Archbishop R Williams	206,397	(35,075)	171,322	(140,262)	31,060
Cantref	199,797	54,295	254,092	(57,742)	196,350
Castle Park	121,853	37,445	159,297	(54,000)	105,297
Cross Ash	82,470	(2,715)	79,755	21,699	101,453

Deri View	148,109	41,681	189,790	(163,465)	26,326
Dewstow	237,811	120,805	358,616	(83,558)	275,059
Durand	77,884	27,095	104,979	(49,781)	55,199
Gilwern	166,852	64,103	230,955	(79,190)	151,764
Goytre Fawr	91,540	26,195	117,735	(45,610)	72,125
Kymin View	135,305	(1,591)	133,714	(45,337)	88,378
Llandogo	(86,830)	87,044	214	(6,156)	(5,941)
Llanfoist	93,433	125,986	219,420	(47,985)	171,434
Llantilio Pertholey	67,215	42,483	109,698	(36,984)	72,714
Llanvihangel Crucorney	104,670	32,152	136,822	(17,602)	119,219
Magor Vol Aided	117,202	79,614	196,816	18,960	215,776
New Pembroke Primary	125,507	93,161	218,668	(15,360)	203,307
Osbaston Church in Wales	40,609	52,538	93,147	(80,396)	12,750
Our Lady's & St Michael's Catholic Primary	54,393	4,256	58,648	(75,726)	(17,078)
Overmonnow	41,104	121,366	162,470	(154,809)	7,662
Raglan	108,878	51,715	160,593	34,892	195,485
Rogiet	78,095	11,128	89,222	(67,784)	21,439
Shirenewton	176,246	63,046	239,291	(53,954)	185,338
St Mary's (Chepstow)	20,860	84,072	104,932	(9,908)	95,024
The Dell	48,410	98,429	146,839	(170,750)	(23,912)
Thornwell	64,887	45,735	110,622	(106,365)	4,257
Trellech	115,691	38,248	153,939	3,753	157,692
Undy	6,370	204,273	210,643	(43,618)	167,025
Usk CV	143,055	127,785	270,840	(2,545)	268,295
Ysgol Gymraeg Y Fenni	34,367	37,648	72,015	(51,227)	20,789
Ysgol Gymraeg Ffin	15,638	51,145	66,783	(14,105)	52,678
Sub Total Primaries	2,837,815	1,784,063	4,621,878	(1,594,915)	3,026,963
Other					
Pupil Referral Unit	26,012	53,454	79,466	(110,173)	(30,707)
Sub Total Other	26,012	53,454	79,466	(110,173)	(30,707)
Total	**3,418,121**	3,536,463	**6,954,584**	(2,698,908)	**4,255,676**

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.

2021/22 £000		**2022/23 £000**
9,581	Balance as at 1st April	9,091
2,680	Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,680
278	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	203
(3,448)	*Less:* use of the Capital Receipts Reserve to finance new capital expenditure	(4,128)
9,091	**Balance as at 31st March**	**12,846**

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.

2021/22 £000		2022/23 £000
38,407	Balance at 1 April	46,036
13,523	Upward revaluation of assets	34,572
(1,319)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(94)
(2,483)	Difference between fair value depreciation and historical cost depreciation	(3,143)
(2,092)	Accumulated gains on assets sold or scrapped	0
46,036	**Balance at 31 March**	**77,372**

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.

2021/22 £000		2022/23 £000
166,592	Balance at 1 April	180,280
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(18,781)	Charges for depreciation and impairment of property, plant and equipment assets	(18,233)
(79)	Impairment of Heritage assets	(179)
5,800	Revaluation movements on Property, Plant and Equipment	13,697
530	Revaluation movements on Assets Held for Sale	0
(54)	Amortisation & impairment of intangible assets	(54)
(1,932)	Revenue expenditure funded from capital under statute	(3,840)
(1,079)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,140)
(176)	Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(211)
2,483	Adjusting amounts written out of the Revaluation Reserve	3,143
(235)	CCRCD CAA	1,232

3,448	Use of the Capital Receipts Reserve to finance new capital expenditure	4,128
13,553	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	27,539
6,369	Statutory provision for the financing of capital investment charged against the Council Fund	6,642
234	Capital expenditure charged against the Council Fund	393
3,608	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(18)
180,280	**Balance at 31 March**	**210,379**

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.

2021/22 £000		2022/23 £000
(306,704)	Balance at 1 April	(259,212)
71,664	Remeasurement gains or (losses) on pension assets and liabilities	225,757
(38,874)	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	(40,447)
14,702	Employer's pensions contributions and direct payments to pensioners payable in the year	17,326
(259,212)	**Balance at 31 March**	**(56,576)**

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 note 17.8 to the accounts.

2021/22 £000		2022/23 £000
(4,111)	Balance at 1 April	(3,976)
4,110	Settlement or cancellation of accrual made at the end of the preceding year	3,973
(3,973)	Amounts accrued at the end of the current year	(4,352)
(1)	Share of CCRCD	1
(3,976)	**Balance at 31 March**	**(4,353)**

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 2023 is primarily made up of £2.5m relating to the Old Abergavenny cattle market site disposed of under a finance lease and £0.9m relating to the phased receipts agreed for the disposal of the Hilston Park site.

2021/22 £000		2022/23 £000
2,692	Balance at 1 April	3,612
(102)	Transfer to the Capital Receipts Reserve upon receipt of cash	(203)
1,022	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
3,612	**Balance at 31 March**	**3,409**

11 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

11.1 Expenditure and Funding Analysis

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

2021/22				2022/23		
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
57,494	486	57,980	Children & Young People	60,658	(3,725)	56,933
52,658	6,241	58,899	Social Care & Health	62,855	6,656	69,510
19,523	13,190	32,712	Communities & Place	22,921	14,298	37,219
3,622	2,672	6,294	Monlife	4,476	2,806	7,282
2,676	387	3,063	Chief Executives Unit	1,558	914	2,471
3,542	1,013	4,554	People & Governance	4,879	1,254	6,133
4,293	10,509	14,803	Resources	8,385	10,246	18,631
22,937	(21,494)	1,443	Corporate	24,512	(22,633)	1,879
0	(142)	(142)	Cardiff Capital Region City Deal (CCRCD)	0	(20)	(20)
166,744	**12,862**	**179,607**	**Cost of Services**	**190,244**	**9,796**	**200,040**
234	21,296	21,530	Other operating expenditure	0	22,505	22,505
11,439	(8,277)	3,162	Financing and investment income and expenditure	2,214	3,866	6,079
(180,038)	(21,061)	(201,098)	Taxation and non-specific grant income and expenditure	(193,035)	(36,411)	(229,446)
(168,365)	**(8,042)**	**(176,407)**	**Other Income & Expenditure**	**(190,821)**	**(10,041)**	**(200,861)**
(1,621)	**4,821**	**3,200**	**Surplus or Deficit**	**(577)**	**(245)**	**(822)**
(8,906)			Opening General Fund Balance	(10,528)		
(1,621)			Surplus or Deficit on General Fund	(577)		
(10,528)			**Closing General Fund Balance**	**(11,105)**		

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

2021/22					2022/23			
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
2,668	3,398	(5,580)	486	Children & Young People	(6,287)	2,816	(254)	(3,725)
1,164	5,855	(778)	6,241	Social Care & Health	2,481	4,878	(702)	6,656
7,573	4,987	630	13,190	Communities & Place	7,291	4,657	2,351	14,298
1,503	1,520		3,023	Monlife	1,828	1,465	(487)	2,806
132	556	(301)	387	Chief Executives Unit	491	571	(148)	914

97	620	296	1,013	People & Governance	278	715	260	1,254
1,593	1,048	7,868	10,509	Resources	2,549	794	6,904	10,246
0	(119)	(21,375)	(21,494)	Corporate	320	(322)	(22,630)	(22,633)
0	0	(142)	(142)	Cardiff Capital Region City Deal (CCRCD)	0	0	(20)	(20)
14,731	**17,865**	**(19,383)**	**13,214**	**Cost of Services**	**8,950**	**15,573**	**(14,726)**	**9,796**
(20,174)	**6,307**	**5,826**	**(8,041)**	**Other Income & Expenditure**	**(34,440)**	**7,208**	**17,191**	**(10,041)**
(5,443)	**24,172**	**(13,557)**	**5,172**	**Adjustments between the Funding & Accounting Basis**	**(25,490)**	**22,781**	**2,465**	**(245)**

11.2 Expenditure & Income analysed by nature

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

2021/22 £000		2022/23 £000
153,310	Employee benefits expenses	165,668
143,089	Other services expenses	150,687
18,342	Depreciation, amortisation and impairment	15,700
21,375	Precepts & levies	22,629
3,381	Interest payments	4,595
3,407	Gain/loss on disposal of non-current assets	4,140
342,903	**Total Expenditure**	**363,419**
(60,088)	Fees, charges & other service income	(64,383)
(343)	Interest and investment income	(4,059)
(116,459)	Income from council tax & NNDR	(122,988)
(159,108)	External grants and contributions	(165,342)
(3,704)	Gain/loss on disposal of non-current assets	(7,469)
(339,703)	**Total Income**	**(364,241)**
3,200	**Surplus or Deficit on the Provision of Services**	**(822)**

11.3 Financing and Investment Income and Expenditure

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

31st March 2022					31st March 2023		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,381	-	3,381	Interest payable and similar charges	13.2	4,587	0	4,587
6,307	-	6,307	Pensions interest cost and expected return on pensions assets	14.3	7,208	0	7,208
-	(303)	(303)	Interest receivable and similar income	13.2	-	(1,049)	(1,049)
-	(10)	(10)	Interest receivable and similar income: CCRCD share		-	(96)	(96)

4,925	(11,880)	(6,955)	Income and expenditure in relation to investment properties and changes in their fair value		9,962	(15,168)	(5,206)
3,566	(2,816)	750	(Surpluses)/deficits on trading undertakings not included in the Net Cost of Services		2,997	(2,502)	495
-	(15)	(15)	Other investment income		-	(7)	(7)
18,179	**(15,024)**	**3,155**	**Total Financing and Investment Income and Expenditure**		**24,754**	**(18,823)**	**5,932**

11.4 Agency Income & expenditure

There have been a large number of new grants and financial support made available by Welsh & UK Government to support the additional services required as a result of the Covid 19 pandemic and to support the people displaced by the Ukraine war. Local Authorities have been requested to administer these grants on the Welsh Government's behalf because they have the local knowledge and ability to put in place systems quickly to make payments.

A payment was also made to Cardiff City Council to facilliate a CCRCD transaction which was matched by a corresponding receipt for the same amount. As this is a transcation was made on behalf of Cardiff City Council and not relating directly to Monmouthshire's provision of service it has been treated as Agency income & expenditure.

The Council acted as an agent in the provision of the following funding streams:

Amount Received 2021/22 (£000's)	Scheme	Purpose	Amount Received 2022/23 (£000's)
362	**Business Support Grants**	Grants to support businesses during lockdown closures	0
1,474	**NDR Relief grants**	Grants given to retail, leisure and hospitality businesses	17
18	**Covid-19 Freelancer Grant**	Payment available for freelancers in the culture sector of up to £2.5k	0
147	**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	127
1,002	**Self Isolation Payments**	£500 & £750 payments for eligible individuals who have to self isolate.	131
1,894	**Care Workers £735 Payments**	Bonus payment for individual care workers	0
0	**Care Workers £1,498 Payments**	Bonus payment for individual care workers	3,249
0	**Unpaid Carers**	Payment to Carers in receipt of Carers Allowance	375
476	**Winter Fuel Payments**	£200 Winter Fuel Support Scheme	1,374
0	**Cost of Living Support Scheme - Main**	£150 support payment	2,949
0	**Ukraine £200**	Each Ukrainian person arriving in the UK is eligible for a £200 cash payment to support them with essentials before universal credit is awarded	115
0	**Ukraine £350 Host Payments**	£350 paid per month to hosts of Ukrainian family units	343
0	**Cardiff City Council**	Payment on behalf of Cardiff City Council to faciliatate CCRCD transaction	2,598
5,373	**Total**		**11,278**

These transactions are not included the figures reported in the primary statements or as part of the other disclosure notes to these accounts.

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 £47,372.80 for 2022/23 (£46,711.94 for 2021/22).

This average basic amount for a Band D property, £1,847.25 (£1,785.68 in 2021/22), 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	1/1	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	512	3,408	7,100	9,312	7,471	7,970	5,475	1,778	664
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:

2021/22 £000		2022/23 £000
(84,441)	Council tax collectable	(88,235)
251	Provision for non-payment of council tax	349
(84,190)	**Total Council Tax proceeds**	**(87,886)**

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 2022/23 (0.535p per £ in 2021/22) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The NNDR income after relief and provisions of £24,212,404 (£23,836,768 for 2021/22) was based on an average rateable value of £59,551,181 (£60,009,711 for 2021/22).

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 2022/23 was £34.75m (£32.02m in 2021/22).

A net debtor of £2,408,884 at 31st March 2023 (£3,385,117 debtor as at 31st March 2022) 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 2022/23:

2021/22 £000		2022/23 £000
2,438	WG General Capital Grant	3,593
509	Section 106 Developer Contributions	1,086
12,078	WG Grants	25,862
0	Other Contributions	0
15,025	**Total**	**30,541**

	Credited to the Comprehensive Income and Expenditure Statement:	
(1,472)	Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute	(3,001)
(13,553)	Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income	(27,539)
(15,025)	**Total**	**(30,541)**

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:

2021/22 £000		2022/23 £000
	Developer Contributions held in Advance:	
2,820	S106 Developer contributions	4,612
2,820	**Total**	**4,612**

Revenue Grants and Contributions

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

2021/22 £000 (Restated)		2022/23 £000
	Revenue Grants credited to services	
	Central Government:	
16,714	Housing Benefit Subsidy	15,798
	Welsh Government:	
11,783	Education - General Grants - EIG/PDG/LAEG	9,504
0	Ukrainian Support Fund	6,821
4,238	Education - Post-16 Funding	4,101
2,784	Housing Support Grant (Supporting People)	2,812
566	Concessionary Fares, Transport Subsidy	1,782
0	Community Renewal Fund	1,646
1,200	Education - Children & Communities	1,445
0	Universal Free School Meals	951
823	INFUSE - Innovating Public Services	783
0	Educational support for Ukrainians	757
0	Homelessness - No one left out grant	754
646	Families First	731
0	Eliminate Agenda	569
0	Radical reform	527
675	Waste Management	484
1,018	Welsh Government Covid-19 Funding General	480
251	Floods and SUDS	397
0	WLGA - EV Charging Infrastructure Grant	300
409	Rural Development Plan	131
404	WG 20mph Scheme (Monmouthshire)	120
2,728	WG - LA Social Care Recovery Fund	0

3,617	Welsh Government Covid-19 Hardship fund - Income loss Support	18
10,733	Welsh Government Covid-19 Hardship fund - Expenditure Support**	2,622
6,354	Other WG grants	5,950
	Home Office:	
107	Support Afghan / Syrian / Unaccompanied Asylum Seekers	367
152	Police and Crime Commissioner	85
1,243	Regional Partnership Board - Social Care	0
2,485	***Other Grants & Contributions***	2,204
68,929	**Total Revenue Grants credited to services**	**62,140**
	Non-Specific Grant Income	
32,018	Non-Domestic Rates	34,753
71,049	Revenue Support Grant	77,524
103,067	**Total Non-Specific Grant Income**	**112,278**

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

Prior year restatement relates to recategorisation and consolidation of some grant funding streams. An additional £4.039m has been added to the total revenue grants credited to services compared to the final accounts for 2021-22.

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 2023 and 31st March 2022.

Movements in 2022/23:	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 2022	243,729	23,034	4,528	10	4,228	**275,530**	1,245
Additions	9,071	3,113	48		17,135	**29,366**	
Revaluation movements taken to Revaluation Reserve	24,958					**24,958**	240
Revaluation movements taken to Surplus/Deficit on Provision of Services	10,720					**10,720**	0
Impairment movements taken to Surplus/Deficit on Provision of Services	(1,401)	(507)	(48)			**(1,956)**	
Reclassified (to)/from Held for Sale		(514)				**(514)**	
Disposals						**0**	
Other reclassifications	2,699				(2,699)	**0**	
Movement in CCRCD Assets		92			38	**130**	
At 31st March 2023	**289,776**	**25,218**	**4,528**	**10**	**18,702**	**338,235**	**1,485**
Accumulated Depreciation:							
At 1st April 2022	(1,089)	(11,937)	-	-	-	**(13,026)**	0
Depreciation charge	(9,630)	(2,124)				**(11,754)**	(42)
Depreciation written out on revaluation to Revaluation Reserve	5,108					**5,108**	42
Depreciation written out on revaluation to Surplus/Deficit on Provision of Services	2,977					**2,977**	0
Depreciation written out on impairment to Surplus/Deficit on Provision of Services						**0**	
Reclassified to/(from) Held for Sale		514				**514**	
Disposals						**0**	
Other reclassifications						**0**	
Movement in CCRCD Assets		(39)				**(39)**	
At 31st March 2023	**(2,634)**	**(13,585)**	**0**	**0**	**0**	**(16,219)**	**0**
Net Book Value:	**287,142**	**11,633**	**4,528**	**10**	**18,702**	**322,016**	**1,485**

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		(2,975)				(2,975)	
Disposals						0	
Other reclassifications	(15)				(152)	(167)	
Movement in CCRCD 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)	-	-	-	(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	
Movement in CCRCD Assets		(37)				(37)	
At 31st March 2022	**(1,089)**	**(11,937)**	**-**	**-**	**-**	**(13,026)**	**0**
Net Book Value:	**242,640**	**11,097**	**4,528**	**10**	**4,228**	**262,504**	**1,245**

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.

2021/22 £000		2022/23 £000
73,613	**Net Book Value At 1 April**	77,363
9,943	Additions	8,917
0	Derecognition	0
(2,465)	Depreciation	(2,580)
(3,728)	Impairment	(1,943)
0	Other Movements in Costs	0
77,363	**Net Book Value At 31 March**	81,758

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 2022/23 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 2023. The valuations carried out during 2022/23 included Community Centres, Corporate Facilities, Hubs & Public Contact Centres and Recreational Spaces
- In addition to the rolling programme of revaluations any DRC assets not individually revalued were uplifted in line with movements in the BICS All In Tender Price Index. This indexation was undertaken due to the high levels of inflation seen in the year which increased the risk of potential misstatement in carrying value of assets.

	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	11,633	4,528	10	18,703	34,875
Valued at current value as at:						
31st March 2023	166,470	-	-	-	-	166,470
31st March 2022	96,006	-	-	-	-	96,006
31st March 2021	6,406	-	-	-	-	6,406
31st March 2020	17,746	-	-	-	-	17,746
31st March 2019	513	-	-	-	-	513
Total Cost or Valuation	287,141	11,633	4,528	10	18,703	322,016

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 (£4,278,080 as at 31st March 2023) as the transfer of legal ownership to the third party is yet to be concluded.

With regards to voluntary aided schools within Monmouthshire, and similar to voluntary controlled schools, the assets are owned by 3rd party organisations and are not recorded on the Authority's balance sheet other than Osbaston Primary (£1,750,302 as at 31st March 2023) as the transfer of legal ownership to the third party is yet to be concluded.

The net book value of school non-current assets as at 31st March 2023, shown in the Authority's balance sheet, is £205,950,442 (£159,141,677 as at 31st March 2022).

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 2023 being £1,485,227 (£1,245,399 at 31st March 2022).

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:

2021/22 £000		2022/23 £000
(5,026)	Rental income from investment property	(4,942)
2,358	Direct operating expenses arising from investment property	3,193
(2,667)	**Net (gain)/loss**	**(1,749)**

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

2021/22 £000		2022/23 £000
65,304	Balance at start of the year	68,620
233	Additions	271
(526)	Disposals	(4,140)
3,607	Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure	(18)
5	Transfers (to)/from Property, Plant and Equipment	0

(3)	Movement in CCRCD balances	2,128
68,620	**Balance at end of the year**	**66,862**

Capital receipts totalling £7,343,566 were credited to the Capital receipts reserve during 2022/23 in relation to investment properties (£1,992,620 in 2021/22).

Fair Value Hierarchy

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

2021/22					**2022/23**			
Quoted Prices in active markets for identical assets	Other Observable inputs	Significant Unobservable inputs		Type of Property	active markets for identical assets	Other Observable inputs	Significant Unobservable inputs	
Level 1	Level 2	Level 3	**Total**		Level 1	Level 2	Level 3	**Total**
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**
		115	115	Freehold Reversions			111	111
	32,936		32,936	Agricultural Properties		27,646		27,646
		1,521	1,521	Retail Units			1,356	1,356
		1,894	1,894	Industrial Properties			2,183	2,183
		5,389	5,389	Solar Farm			5,485	5,485
		1,778	1,778	Share of CCRCD Asset			3,907	3,907
		24,987	24,987	Properties acquired for rental income			26,176	26,176
0	**32,936**	**35,684**	**68,620**		**0**	**27,646**	**39,216**	**66,862**

There have been no transfers between levels during the year. The authorities share in CCRCD 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 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:

2021/22 £000		**2022/23 £000**
35,613	Balance at start of the year	35,684

0	Transfers (to)/from Level 3	0
(15)	Additions	0
0	Disposals	0
87	Net gains/(losses) from fair value adjustments included in Surplus or Deficit on the Provision of Services	3,532
35,685	**Balance at end of the year**	**39,216**

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 2023 are shown below:

2021/22 £000		2022/23 £000
2,569	Balance outstanding at start of year	1,000
0	Additions	0
3	Assets newly classified as held for sale: From Plant, Property & Equipment	0
0	Assets declassified as held for sale: To Plant, Property & Equipment	0
1,074	Revaluation gains	0
0	Revaluation losses	0
0	Impairment losses	0
(2,645)	Assets sold	0
1,000	**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 2021	149	4,488	156	**4,792**
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**
Cost or Valuation:				
Additions	274	0	0	**274**
Revaluation increases/(decreases) recognised in the SDPS	0	0	0	**0**
Revaluation increases/ (decreases) taken to Revaluation Reserve	0	4,413	0	**4,413**
Impairment (losses)/reversals recognised in the SDPS	(179)	0	0	**(179)**
Reclassified from property, plant and equipment	0	0	0	**0**
31st March 2023	**322**	**8,901**	**156**	**9,378**

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 2022.

The most significant museum exhibit is the Nelson collection which is included on the balance sheet at a valuation of £8.7m. This collection was revalued externally during the year and the estimated value has increased by £4.4m since the previous valuation carried out 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.

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 2022 £000		31st March 2023 £000
189,235	Opening Capital Financing Requirement	189,370
	Capital investment:	
	Enhancing value:	
13,721	Property, plant and equipment	32,020
(15)	Investment properties	0
1,859	Vehicles	2,364
79	Heritage assets	94
	Not enhancing value:	
5,834	Property, plant and equipment	3,899
247	Investment properties	271
0	Intangible assets	0
0	Assets held for sale	0
79	Heritage assets	179
3,404	Revenue Expenditure Funded from Capital under Statute	6,841
	Sources of finance:	
(3,448)	Capital receipts	(4,128)
(2,438)	General Capital Grant	(3,593)
(12,078)	Capital Grants and Contributions	(25,862)
(509)	S106 Contributions	(1,086)
(234)	Direct revenue contributions	(393)
	Other:	
(6,369)	Minimum revenue provision	(6,642)
189,370	**Closing Capital Financing Requirement**	**193,336**
	Explanation of movements in year:	
2,431	Increase in underlying need to borrowing - supported by Government financial assistance	2,431
4,072	Increase in underlying need to borrowing - unsupported by Government financial assistance	8,177
(6,369)	*Less:* Minimum revenue provision	(6,642)
134	**Increase / (decrease) in Capital Financing Requirement**	**3,966**

12.9 Capital Commitments

At 31st March 2023, the Authority had entered into 8 major contracts (those individually £200,000 and more) for the construction of Property, Plant and Equipment in 2022/23 and later years, budgeted to cost a total of £55,886,949 (£5,581,423 at 31st March 2022). The major commitments are as follows and are not included in the financial statements within this document.

	£000
RE:FIT Programme	261
Tintern Wirework Bridge works	439
Neville Hall & Frogmore Street Bus Stop Grant	430
ATF - Caldicot Church Road Connections	545
Y Ffin Additional Classroom	224
MUCH Project (Magor with Undy Community Hall)	391
Crick Road Care Home	679
King Henry VIII Future Schools	52,919
	55,887

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 2022/23 was £6,642,105 (£6,368,725 in 2021/22).

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:

2021/22 £000		2022/23 £000
2,838	Not later than one year	2,280
7,088	Later than one year and not later than five years	7,160
10,377	Later than five years	8,719
20,304		**18,159**

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.

2021/22			2022/23	
Present Value of Minimum Lease Payments to the Authority	Gross Amount outstanding from Lessee		Present Value of Minimum Lease Payments to the Authority	Gross Amount outstanding from Lessee
£000			£000	
156	160	Not later than one year	156	160
592	640	Later than one year and not later than five years	592	640
1,806	2,400	Later than five years	1,703	2,240
2,554	**3,200**		**2,451**	**3,040**

The present value of the minimum lease payments has reduced during 2022/23 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 for fixed periods of time by entering into operating lease agreements.

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £296,831 (£324,288 in 2021/22).

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

2021/22 £000		2022/23 £000
251	Not later than one year	239
624	Later than one year and not later than five years	460
153	Later than five years	100
1,028		**799**

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 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.

The following categories of financial assets are carried in the Balance Sheet as at 31st March 2023:

Long-Term 31st March 2022 £000	Short-Term 31st March 2022 £000		Note	Long-Term 31st March 2023 £000	Short-Term 31st March 2023 £000
		Financial Assets			
		Investments at amortised Cost:			
1,003	14,184	Principal invested	13.4	1,334	13,271
		Accrued Interest			
		Investments at fair value through other comprehensive income:			
	3,986	Equity Investments elected FVOCI			3,581
		Investments at fair value through profit & loss:			
183		Unquoted equity investments	13.4	(4)	
1,186	**18,170**	**Total Investments**		**1,330**	**16,852**
		Cash & Cash Equivalents at amortised cost:			
	34,108	Principal	15.3		24,723
		Accrued Interest			
0	**34,108**	**Total Cash & Cash Equivalents**		**0**	**24,723**
		At amortised cost:			
	8,640	Trade Receivables			12,462
	(575)	Loss allowance			(689)

2,452	103	Lease Receivables		2,347	105
204	(4)	Loans made for service purposes		199	(5)
2,656	**8,164**	**Included in Debtors**	**13.5**	**2,546**	**11,872**
3,841	**60,442**	**Sub-Total Financial Assets**		**3,876**	**53,447**
	1,636				1,529
1,001	33,830	Debtors which are not Financial Instruments	13.5	1,012	46,418
4,842	**95,907**	**Total Financial Assets**		**4,888**	**101,394**

Long-Term 31st March 2022 £000	Short-Term 31st March 2022 £000		Note	Long-Term 31st March 2023 £000	Short-Term 31st March 2023 £000

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 2023:

		Financial Liabilities			
		Loans at amortised Cost:			
(104,297)	(71,169)	Principal sum borrowed		(133,046)	(65,654)
	(732)	Accrued Interest			(1,502)
(27)	(1)	EIR adjustments		(26)	(1)
(104,324)	**(71,903)**	**Total Borrowings**	**13.4**	**(133,072)**	**(67,156)**
		Loans at amortised Cost:			
	(1,680)	Cash & cash equivalents	15.3		(802)
0	**(1,680)**	**Total Cash & Cash Equivalents**		**0**	**(802)**
		Liabilities at amortised Cost:			
(642)		PFI and finance lease liabilities		(609)	
(1,608)		Other Long Term Liabilities		(1,629)	
(2,250)	**0**	**Total Other Long Term Liabilities**		**(2,238)**	**0**
		Liabilities at amortised Cost:			
	(2,366)	Trade Payables			(4,854)
0	**(2,366)**	**Included in Short Term Creditors**	**13.6**	**0**	**(4,854)**
(106,574)	**(75,948)**	**Total Financial Liabilities**		**(135,310)**	**(72,813)**
	(55,059)	Short term creditors which are not Financial Instruments	13.6		(41,016)
(266,323)	(519)	Other Current & long term liabilities which are not Financial Instruments:		(66,360)	(404)
(372,897)	**(131,526)**	**Total Balance Sheet Liabilities**		**(201,671)**	**(114,233)**

Equity instruments elected to fair value through OCI

31st March 2022 £000	31st March 2022 £000	31st March 2022 £000		31st March 2023 £000	31st March 2023 £000	31st March 2023 £000
Fair value	OCI	Dividends		Fair value	OCI	Dividends
2,024	485	84	Kames Capital diversified monthly income fund	1,775	(249)	101
1,443	442	37	Investec Asset Management Ltd diversified income fund	1,372	(71)	58
519	73	17	CCLA LAMIT Property Fund	433	(85)	19
3,986	**1,000**	**139**	**Total Balance Sheet Asset**	**3,581**	**(405)**	**178**

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 2022 £000					31st March 2023 £000
	Financial Liabilities measured at:	**Fair value though P&L**	**Fair value through OCI**	**Fair value through OCI - elected**	**Amortised cost**
16	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
3,364	Other Interest expense				4,571
3,381	Subtotals	0	0	0	4,587
3,381	**Total Interest payable and similar charges**				**4,587**
	Financial assets measured at:	**Fair value though P&L**	**Fair value through OCI**	**Fair value through OCI - elected**	**Amortised cost**
(58)	Interest income relating to finance lease debtors			0	(57)
0	Interest from deferred receipts			0	0
(140)	Dividend income (elected equity instruments)			(179)	0
0	Gains on derecogntion			0	0
0	Gains from changes in fair value			0	0
0	Impairment loss reversals			0	0
(119)	Other Interest income			0	(819)
(317)	Subtotals	0	0	(179)	(877)
(317)	**Total Interest & Investment income**				**(1,056)**
3,063	**Net impact on surplus/deficit on provision of services**				**3,531**
	Impact on other comprehensive income:	**Fair value though P&L**	**Fair value through OCI**	**Fair value through OCI - elected**	**Amortised cost**
77	Gains on revaluation			0	
(64)	Losses on revaluation			405	
0	Amounts recycled to surplus/deficit on provision of services			0	
13	Subtotals	0	0	405	0
13	**Impact on other comprehensive income**				405
3,076	**Net (gain)/loss for the year**				**3,936**

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 2023, using the following methods and assumptions

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 2023, 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 2023.
- 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 2022 £000	Fair Value 31st March 2022 £000		Balance sheet position	Fair Value Level	Balance Sheet 31st March 2023 £000	Fair Value 31st March 2023 £000
		Financial liabilities held at amortised cost:				
(176,226)	(179,030)	Borrowings	Borrowing (ST & LT)	**2**	(200,229)	(175,141)
(642)	(563)	PFI and finance lease liabilities	Other LT Borrowing	**3**	(609)	(460)
(176,868)	**(179,593)**	**Subtotal**			**(200,838)**	**(175,601)**
		Financial liabilities held at amortised costs for which fair value is not disclosed:				
(1,680)		Cash & Cash equivalent	C & C E		(802)	
(2,366)		Trade payables	Short term creditors		(4,854)	
(1,608)		Net agency creditor and lease deposits	Other LT Borrowing		(1,629)	
(182,522)		**Total financial liabilities**			**(208,123)**	

The fair value of financial liabilities held at amortised cost is less than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the current rates available for similar loans at the balance sheet date. The commitment to pay interest below current market rates reduces 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 2022 £000	Fair Value 31st March 2022 £000			Fair Value Level	Balance Sheet 31st March 2023 £000	Fair Value 31st March 2023 £000
		Financial assets held at fair value:				
3,986	3,986	Equity investments elected FV through OCI	ST Investments	**2**	3,581	3,581
183	183	Unquoted equity investments held at FVP&L	LT Investments	**3**	(4)	(4)
4,168	**4,168**	**Subtotal**			**3,577**	**3,577**
		Financial assets held at amortised cost:				
2,554	2,443	Lease receivables	LT debtors	**3**	2,452	1,954
		Trade receivables - deferred receipt	LT debtors			
6,722	**6,611**	**Subtotal**			**6,028**	**5,530**
		Financial assets held at amortised cost for which fair value is not disclosed:				
34,108		Cash & Cash equivalent	C&CE		24,723	
18,170		Short term investments	ST Investments		16,852	
8,640		Trade Receivables	Short term debtors		12,462	
204		Loans made for service purposes	Long term debtors		199	
67,844		**Total financial assets**			**60,264**	

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 2021 Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities.

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 2022	Balance Short-term 31st March 2022	Counterparty Group	Investment Vehicle	Average	Country	Balance Long-term 31st March 2023	Balance Short-term 31st March 2023
£'000	£'000			rating		£'000	£'000
	14,000	UK Government	Term Deposit with DMADF	AA+	United Kingdom		13,000
		Local Authority	Term Deposit	AA+	United Kingdom		
	30,070	Bank	Term Deposit	A+	United Kingdom		21,564
		Credit risk Not applicable:					
	3,986	Pooled funds			United Kingdom		3,581
1,063		Unquoted Equity			United Kingdom	788	
123	4,222	CCRCD				542	3,431
1,186	**52,278**	**Total Investments**				**1,330**	**41,575**

* 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 2023, £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 2023 the carrying value was £2,452,000. The fair value was £1,954,000 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 and 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 60% of the Council’s net total borrowing.

The maturity analysis of financial instruments is as follows:

31st March 2022				31st March 2023		
£000	£000	£000		£000	£000	£000
Borrowings	Investments	Net		Borrowings	Investments	Net
		The Loans Mature as follows:-				
0	(4,352)	(3,626)	No defined maturity	4	(4,390)	(4,385)
71,903	(14,000)	78,595	Less than one year	67,156	(13,000)	54,156
4,338	0	3,013	Between one and two years	7,012	0	7,012
10,014	0	13,448	Between two and five years	12,867	0	12,867
11,128	(1,003)	10,331	Between five and ten years	27,237	(792)	26,445
20,269	0	12,924	Between ten and twenty years	23,653	0	23,653
58,574	0	43,976	More than twenty years	62,298	0	62,298
176,226	**(19,355)**	**158,660**	**Total**	**200,229**	**(18,182)**	**182,047**

The Counterparty analysis of Borrowing is shown below:

31st March 2022 £000		31st March 2023 £000
87,358	Public Works Loan Board	120,792
13,812	Market Loans & Bank loans	13,811

6,031	Welsh Government	5,251
66,025	Local Government bodies	57,370
3,000	Special Purpose Vehicle	3,000
0	Other - CCRCD	4
176,226	**Total**	**200,228**

The financial liabilities due to Welsh Government at the 31st March 2023 are the outstanding balances from interest free loans provided to fund energy saving Street Lighting & Refit 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 2022/23 treasury strategy includes a limit on the Authority's exposure to interest rate risk. A limit of 60% applies to the percentage of short term debt to total debt.

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 2022/23, on borrowings and investments held at the 31st March 2023, 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 2022 £000	Effect of a 1% increase in interest rates	31st March 2023 £000
491	Increase in interest payable on borrowings	437
(136)	Increase in interest receivable on investments	(128)
0	Decrease in fair value of investments held at FVP&L	0

354	**Impact on Surplus or Deficit on the Provision of Services**	**310**
(11,828)	Decrease in fair value of fixed rate borrowing *	(11,043)

* 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. 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 2023, 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 2022					31st March 2023			
Long Term £000	Short Term £000	Impairment £000	Net £000		Long £000	Short Term £000	Impairment £000	Net £000
				Central Government Bodies:				
	17,426		17,426	Welsh Government		26,683		26,683
	1,549		1,549	HM Customs & Excise		2,330		2,330
	2,993		2,993	NNDR Debtor		3,099		3,099
	0		0	Council Tax and Housing Benefit Subsidy		0		0
			0	Other				0
				Other entities and individuals.				
	4,600	(17)	4,583	Other Local Authorities		7,111	(7)	7,104
			0	Deferred Capital receipts				0
2,452			2,452	Finance Lease	2,347			2,347
	6,825	(69)	6,756	Revenue debtors		4,713	(71)	4,642
	3,771	(2,146)	1,625	Council tax arrears		5,213	(2,494)	2,718
	1,744	(118)	1,626	Corporate sundry debtors		3,064	(174)	2,890
	1,295	(741)	554	Housing benefit overpayments		1,288	(748)	540
	2,663	(10)	2,653	NHS Bodies		5,958	0	5,958
	1,171	(181)	990	Social Services debtors		1,437	(205)	1,232
	379	(249)	130	Rent arrears		489	(304)	185
	734		734	Capital debtors		229		229
196			196	Housing Advances	191			191
1,009	373		1,382	Other	1,020	678		1,698
3,657	**45,525**	**-3,531**	**45,650**	**Total Debtors**	**3,558**	**62,291**	**-4,002**	**61,848**

The aged analysis of short term debtors outstanding as at 31st March 2023 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	26,589	94	0	0	0	**26,683**
HM Customs & Excise	2,330	0	0	0	0	**2,330**
NNDR Debtor	2,359	0	169	116	455	**3,099**
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	3,155	3,542	264	151	0	**7,111**
Deferred Capital receipts	0	0	0	0	0	**0**
Finance Leases	0	0	0	0	0	**0**
Revenue debtors	4,588	1	34	44	46	**4,713**
Council tax arrears	0	0	1,186	1,135	2,892	**5,213**
Corporate sundry debtors	263	2,392	183	113	112	**3,064**
Housing benefit overpayments	0	0	333	169	786	**1,288**
NHS Bodies	3,300	2,602	56	0	0	**5,958**
Social Services sundry debtors	46	295	661	251	184	**1,436**
Rent arrears	124	46	54	41	224	**489**
Capital debtors	229	0	0	0	0	**229**
Housing Advances	0	0	0	0	0	**0**
Other	678	0	0	0	0	**678**
Total	**43,660**	**8,972**	**2,941**	**2,020**	**4,698**	**62,292**

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2023 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
Other Local Authorities	0	0	5	2	0	7
NHS Bodies	0	0	0	0	0	0
Revenue debtors	0	0	17	21	33	71
Council Tax Arrears	0	0	568	543	1,383	2,494
Social Services sundry debtors	0	31	51	49	75	205
Corporate sundry debtors	0	3	73	41	57	174
Rent arrears	0	9	30	41	224	304
Housing benefit overpayments	0	0	59	37	652	748
Total	**0**	**42**	**802**	**734**	**2,423**	**4,002**

13.6 Creditors

It is the Authority's policy to pay creditors promptly, without undue delay and within mutually agreed terms. 97.25% of payments were paid within a 30 day target settlement date (97.54% in 2021/22).

The nature and value of payments due to be made by the Council in the year but not actually made as at 31st March 2023 is summarised below:

31st March 2022 Restated £000		31st March 2023 £000
4,896	Central Government Bodies	3,980
4,736	Other Local Authorities	5,944
1,300	NHS Bodies	1,071
8,492	Capital Creditors	4,853
34,028	Other entities & individuals	25,670
3,973	Accumulating Compensated Absences	4,352
57,424	**Total**	**45,870**

** 2021/22 restated to reflect an adjustment between provisions and creditors in relation to accumulated absence balances

13.7 Provisions and Contingent Liabilities

The value of provisions as at 31st March 2023, together with their movement for the year, is summarised below:

	Note	As at 1st April 2022 £000	New or increased Provisions £000	Used or reduced Provisions £000	As at 31st March 2023 £000
Insurance Claims	13.7a	1,006	434	(632)	809
Insurance Claims - MMI	13.7b	31	0	(31)	0
CCRCD Consolidation		152	18	0	170
Total		**1,189**	**453**	**(663)**	**979**

** 1st April 2022 restated to reflect an adjustment between provisions and creditors in relation to accumulated absence balances

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 2022 £000	Long Term 31st March 2022 £000		Current 31st March 2023 £000	Long Term 31st March 2023 £000
503	503	Insurance Claims	404	404
16	16	Insurance Claims - MMI	0	0
0	152	CCRCD Consolidation	0	170
519	**671**	**Total**	**404**	**574**

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 in 2022 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 2023. 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 2023 was £808,577 (£1,006,362 at 31st March 2022) and the balance on the insurance and risk management reserve as at 31st March 2023 was £924,997 (£836,094 as at 31st March 2022). 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 2022 £000		31st March 2023 £000
835	Public Liability	723
171	Employer's Liability	86
1,006	**Total**	**809**

b) Municipal Mutual Insurance (MMI)

For the policy years before 1992/93, the local authority has been 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 2023, no provision is required as no future scheme liabilities are now estimated for the Authority.

c) 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. This financial year is the last remaining year of this indemnity.

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 £7.875 million (£7,176 million as at 31st March 2022) , 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 2023) is £138,852 (previously £125,021 for the period 21st January 2008 to 31st March 2022).

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 2022/23 totalled £6,474,000 (£6,087,000 in 2021/22) 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 £559,992 of contributions remaining payable to the scheme at the year end (£514,246 at 31st March 2022). 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

14.2 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 2023 is split as follows, along with the weighted average duration of each group:

2021/22 £000's	2021/22 %		2022/23 £000's	2022/23 %	Average Age (Years)
373,917	53%	Active	212,099	42%	52
128,850	18%	Deferred	74,158	15%	52
201,808	29%	Pensioners	214,342	43%	69
704,575	**100%**	**Total**	**500,599**	**100%**	

A breakdown of the investments held by the Greater Gwent pension fund, quoted and unquoted is given in 14.7 giving an indication of the level of diversification and therefore risk within the 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 2023 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 2021/22 £000's	Teachers' Unfunded Discretionary Benefits 2021/22 £000's		Local Government Pension Scheme 2022/23 £000's	Teachers' Unfunded Discretionary Benefits 2022/23 £000's
		Comprehensive Income and Expenditure Account		
		Net Cost of Services:		
32,387	0	current service cost	33,015	0
180	0	past service cost / (gain) including curtailments	224	0
0	0	settlement gain	0	0
32,567	**0**	**Total Net Cost of Services**	**33,239**	**0**
		Financing and Investment Income and Expenditure:		
14,740	75	interest cost on pension liabilities	19,396	89
(8,508)	0	interest income on plan assets	(12,277)	0
0	0	Impact of asset ceiling on net interest	0	0

38,799	**75**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**40,358**	**89**
		Other Comprehensive Income and Expenditure:		
(71,489)	(174)	(Gains) and losses on remeasurement	(225,290)	(466)
0	0	Effect of business combinations and disposals	0	0
(71,489)	**(174)**	**Total Other Comprehensive Income and Expenditure**	**(225,290)**	**(466)**
(32,690)	**(99)**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(184,932)**	**(377)**
		Movement in Reserves Statement		
(38,799)	(75)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(40,358)	(89)
		Actual amount charged against the Council Fund for pensions in the year:		
14,330	373	employers' contributions payable to scheme	16,984	343

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 2024 is £16,372,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2023 are £374,000.

Statutory arrangements are in place to ensure that the financial position of the fund remains healthy. In the 31 March 2022 Actuarial Valuation, a shortfall of 3% 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 20 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 2022.

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

Financial Assumptions	Local Government Pension Scheme & Teachers Unfunded Discretionary Benefits		
	31st March 2023	31st March 2022	31st March 2021
Rate of increase in salaries	3.5%	3.5%	3.2%
Rate of increase in pensions (inline with CPI)	3.0%	3.2%	2.9%
Rate for discounting scheme liabilities	4.8%	2.7%	2.0%
Life Expectancy:			
Current male pensioner aged 65 (years)	21.0	20.5	20.7
Current female pensioner aged 65 (years)	24.1	23.2	23.4
Future male pensioner aged 65 in 20 years' time (years)	21.9	21.8	22.1
Future female pensioner aged 65 in 20 years' time (years)	25.7	25.1	25.4

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 2023	Approximate % increase to Employer	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	9,118
0.5% increase in the Salary Increase Rate	4%	20,253
0.1% increase in the Salary Increase Rate	0%	1,131
0.1% increase in the Pension Increase Rate	2%	8,121

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 2022		Category	Quoted in Active markets	31st March 2023	
£000	%			£000	%
0	0.0%	Equities	Yes	0	0.0%
		Investment funds & Unit Trusts			
336,753	74.4%	Equities	No	332,012	73.8%
64,821	14.3%	Bonds	No	59,913	13.3%
39,840	8.8%	Other	No	46,374	10.3%
9,608	2.1%	Property	No	9,108	2.0%
1,465	0.3%	Cash accounts	No	2,334	0.5%
0	0.0%	Alternatives	No	0	0.0%
452,486	**100.0%**	**Total**		**449,740**	**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 2021/22 £000	Teachers Unfunded Discretionary Benefits 2021/22 £000		Local Government Pension Scheme 2022/23 £000	Teachers Unfunded Discretionary Benefits 2022/23 £000
424,338	**0**	**As at 1st April**	**452,486**	**0**
0	0	Settlement costs	0	0
8,508	0	Interest on plan assets	12,277	0
14,330	373	Employers contributions	16,984	343
3,792	0	Contributions by scheme participants	4,320	0

16,948	0	Gains / (losses) on remeasurement of assets	(20,156)	0
0	0	Administration expenses of plan assets	0	0
(15,430)	(373)	Benefits paid	(16,171)	(343)
452,486	**0**	**As at 31st March**	**449,740**	**0**

The Movement in Fund Liability

(727,091)	**(3,951)**	**As at 1st April**	**(708,219)**	**(3,479)**
(32,387)	0	Current service cost	(33,015)	0
(180)	0	Past service (cost) / gain (including curtailments)	(224)	0
0	0	Settlement gains	0	0
0	0	Curtailment costs	0	0
(14,740)	(75)	Interest on pension liabilities	(19,396)	(89)
(3,792)	0	Contributions by scheme participants	(4,320)	0
54,541	174	Gains / (losses) on remeasurement of liabs	245,446	466
15,430	373	Benefits paid	16,171	343
0	0	Effect of business combinations & disposals	0	0
(708,219)	**(3,479)**	**As at 31st March**	**(503,557)**	**(2,759)**

There were £1,749,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2022 £1,583,000 was payable) and £14,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£2,000 at 31 March 2022).

Within the £503,557,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2023 (£708,219,000 31 March 2022), there are £3,445,000 of unfunded liabilities (£3,908,000 as at 31st March 2022).

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:

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Local Government Pension Scheme					
Present value of scheme liabilities	(616,635)	(549,563)	(727,091)	(708,219)	(503,557)
Fair value of scheme assets	353,171	322,980	424,338	452,486	449,740
Surplus / (deficit) in the scheme	**(263,464)**	**(226,583)**	**(302,753)**	**(255,733)**	**(53,817)**
Teachers Unfunded Discretionary Benefits					
Present value of scheme liabilities	(4,749)	(3,943)	(3,951)	(3,479)	(2,759)
Fair value of scheme assets	0	0	0	0	0
Surplus / (deficit) in the scheme	**(4,749)**	**(3,943)**	**(3,951)**	**(3,479)**	**(2,759)**
Total					
Present value of scheme liabilities	(621,384)	(553,506)	(731,042)	(711,698)	(506,316)
Fair value of scheme assets	353,171	322,980	424,338	452,486	449,740
Surplus / (deficit) in the scheme	**(268,213)**	**(230,526)**	**(306,704)**	**(259,212)**	**(56,576)**
Year on year increase in net liability (or deficit)		**37,687**	**(76,178)**	**47,492**	**202,636**

There is a decrease in the combined net liability of the Greater Gwent pension funds of £202,636,000 from 1 April 2022 to 31 March 2023. This has resulted from a decrease in the value of scheme liabilities of £204.66m offset by a reduction 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

2021/22 £000		2022/23 £000
3,199	Net (surplus) or deficit on the provision of services	(822)
	Non-cash transactions:	
(12,983)	Depreciation of non-current assets	(14,600)
418	Impairment and downward valuations	9,798
(54)	Amortisation of intangible non-current assets	(54)
(391)	Increase/(decrease) in impairment for provision for bad debts	(497)
112	Increase/(decrease) in inventories	(135)
9,823	Increase/(decrease) in debtors	16,012
(14,822)	(Increase)/decrease in creditors	11,120
67	(Increase)/decrease in provisions	229
(24,172)	Pension liability	(23,121)
633	CCRCD: Capital & Revenue Grants recognised	3,032
1,363	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(1,636)
(3,171)	Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised	(4,140)
3,601	Movement in the value of investment properties	(166)
	Items classified in another classification in the cash flow statement	
1,191	Other payments for investing activities	63
9,016	Other receipts from investing activities	25,189
(33)	Other payments for financing activities	(33)
(1,441)	Other receipts for financing activities	(2,451)
3,066	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,986
(24,578)	**Net cash flows from Operating Activities**	**25,775**

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:

2021/22 £000		2022/23 £000
	Returns on Investments received:	
(289)	Interest received	(965)
(15)	Other interest and investment income	(7)
	Servicing of Finance paid:	
3,334	Interest paid	3,979
16	Interest element of finance lease rental payments	0
3,047		**3,006**

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 2022 £000	In Year Movement £000	At 31st March 2023 £000
Current Assets			
Cash held by the Authority	55	94	149
Bank current accounts	0	0	0
Short-term call account deposits	34,053	(9,479)	24,574
Current Liabilities			
Bank current account overdrafts	(1,680)	878	(802)
Total	**32,428**	**(8,507)**	**23,921**

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, County Hall, The Rhadyr, Usk NP15 1GA

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

2021/22 £000		2022/23 £000
600	Basic allowance	772
216	Special responsibility allowance	226
3	Travel allowance	8
0	Subsistence allowance	9
4	ICT Costs	0
823	**Total**	**1,015**

The increase from 2021/22 is due to the Members pay award following recommendations by the Independent Remuneration Panel, and following changes in structure following the May 2022 election process.
Increased expenses are due to more face to face meetings taking place following Covid restrictions being lifted.

16.2 Audit Costs

The Authority has incurred the following costs during 2022/23 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:

2021/22 £000		2022/23 £000
183	Fees payable to the appointed auditor with regard to external audit services - financial audit	210
107	Fees payable to the appointed auditor with regard to external audit services - Local Government Measure	112
54	Fees payable to the appointed auditor for certification of grant claims & returns	49
344	**Total**	**371**

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 2023 was:

2021/22 £000		2022/23 £000
	Funding	

(272)	Monmouthshire County Council	(298)
(205)	Monmouthshire Local Health Board	(225)
(477)	**Total Funding**	**(523)**
	Expenditure	
355	Employee related	372
84	Premises related	96
0	Transport related	0
28	Supplies & Services	27
44	Agency & Contracted	22
511	**Total Expenditure**	**517**
34	**Net (Under)/over spend**	**(6)**

b) Gwent Integrated Community Equipment Store (GWICES)

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

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

Torfaen County Borough Council is the host for the Partnership, who recorded gross expenditure of £3,940,000 (£4,991,000 for 2021/22) and gross income of £3,940,000 (£4,991,000 for 2021/22) for the financial year ended 31st March 2023. Monmouthshire County Council's contribution for the year was £322,000 (£419,000 for 2021/22).

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 £4,272,000 (£3,809,000 for 2021/22) and gross income of £3,845,000 (£3,675,000 for 2021/22) for the financial year ended 31st March 2023. Monmouthshire County Council's total contribution for the year was £1,328,000 (£1,191,000 for 2021/22).

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 £16,447,000 (£16,109,000 for 2021/22) and gross income of £16,521,000 (£15,987,000 for 2021/22) for the financial year ended 31st March 2023. Monmouthshire County Council's total contribution for the year was £1,469,000 (£1,456,000 for 2021/22).

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 £118,709,313 (£99,844,467 for 2021/22) and funding of £118,709,313 (£99,844,467 for 2021/22) for the financial year ended 31st March 2023. Monmouthshire County Council's total contribution for the year was £10,828,264 (£9,419,985 for 2021/22).

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 2022/23 is shown in Note 16.1. During 2022/23, works and services to the value of £598k (£18,667m in 2021/22) were commissioned from other public bodies and companies in which four members had an interest. Contracts were entered into in full compliance with the council’s standing orders. In addition, grants totalling £3,617 (£66,507 in 2021/22) were made to an organisation in which one member had a voluntary position. 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 bodies that members had an interest in totalled £463,130 (£478,732 in 2021/22).
There were no debtor or creditor balances outstanding with related parties at the end on 2022/23 (£0 in 2021/22)

Some County Councillors are also active Town or Community Councillors during the Financial Year. The value of these precepts were £1.171m in 2022/23 (£1.066m in 2021/22). All Community Council precepts are included within the Consoidated Income and Expenditure Statement

Companies and Joint Ventures

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

Senior Officers

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

The Monitoring Officer for the Authority, Chief Officer for Children & Young People, Chief Officer Social Care Safeguarding & Health, the Head of Policy and Governance, and the Chief Operating Officer - Monlife, have no pecuniary interests.

The Chief Executive was the Acting Returning Officer and Electoral Registration Officer for Monmouthshire during 2022/23 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**

Chief Officer for Communities & Place held the following position during the year:

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

Deputy Chief Executive & Chief Officer for Resources has an indirect involvement with:

- ***Cardiff Capital Region - City Deal***
- ***South-East Wales Corporate Joint Committee***

Payments of £3,850, and receipts of £3,290 were paid and received from Cardiff Metropolitan University during 2022/23 (£3,771 and £12,070 respectively in 2021/22) in relation to transactions involving goods and services. Contracts were entered into in full compliance with the council's standing orders.

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 2023:

2021/22					2022/23			
Income £000	Expend £000	Assets £000	Liabilities £000		Income £000	Expend £000	Assets £000	Liabilities £000
(594)	177	5,869	-138	**Welsh Church Act Fund**	(212)	692	5,406	(204)
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.								
(6)	5	129	(60)	**Llanelly Hill Social Welfare Centre**	(3)	5	132	(66)
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)	7	0	0	**Chairman's Charity**	0	0	0	0
The Chairman's Charity supports and raises funds for the Chairman's nominated Charity of the year.								
				Funds for which Monmouthshire County Council acts as custodian trustee:				
(28)	11	679	(8)	**Monmouthshire Farm School Endowment**	(27)	89	625	(2)
(1,188)	1,131	1,102	(1,045)	**Appointeeship - Personal Monies**	(1,744)	1,519	1,326	(1,102)

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 is no longer associated with Monmouthshire County Council, effective from December 2021, but is reported here on the basis that there were transactions with the company in the comparator year 2021/22.

1st April 2021 £000 Final		31st March 2023 £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

No payments were made to Dragon Waste Limited during 2022/23 (£699,848 during 2021/22), reflecting activity up to and including the end date of the arrangement.

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 2022/23 included in the Council's Accounts totalled £2.279m (£2.237m in 2021/22).

The Authority owed £209,859 to SRS Public at the 31st March 2023 (£5,545 owed as at 31st March 2022).

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 Partners agreed to close the company on the 4th February 2023.

31st March 2022 £000 Final		31st March 2023 £000 Draft

136	Net Assets/(Liabilities)	0
(4)	Profit/(Loss) before Taxation	0
(4)	Profit/(Loss) after Taxation	0
0	Dividends	0

SRS Business Solutions returned the £40,000 initial share capital (BS) during 2022/23 and a final dividend of £23,719 (nil in 2021/22).

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 2022.

The company is exempt from audit under section 477 of the companies act 2006 for the financial year ending September 2022.

30th Sep 2021 £000 Final		30th Sep 2022 £000 Draft
322	Total Assets/(Liabilities)	322
6	Profit/(Loss) before Taxation	3
5	Profit/(Loss) after Taxation	3
0	Dividends	0

There were no transactions between Monmouthshire County Council and Y Prentis during 2022/23 (nil in 2021/22).

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 2023.

31st March 2022 £000 Final		31st March 2023 £000 Draft
264	Total Assets/(Liabilities)	369
8	Profit/(Loss) before Taxation	105
8	Profit/(Loss) after Taxation	105
0	Dividends	0

Payments of £528,636 were made to the EAS during 2022/23 (£528,000 during 2021/22). Income received from EAS was £166,663. There were no outstanding income owed by the EAS to MCC at 31st March 2023 (£161,983 at 31st March 2022).

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 2023.

31st March 2022 £000 Final		31st March 2023 £000 Draft
214	Total Assets/(Liabilities)	239
(92)	Profit/(Loss) before Taxation	25
(92)	Profit/(Loss) after Taxation	25
0	Dividends	0

Payments of £196,353 were made to Gwent Archives during 2022/23 (£182,244 during 2021/22). There were no balances owing to/from Gwent Archives at 31st March 2023 (nil at 31st March 2022).

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 2023.

31st March 2022 £000 Final		31st March 2023 £000 Draft
2,026	Total Assets/(Liabilities)	2,314
(390)	Profit/(Loss) before Taxation	236
(390)	Profit/(Loss) after Taxation	236
0	Dividends	0

A dividend payment of £83,045 was received from Gwent Crematorium for the 2022/23 financial year (£175,318 during 2021/22). The dividend was outstanding as at 31st March 2023 (nil at 31st March 2022).

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 2023.

31st March 2022 £000 Final		31st March 2023 £000 Draft
296	Total Assets/(Liabilities)	268
(16)	Profit/(Loss) before Taxation	(28)
(16)	Profit/(Loss) after Taxation	(28)
0	Dividends	0

Two payments of £27,000 were made to Project Gwyrdd during 2022/23 for 2021/22 and 2022/23. There was Nil owing to Project Gwyrdd at 31st March 2023 (£27,000 at 31st March 2022).

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 £74,826 (£71,263 in 2021/22). The capital contribution to the project was not required during 2022/23, as was the case in 2021/22, due to reprofiling of the investment pipeline.

CSC Foundry

During 2022/23 MCC had 'Significant Influence' over CSC Foundry Ltd which is a subsidiary of CCRCD. As at 31st March 2023 CSC Foundry had £3.0m invested with the Authority which is classified within Short term borrowing in the Balance sheet (£3.0m in 2021/22).

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 2023 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	123,679	0	0	**123,679**	29,807	**153,486**
Chief Officer - Resources and Deputy Chief Executive	96,309	0	0	**96,309**	23,210	**119,519**
Chief Officer - Children and Young People	91,341	0	0	**91,341**	22,013	**113,354**
Chief Officer - Communities and Place	91,341	0	0	**91,341**	22,013	**113,354**
Chief Officer - People and Governance and Monitoring Officer	88,857	0	0	**88,857**	19,964	**108,821**
Chief Officer - Social Care, Safeguarding & Health	87,616	0	0	**87,616**	21,115	**108,731**
Chief Operating Officer - MonLife	80,164	0	0	**80,164**	19,320	**99,483**
Head of Policy, Performance & Scrutiny	73,334	0	0	**73,334**	17,673	**91,008**
Total	**732,641**	**0**	**0**	**732,641**	**175,116**	**907,757**

Year ended 31st March 2022 (Restated*) 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	121,754	0	0	**121,754**	28,125	**149,879**
Chief Officer - Resources & Deputy Chief Executive (Section 151 Officer)	93,142	0	0	**93,142**	21,516	**114,658**
Chief Officer - Communities & Place	89,526	0	0	**89,526**	20,681	**110,207**
Chief Officer - Children and Young People	89,416	0	0	**89,416**	20,655	**110,071**
Chief Officer - People & Governance & Monitoring Officer	85,691	0	0	**85,691**	19,100	**104,791**
Chief Operating Officer - MonLife	76,997	0	0	**76,997**	17,786	**94,783**
Head of Policy, Performance & Scrutiny	71,409	0	0	**71,409**	16,496	**87,905**

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**
Total	**720,145**	**0**	**0**	**720,145**	**164,045**	**884,190**

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 24.1% of pensionable pay for staff within the Local Government Pension Scheme (23.1% for 2021/22). Expense allowances are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2022/23 (Nil in 2021/22).

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 £24,948. This equates to spinal point 13 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5:1.

In 2021/22, the median employee position was calculated as £24,432, 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.

* Prior year restated to include the comparative figures for the Chief Operating Officer - MonLife, who had not previously been included within the note.

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 2023, was:

2021/22		Remuneration Band	2022/23	
Number of employees	(Of which are teaching staff)		Number of employees	(Of which are teaching staff)
1	1	£130,000 - £134,999	0	0
0	0	£125,000 - £129,999	0	0
1	0	£120,000 - £124,999	3	1
2	1	£115,000 - £119,999	0	0
0	0	£110,000 - £114,999	0	0
0	0	£105,000 - £109,999	0	0
1	1	£100,000 - £104,999	1	1
1	1	£95,000 - £99,999	1	0
1	0	£90,000 - £94,999	4	0
4	1	£85,000 - £89,999	3	1
1	0	£80,000 - £84,999	7	2
8	2	£75,000 - £79,999	4	2
11	7	£70,000 - £74,999	15	11
12	11	£65,000 - £69,999	12	11

20	16	£60,000 - £64,999	29	19
63	**41**	**Total**	**79**	**48**

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 24.1% of pensionable pay for staff within the Local Government Pension Scheme (23.1% for 2021/22) and 23.68% of pensionable pay for staff within the Teachers' Pension Scheme (23.68% in 2021/22).

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.

2021/22			Exit package Cost band	2022/23		
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
25	6	203	£0 - £20,000	13	4	171
5	1	155	£20,001 - £40,000	11	0	304
0	0	0	£40,001 - £60,000	2	0	110
1	0	65	£60,001 - £80,000	0	0	0
0	0	0	£80,001 - £100,000	1	0	92
1	0	103	£100,001 - £150,000	0	0	0
0	0	0	£150,001 - £200,000	1	0	157
32	**7**	**525**	**Total**	**28**	**4**	**834**

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 2022/23 financial year and its position at the year-end of 31st March 2023.

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 2022/23, supported by International Financial Reporting Standards (IFRS), and the Service Reporting Code of Practice 2022/23 (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.

Unless otherwise stated the convention used in these statements is to round to amounts of the nearest thousand pounds. All totals are the rounded totals of unrounded figures and therefore may not be the strict sums of the figures presented in the text or tables. Throughout the statements all credit balances are shown with parentheses e.g. (£1,000).

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 2022/23 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 2023/24 Code are:

a) IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year). The Authority intends to adopt the new standard on 1st April 2024.

b) Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.

c) Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.

d) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

e) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

f) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

Note that a) will only be applicable to local authorities that intend to voluntarily implement IFRS 16 in 2023/24, and item b) will only be applicable to local authorities that have voluntarily implemented IFRS 16 in 2022/23 but chose to defer implementation for PFI/PPP arrangements until 2023/24. It is likely that though they lead to improved reporting that items c) and d) will not have a significant impact on the amounts anticipated to be reported in the financial statements. Item e) will only be applicable to local authorities with group accounts and it is likely that there will be limited application of item f).

17.3 Accruals of Income and Expenditure

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

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

17.4 Cash and Cash Equivalents

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

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

17.5 Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement 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 2023 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. Traditionally the Council undertakes a rolling five-year valuation schedule to review and update the value of the assets held in the balance sheet. Given the potential extended length of time between valuations and the perceived impact of recent construction inflation changes upon replacement cost figures, this introduces an increased uncertainty as to the values reported. In order to mitigate this, a desk based exercise has been completed to revise property values impacted by construction inflation annually until that asset receives its next formal revaluation.	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	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 2022 valuation data to ensure that it is captured in the 31 March 2023 IAS19 balance sheet figures. The final impact on the pension scheme will not be known until the required changes in legislation have been made.	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 2023. 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 2023 are deemed to provide sufficient cover for the Authority's claims exposure. Notes 13.7 provides further information on the types of claims the Authority is exposed to.
Arrears	At 31st March 2023, the Authority had an outstanding balance of short term debtors totalling £62.29m. Against this debtors balance, there is an impairment allowance of £4.00m.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment

	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.	allowances held are based on policies adapted to historic experience and success rates experienced in collection.

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 creditor isheld 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 creditor is held at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The charge to Surplus or Deficit on the Provision of Services is 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 remeasurement – changes in the net pensions liability (Liabilities less assets) that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.

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

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

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

Discretionary Benefits

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

17.9 Events After the Balance Sheet Date

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

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

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

17.10 Exceptional Items

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

17.11 Financial Instruments

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

Financial Liabilities

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

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

Financial Assets

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

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

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

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

17.12 Government Grants and Contributions

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

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

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

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

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

17.13 Expenditure & Income where the Council is acting as an agent

Welsh Government or UK Government will periodically use Councils' as an intermediary to distribute resources to the electorate or particular business sectors as an alternative to making their own direct payment arrangements. Such measures are classified as agency arrangements and are noted within Section 11 of these statements.

As the Code requires transactions classified as agency arrangements to be excluded from the income and expenditure of the Council (i.e amounts debited and credited to the Comprehensive Income and Expenditure Statement), many of the cash flows involved in agency arrangements will be excluded from these statements.

17.14 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 (CCRCD), the Authority has included its share of income, expenditure, assets, liabilities, reserves and cash flows relating to the arrangement within the single entity accounting statements and disclosures.

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

17.19 Leases

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

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

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

The Authority as Lessee - Finance Leases

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

Lease payments are apportioned between:

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

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

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

The Authority as Lessee - Operating Leases

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

The Authority as Lessor - Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

The Authority as Lessor - Operating Leases

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

17.20 Overheads and Support Services

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

In addition to the assets individually revalued a program of indexation has been undertaken on the remainging 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.

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: 2022-23

Date issued: February 2024

Document reference: 4017A2024

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.

Contents

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

Audit of Accounts Report

Introduction

1 We summarise the main findings from our audit of your 2022-23 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 £3.629m 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 £10,000

6 We have now completed this year's audit.

7 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.

Impact of revised ISA315 on this year's audit

8 Our audits of your accounts for the year ended 31 March 2023 have been carried out under a revised auditing standard (ISA 315 (UK) Identifying and Assessing the Risks of Material Misstatement (Revised July 2020)). The revised standard has had a significant impact this year on how auditors undertake audit risk assessments and our overall audit approach.

9 In planning our audit, we are now required to undertake more detailed and extensive risk assessment procedures to identify risks of material misstatement. The subsequent design and performance of our audit approach has been responsive to each assessed risk.

10 The introduction of the revised Standard and a different audit approach has had implications for audit timetables, and the new approach has required additional time to implement.

Proposed audit opinion

11 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**.

12 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.

13 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.

14 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

15 There are no misstatements identified in the accounts, which remain uncorrected.

Corrected misstatements

16 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

17 During the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. Issues we consider include:

- 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 identified material weaknesses in internal controls.

18 There is one matter to bring to your attention in relation to the treatment of non-enhancing capital expenditure.

19 Non-enhancing capital expenditure is expenditure which is capital in nature but does not increase the value of an asset and is therefore removed from the fixed asset register via an impairment. The Council does not recognise non-enhancing expenditure against the individual asset to which it relates, therefore the subsequent impairment is not matched to an asset as is required by the CIPFA code.

20 As a result, when assets are revalued, a revaluation gain may be posted in full to the revaluation reserve in error, rather than reversing the previous impairment loss in the Comprehensive Income and Expenditure Statement. This means that the revaluation reserve may be materially overstated.

21 Our work has identified that the total non-enhancing expenditure in year is £1.4 million. The maximum cumulative impact on the revaluation reserve is £10.3 million.

22 We have sought technical advice in relation to this issue and have determined, in line with IAS 8, that it would be impracticable for the Council to retrospectively correct this issue due to insufficient reliable evidence being available to accurately correct the historic accounting entries.

23 The error would result in a misclassification between the Revaluation Reserve and the Capital Adjustment Account. These are both unusable reserves and as such the balance sheet is correct in totality.

24 In addition, there is no impact on the Council's general fund or capital financing calculations meaning there is no direct impact on council taxpayers.

25 When considering whether this matter materially impacts the financial statements, we have determined that this matter would not influence the decisions that the primary users of the financial statements make on the basis of the financial statements[1].

26 We have recommended that from 2023/24 the Council allocates its non-enhancing expenditure to individual assets to ensure any subsequent revaluations are accounted for appropriately. Management's response is detailed in **Appendix 4**.

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.

[1] IAS 1 defines materiality as follows: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales

Wales Audit Office

1 Capital Quarter

Tyndall Street

Cardiff

CF10 4BZ

22 February 2024

Representations regarding the 2022-23 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 2023 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 CIPFA Code on Local Authority Accounting 2022-23 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 the Governance and Audit Committee

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

We acknowledge our responsibility for ensuring that the Council maintains adequate accounting records.

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 22 February 2024.

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	Andrew Blackmore
Chief Officer, Resources and Section 151 Officer	Chair, Governance and Audit Committee
Monmouthshire County Council	Monmouthshire County Council
Date: 22 February 2024	Date: 22 February 2024

Appendix 2

Proposed Audit Report

The 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 County Council for the year ended 31 March 2023 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 the 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 2022-23.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2023 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 2022-23.

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.

My staff and I are independent of the 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 the 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.

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 is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23;

- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is 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:

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

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 11, the responsible financial officer is responsible for:

- the preparation of the statement of accounts, which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls 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;
- 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 the responsible financial officer anticipates that the services provided by the Council will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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 and those charged with governance, including obtaining and reviewing supporting documentation relating to Monmouthshire County Council's 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 following areas: revenue recognition, expenditure recognition and posting of unusual journals.

- Obtaining an understanding of Monmouthshire County Council's framework of authority as well as other legal and regulatory frameworks that Monmouthshire County 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 Monmouthshire County Council.
- Obtaining an understanding of related party relationships.

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 Monmouthshire County 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.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

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

Adrian Crompton
Auditor General for Wales
23 February 2024

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

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. None of the amendments processed as a result of our audit work impact the Surplus or Deficit on Provision of Services.

Summary of corrections made

Value of correction	Nature of correction	Reason for correction
£37,019k	**Note 12.9 Capital Commitments** Increase Crick Road Care Home capital commitment by £99k. **Increase King Henry VIII Future** Schools capital commitment by £36,920k.	For these projects, the note incorrectly disclosed only the 2023-24 budget for the projects, not the full amount committed for the remainder of the project. The adjustment ensures the full commitments as at 31 March 2023 are disclosed. This note is a disclosure note only and has no impact on the Primary Statements.
£10.893k	**Note 11.6 Revenue grants and Contributions** Increase total revenue grants credited to services by £10.893k**.**	Some grants credited to services had been excluded from the analysis in the note. The adjustment ensures the correct grant amounts are disclosed. This note is a disclosure note only and has no impact on the Primary Statements
£4,352k	**Note 13.6 Creditors** Increase Short-Term Creditors by £4,352k. **Note 13.7 Provisions**	Accumulating Compensated Absences were classified as a provision rather than a short-term creditor.

	Decrease Current Provisions by £4,352k.	The adjustment ensures the correct classification with the notes and Balance Sheet.
£3,164k	**Notes 13.6 Creditors** Reduce short term creditors by £3,164k. **Note 15.3 (Increase)/Decrease in Cash and Cash Equivalents** Reduce cash by £3,164k.	Unreconciled payments from the made from the Council's bank account had been incorrectly transferred to creditors resulting in an incorrect cash-book position. The adjustment ensures that the correct cashbook position is reflected in the financial statements.
£2,883k	**Note 11.2 Income Analysed by Nature** Decrease Gain/loss on disposal of non-current assets by £2,883k. Increase Interest and investment income by £2,883k.	This ensures that changes in the valuations of investment properties are appropriately disclosed as financing and investment income and expenditure as required by the CIPFA Code.
£2,883k	**Note 11.2 Expenditure Analysed by Nature** Increase Depreciation, amortisation and impairment expenditure by £2,883k. Decrease Gain/loss on disposal of non-current assets by £2,883k.	This ensures that changes in the valuations of investment properties are appropriately disclosed as required by the CIPFA Code.
£2,855k	**Note 12.1 Property, Plant and Equipment** Debit the value of Other Land and Buildings by £2,855k. **Note 10.7 Revaluation Reserve** Credit Revaluation Reserve £2,515k. **Note 10.8 Capital Adjustment Account**	The Authority uplifted the value of its assets to take account of inflationary increases in property values to ensure the carrying values in the accounts are materially in line with current values. However, 8 assets were excluded from this exercise. The adjustments ensures all assets are captured by the uplift.

	Credit Capital Adjustment Account £340k.	
£2,598k	**Comprehensive Income and Expenditure Statement** A receipt and payment relating to CCRCD was incorrectly included in gross income and gross expenditure in the financial statements. The transaction was made on an agency basis and therefore should not have been included in the financial statements. As both income and expenditure have been reduced by the same amount, there is not impact on the Surplus or Deficit on Provision of Services. The transaction will also be added to note 11.4 Agency Income and Expenditure.	The amendment ensures that agency arrangements are correctly excluded from the authority's financial statements.
£2,007k	**Note 11.2 Expenditure Analysed by Nature** Decrease Employee Benefits Expenses by £2,007k. Increase Other Services Expenses by £2,007k.	A year-end adjustment relating to payroll costs had been applied to the incorrect category of expenditure. The adjustment ensures the correct classification of expenditure within the note.
£203k & £111k	**Note 10.6 Capital Receipts Reserve** Decrease the Transfer from deferred Capital Receipts Reserve by £111k. To ensure the transfer value agrees to note 10.11. **Note 10.11 Deferred Capital Receipts** Increase Transfer to the Capital Receipts Reserve by £203k.	The transfer of deferred capital receipts from the Deferred Capital Receipts Reserve (note 10.11) to the Capital Receipts reserve (note 10.6) had been misclassified and was shown at the incorrect value in note 10.6. The adjustment ensures the transfer is shown at the correct value and in the correct line of each note.

	Decrease Transfer of Deferred Sale Proceeds by £203k To ensure the transfer is correctly classified.	
Various	**Various** Several minor amendments were made to the financial statements relating to either revisions to disclosures of information, narrative changes, casting errors or typos.	To ensure accuracy of the financial statements and compliance with the CIPFA Code.

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:

Matter arising 1

Matter arising 1 – Non-enhancing capital expenditure should be allocated to individual assets	
Findings	As detailed in paragraphs 18-26 we found that the Council do not allocate its non-enhancing capital expenditure to individual assets. This means that subsequent revaluations of those assets could lead to an overstatement of the revaluation reserve.
Priority	High
Recommendation	For the 2023/24 financial statements, the Council should ensure that it allocates non-enhancing capital expenditure to the relevant asset within its fixed asset register.
Benefits of implementing the recommendation	Allocating the expenditure to the relevant asset will ensure that subsequent revaluations reverse impairment losses and that the revaluation reserve is not overstated.
Accepted in full by management	Yes
Management response	This has primarily arisen in areas of widespread programmes of works where it hasn't been practicable or cost effective to split expenditure down to individual asset level. Given the requirement to have clearly defined revaluation reserve balances per asset, an additional

	step will be added to the closure process for 2023/24 to ensure that this is maintained moving forward.
Implementation date	1st April 2024

Matter arising 2

Matter arising 2 – Annual process for submission of Declarations of Interest requires embedding	
Findings	Last year we recommended that the Council implement an annual declaration process for members to aide compiling the related party transactions disclosure note. The Council has implemented a process however several declarations had not been returned prior to the commencement of the audit. In particular, 8 returns were not received until January 2024.
Priority	Medium
Recommendation	The Council should ensure the new processes is embedded via training to ensure all declarations are received annually.
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	The new process in place for 2022-23 was not fully embedded and established with members until June 2023 which disrupted the progress in collating declarations. The Council has subsequently looked to support members fully in understanding their responsibilities and the process will be started in a timely manner to collate declarations as at 31st March 2024.

Implementation date	1st April 2024

Matter arising 3

Matter arising 3 – Additions should be added to the fixed asset register before the year end valuations process	
Findings	Our testing of property revaluations identified that property additions are posted to the fixed asset register after revaluations are posted. This means that the expenditure in the year isn't considered when re-valuing assets and could result in property valuations being overstated. For 2022-23 we have determined that there is no material risk of overstatement to property valuations arising from this issue.
Priority	High
Recommendation	The Council should post fixed asset additions to the fixed asset register before valuation updates to ensure assets are appropriately valued and to ensure compliance with CIPFA code requirements.
Benefits of implementing the recommendation	Posting additions before valuations will ensure all spend during the year is considered when revaluing an asset and will reduce the risk of material misstatement of the balance sheet and reserves.
Accepted in full by management	Yes
Management response	The Council agrees that applying capital additions before valuations will maintain a consistent approach to revaluation and ensure accuracy and uniformity of approach. This will be embedded fully for 2023/24 closure processes.
Implementation date	1st April 2024

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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.

Archwilio Cymru
Audit Wales

Audit of Accounts Report – Monmouthshire County Council

Audit year: 2022-23

Date issued: February 2024

Document reference: 4017A2024

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.

Contents

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

Audit of Accounts Report

Introduction

1 We summarise the main findings from our audit of your 2022-23 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 £3.629m 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 £10,000

6 We have now completed this year's audit.

7 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.

Impact of revised ISA315 on this year's audit

8 Our audits of your accounts for the year ended 31 March 2023 have been carried out under a revised auditing standard (ISA 315 (UK) Identifying and Assessing the Risks of Material Misstatement (Revised July 2020)). The revised standard has had a significant impact this year on how auditors undertake audit risk assessments and our overall audit approach.

9 In planning our audit, we are now required to undertake more detailed and extensive risk assessment procedures to identify risks of material misstatement. The subsequent design and performance of our audit approach has been responsive to each assessed risk.

10 The introduction of the revised Standard and a different audit approach has had implications for audit timetables, and the new approach has required additional time to implement.

Proposed audit opinion

11 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**.

12 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.

13 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.

14 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

15 There are no misstatements identified in the accounts, which remain uncorrected.

Corrected misstatements

16 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

17 During the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. Issues we consider include:

- 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 identified material weaknesses in internal controls.

18 There is one matter to bring to your attention in relation to the treatment of non-enhancing capital expenditure.

19 Non-enhancing capital expenditure is expenditure which is capital in nature but does not increase the value of an asset and is therefore removed from the fixed asset register via an impairment. The Council does not recognise non-enhancing expenditure against the individual asset to which it relates, therefore the subsequent impairment is not matched to an asset as is required by the CIPFA code.

20 As a result, when assets are revalued, a revaluation gain may be posted in full to the revaluation reserve in error, rather than reversing the previous impairment loss in the Comprehensive Income and Expenditure Statement. This means that the revaluation reserve may be materially overstated.

21 Our work has identified that the total non-enhancing expenditure in year is £1.4 million. The maximum cumulative impact on the revaluation reserve is £10.3 million.

22 We have sought technical advice in relation to this issue and have determined, in line with IAS 8, that it would be impracticable for the Council to retrospectively correct this issue due to insufficient reliable evidence being available to accurately correct the historic accounting entries.

23 The error would result in a misclassification between the Revaluation Reserve and the Capital Adjustment Account. These are both unusable reserves and as such the balance sheet is correct in totality.

24 In addition, there is no impact on the Council's general fund or capital financing calculations meaning there is no direct impact on council taxpayers.

25 When considering whether this matter materially impacts the financial statements, we have determined that this matter would not influence the decisions that the primary users of the financial statements make on the basis of the financial statements[1].

26 We have recommended that from 2023/24 the Council allocates its non-enhancing expenditure to individual assets to ensure any subsequent revaluations are accounted for appropriately. Management's response is detailed in **Appendix 4**.

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.

[1] IAS 1 defines materiality as follows: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
1 Capital Quarter
Tyndall Street
Cardiff
CF10 4BZ

22 February 2024

Representations regarding the 2022-23 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 2023 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 CIPFA Code on Local Authority Accounting 2022-23 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 the Governance and Audit Committee

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

We acknowledge our responsibility for ensuring that the Council maintains adequate accounting records.

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 22 February 2024.

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	Andrew Blackmore
Chief Officer, Resources and Section 151 Officer	Chair, Governance and Audit Committee
Monmouthshire County Council	Monmouthshire County Council
Date: 22 February 2024	Date: 22 February 2024

Appendix 2

Proposed Audit Report

The 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 County Council for the year ended 31 March 2023 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 the 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 2022-23.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2023 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 2022-23.

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.

My staff and I are independent of the 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 the 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.

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 is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23;

- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is 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:

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

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 11, the responsible financial officer is responsible for:

- the preparation of the statement of accounts, which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls 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;
- 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 the responsible financial officer anticipates that the services provided by the Council will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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 and those charged with governance, including obtaining and reviewing supporting documentation relating to Monmouthshire County Council's 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 following areas: revenue recognition, expenditure recognition and posting of unusual journals.

- Obtaining an understanding of Monmouthshire County Council's framework of authority as well as other legal and regulatory frameworks that Monmouthshire County 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 Monmouthshire County Council.
- Obtaining an understanding of related party relationships.

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 Monmouthshire County 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.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

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

Adrian Crompton
Auditor General for Wales
23 February 2024

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

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. None of the amendments processed as a result of our audit work impact the Surplus or Deficit on Provision of Services.

Summary of corrections made

Value of correction	Nature of correction	Reason for correction
£37,019k	**Note 12.9 Capital Commitments** Increase Crick Road Care Home capital commitment by £99k. **Increase King Henry VIII Future** Schools capital commitment by £36,920k.	For these projects, the note incorrectly disclosed only the 2023-24 budget for the projects, not the full amount committed for the remainder of the project. The adjustment ensures the full commitments as at 31 March 2023 are disclosed. This note is a disclosure note only and has no impact on the Primary Statements.
£10.893k	**Note 11.6 Revenue grants and Contributions** Increase total revenue grants credited to services by £10.893k.	Some grants credited to services had been excluded from the analysis in the note. The adjustment ensures the correct grant amounts are disclosed. This note is a disclosure note only and has no impact on the Primary Statements
£4,352k	**Note 13.6 Creditors** Increase Short-Term Creditors by £4,352k. **Note 13.7 Provisions**	Accumulating Compensated Absences were classified as a provision rather than a short-term creditor.

	Decrease Current Provisions by £4,352k.	The adjustment ensures the correct classification with the notes and Balance Sheet.
£3,164k	**Notes 13.6 Creditors** Reduce short term creditors by £3,164k. **Note 15.3 (Increase)/Decrease in Cash and Cash Equivalents** Reduce cash by £3,164k.	Unreconciled payments from the made from the Council's bank account had been incorrectly transferred to creditors resulting in an incorrect cash-book position. The adjustment ensures that the correct cashbook position is reflected in the financial statements.
£2,883k	**Note 11.2 Income Analysed by Nature** Decrease Gain/loss on disposal of non-current assets by £2,883k. Increase Interest and investment income by £2,883k.	This ensures that changes in the valuations of investment properties are appropriately disclosed as financing and investment income and expenditure as required by the CIPFA Code.
£2,883k	**Note 11.2 Expenditure Analysed by Nature** Increase Depreciation, amortisation and impairment expenditure by £2,883k. Decrease Gain/loss on disposal of non-current assets by £2,883k.	This ensures that changes in the valuations of investment properties are appropriately disclosed as required by the CIPFA Code.
£2,855k	**Note 12.1 Property, Plant and Equipment** Debit the value of Other Land and Buildings by £2,855k. **Note 10.7 Revaluation Reserve** Credit Revaluation Reserve £2,515k. **Note 10.8 Capital Adjustment Account**	The Authority uplifted the value of its assets to take account of inflationary increases in property values to ensure the carrying values in the accounts are materially in line with current values. However, 8 assets were excluded from this exercise. The adjustments ensures all assets are captured by the uplift.

	Credit Capital Adjustment Account £340k.	
£2,598k	**Comprehensive Income and Expenditure Statement** A receipt and payment relating to CCRCD was incorrectly included in gross income and gross expenditure in the financial statements. The transaction was made on an agency basis and therefore should not have been included in the financial statements. As both income and expenditure have been reduced by the same amount, there is not impact on the Surplus or Deficit on Provision of Services. The transaction will also be added to note 11.4 Agency Income and Expenditure.	The amendment ensures that agency arrangements are correctly excluded from the authority's financial statements.
£2,007k	**Note 11.2 Expenditure Analysed by Nature** Decrease Employee Benefits Expenses by £2,007k. Increase Other Services Expenses by £2,007k.	A year-end adjustment relating to payroll costs had been applied to the incorrect category of expenditure. The adjustment ensures the correct classification of expenditure within the note.
£203k & £111k	**Note 10.6 Capital Receipts Reserve** Decrease the Transfer from deferred Capital Receipts Reserve by £111k. To ensure the transfer value agrees to note 10.11. **Note 10.11 Deferred Capital Receipts** Increase Transfer to the Capital Receipts Reserve by £203k.	The transfer of deferred capital receipts from the Deferred Capital Receipts Reserve (note 10.11) to the Capital Receipts reserve (note 10.6) had been misclassified and was shown at the incorrect value in note 10.6. The adjustment ensures the transfer is shown at the correct value and in the correct line of each note.

	Decrease Transfer of Deferred Sale Proceeds by £203k To ensure the transfer is correctly classified.	
Various	**Various** Several minor amendments were made to the financial statements relating to either revisions to disclosures of information, narrative changes, casting errors or typos.	To ensure accuracy of the financial statements and compliance with the CIPFA Code.

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:

Matter arising 1

Matter arising 1 – Non-enhancing capital expenditure should be allocated to individual assets	
Findings	As detailed in paragraphs 18-26 we found that the Council do not allocate its non-enhancing capital expenditure to individual assets. This means that subsequent revaluations of those assets could lead to an overstatement of the revaluation reserve.
Priority	High
Recommendation	For the 2023/24 financial statements, the Council should ensure that it allocates non-enhancing capital expenditure to the relevant asset within its fixed asset register.
Benefits of implementing the recommendation	Allocating the expenditure to the relevant asset will ensure that subsequent revaluations reverse impairment losses and that the revaluation reserve is not overstated.
Accepted in full by management	Yes
Management response	This has primarily arisen in areas of widespread programmes of works where it hasn't been practicable or cost effective to split expenditure down to individual asset level. Given the requirement to have clearly defined revaluation reserve balances per asset, an additional

	step will be added to the closure process for 2023/24 to ensure that this is maintained moving forward.
Implementation date	1st April 2024

Matter arising 2

Matter arising 2 – Annual process for submission of Declarations of Interest requires embedding	
Findings	Last year we recommended that the Council implement an annual declaration process for members to aide compiling the related party transactions disclosure note. The Council has implemented a process however several declarations had not been returned prior to the commencement of the audit. In particular, 8 returns were not received until January 2024.
Priority	Medium
Recommendation	The Council should ensure the new processes is embedded via training to ensure all declarations are received annually.
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	The new process in place for 2022-23 was not fully embedded and established with members until June 2023 which disrupted the progress in collating declarations. The Council has subsequently looked to support members fully in understanding their responsibilities and the process will be started in a timely manner to collate declarations as at 31st March 2024.

Implementation date	1st April 2024

Matter arising 3

Matter arising 3 – Additions should be added to the fixed asset register before the year end valuations process	
Findings	Our testing of property revaluations identified that property additions are posted to the fixed asset register after revaluations are posted. This means that the expenditure in the year isn't considered when re-valuing assets and could result in property valuations being overstated. For 2022-23 we have determined that there is no material risk of overstatement to property valuations arising from this issue.
Priority	High
Recommendation	The Council should post fixed asset additions to the fixed asset register before valuation updates to ensure assets are appropriately valued and to ensure compliance with CIPFA code requirements.
Benefits of implementing the recommendation	Posting additions before valuations will ensure all spend during the year is considered when revaluing an asset and will reduce the risk of material misstatement of the balance sheet and reserves.
Accepted in full by management	Yes
Management response	The Council agrees that applying capital additions before valuations will maintain a consistent approach to revaluation and ensure accuracy and uniformity of approach. This will be embedded fully for 2023/24 closure processes.
Implementation date	1st April 2024

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Website: www.audit.wales

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

monmouthshire county council sir fynwy

REPORT

SUBJECT:	**TREASURY MANAGEMENT ACTIVITY UPDATE - QUARTER 3 2023/24**
MEETING:	**Governance & Audit Committee**
DATE:	**22nd February 2024**
DIVISIONS/WARD AFFECTED:	**All**

1. **PURPOSE:**

1.1. The Prudential Code and CIPFA treasury guidance require local authorities to produce annually a Treasury Management Strategy Statement and Prudential Indicators on their likely financing and investment activity, and to ensure that the appropriate governance function that oversees the treasury management activities of the Authority is kept informed of activity quarterly.

1.2. The Authority's treasury management strategy for 2023/24 was approved by Council on 9th March 2023. Over the third quarter of the year the Authority has continued to borrow and invest substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

1.3. This report represents the third update of treasury management activity during 2023/24 following the Quarter 1 report being considered by this Committee on the 27th of July 2023 and Quarter 2 on the 4th of December 2023.

2. **RECOMMENDATIONS:**

That Governance & Audit committee review the treasury management activities and the performance achieved in the third quarter of 2023/24 as part of their delegated responsibility to provide scrutiny of treasury policy, strategy and activity on behalf of Council.

3. **KEY ISSUES:**

3.1. **Key data metrics during the quarter:**

Type	Metric	Start of Quarter	End of Quarter
External	Bank of England base rate	5.25%	5.25%
External	UK Consumer Prices Index	6.7%	4.0%
External	10-year UK gilt yield	4.45%	3.61%
Internal	Borrowing	179.4m	173.5m
Internal	Borrowing Average rate	3.38%	3.47%
Internal	Investments	34.0m	13.6m
Internal	Investment Average rate	4.88%	4.76%
Internal	Credit score/rating	AA- / 3.91	AA- 4.08

3.2. **Key messages:**

Treasury management activities undertaken during the quarter complied fully with the CIPFA code and the limits and indicators as set out in the Authority's approved Treasury Management Strategy.
The Authority has maintained a diverse investment portfolio while slightly increasing Money Market Fund Investments as returns have improved compared to Government investments.
Cash balances have reduced as investments have been allowed to mature in order to satisfy short-term cashflow requirements.
£7m of Lender Option Borrower Option loans were called during the quarter. The Authority chose to repay these at nil cost refinancing with new PWLB borrowing at lower rates.
The new Environmental, Social and Governance (ESG) specific investment product has continued to be used during the period. The fund has offered returns marginally lower than non-ESG specific funds but remains an important aspect of the authority's proactive approach to its ESG commitment.

4. **ECONOMIC SUMMARY**

4.1. During the third quarter of 2023/24 UK inflation rates finally started to decline. Despite the fall, the Consumer Price Index (CPI) remained substantially in excess in the Bank of England's (BoE) 2% target, at 3.9% for November 2023. Market expectations for further rises in Bank Rate fell from October through to year end, indicating that the 5.25% level reached in August 2023 was indeed the peak for Bank Rate.

4.2. Inflation continued to fall from its peak as annual headline CPI declined to 4% (down from 6.7%) in December 2023. The largest downward contribution came from energy and food prices. The core rate also surprised on the downside, falling to 5.1% from 5.7%.

4.3. Economic growth in the UK remained weak over the period, edging into recessionary territory. In calendar Q3 2023, the economy contracted by 0.1%, following no change in Q2. Monthly GDP data showed a 0.3% contraction in October, following a 0.2% rise in September. While other indicators have suggested a pickup in activity in the subsequent months, Q4 GDP growth is likely to continue the weak trend.

5. **BORROWING ACTIVITY DURING THE QUARTER:**

5.1. UK gilt yields have begun to fall over the quarter as a result of slowing inflation and the perception of an increasingly struggling economy. Rate cuts will be required in the medium term to stimulate the economy but there will be a reluctance to do so until core and service inflation are fully under control.

5.2. Gilt yields, and consequently PWLB borrowing rates, fell towards the end of the period. On 31st December, the PWLB certainty rates for maturity loans were 4.37% for 10 year loans, 4.90% for 20-year loans and 4.68% for 50-year loans. Their equivalents on 30th September 2023 were 5.26%, 5.64% and 5.43% respectively.

5.3. The authorities' borrowing position at the end of the third quarter can be seen below:

	30.9.23 Balance	30.9.23 Weighted Average Rate	30.9.23 Weighted Average	Balance Movement	31.12.23 Balance	31.12.23 Weighted Average Rate	31.12.23 Weighted Average

	£m	%	Maturity (years)		£m	%	Maturity (years)
Public Works Loan Board	115.9	3.2	21.7	6.3	122.2	3.3	20.8
Banks (LOBO)	10.0	4.9	18.4	(7.0)	3.0	4.5	19.9
Welsh Gov Interest Free	5.5	0.0	3.3	(0.2)	5.3	0.0	2.9
Local authorities/Other	48.0	3.9	0.5	(5.0)	43.0	4.4	0.4
Total borrowing	**179.4**	**3.2**	**15.2**	**(5.9)**	**173.5**	**3.5**	**15.1**

5.4. The authorities total borrowing has reduced slightly over the third quarter.

5.5. One lender exercised their option to call a Lender's Option Borrower's Option Loan (LOBO) loan during the period. This proposed an increased interest rate on the £7.0m loan from 5.03% to 6.9%. The authority chose to repay this loan at no extra cost, financing initially through short term cashflows and then through two new PWLB equal instalment of principal (EIP) loans. The replacement loans were taken at a marginally lower rate than the existing 5.03% payable on the matured LOBO loan.

6. INVESTMENT ACTIVITY DURING THE QUARTER:

6.1. During the second quarter, the authority's investment balances ranged from between £16.5m and £57.5m due to timing differences between income and expenditure. The movement in investments during the quarter was:

	30.9.23 Balance £m	Net Movement £m	31.12.23 Balance £m	31.12.23 Income Return %	31.12.23 Weighted Average Maturity Days
Banks & building societies (unsecured)	(2.0)	0.5	(1.5)	Average 4.5%	Up to 180 days
Government (incl. local authorities	(24.5)	21.5	(3.0)		
Money Market Funds (MMFs)	(3.5)	(1.6)	(5.1)		
Multi asset income, Pooled funds	(4.0)	0.0	(4.0)	5.77%	N/A
Total investments	**(34.0)**	**20.4**	**(13.6)**	**4.76**	

6.2. Bank Rate has remained at 5.25% throughout the quarter having started the financial year at 4.25%. Short term rates peaked at 5.6% for 3-month rates and 6.6% for 12-month rates during the period, although these rates subsequently began to reduce towards the end of the period. Money Market Rates also rose and were between 5.17% and 5.39 by the end of December.

6.3. The Authority has maintained a diverse investment portfolio during the quarter while slightly increasing Money Market Fund Investments as returns have improved compared to Government investments. Whilst this increases bail-in risk slightly, this needs to be considered in the context of much lower investment balances held at the end of quarter three.

6.4. £4m of the Authority's investments are invested in externally managed strategic pooled multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and longer-term price stability. These funds generated £154k or an annualised average 5.77% income return, together with a £57k unrealised capital gain over the second quarter (76k unrealised loss over Q2). Total unrealised capital losses since purchase stand at £384k (£506k at Q2).

7. NON-TREASURY INVESTMENTS:

7.1. The authority continues to hold £31.4m of non-financial asset investments and their forecast performance can be seen in the table below:

	Forecast Net (income) / loss @ Month 9 2023/24 £000's	Carrying Value 31.03.23 £000's	Net return 2023/24 %	Net return 2022/23 %
Oak Grove Solar Farm	(568)	5,485	10.36	13.44
Newport Leisure Park & service loan	(291)	19,756	1.47	0.01
Castlegate Business Park	216	6,159	(3.51)	(6.58)
Total	**(643)**	**31,400**	**2.05**	**1.06**

7.2. The investment at Newport Leisure park continues to provide a net income stream for the Authority, although this remains lower than the expected 2% return after borrowing until currently negotiated rent free periods end.

7.3. The investment in Castlegate is still providing a net negative ROI, however continued negotiations with interested parties should bring back a positive net return in 2024-25 following rent free periods. This continues to represent a significant improvement on the position since the anchor tenant vacated their space in Spring 2022.

8. **ESG:**

8.1. The new Environmental, Social and Governance (ESG) specific investment product has continued to be used during the period. The fund has offered returns marginally lower than non ESG specific funds but remains an important aspect of the authority's proactive approach to its ESG commitment.

8.2. The authority's investment portfolio is reviewed against three ethical investment charters which are updated each quarter. Any funds which do not sign up to each of the three charters will be removed from the investment portfolio.

9. **CONSULTEES**

Cabinet Member - Resources

Deputy Chief Executive, (Section 151 officer)

Arlingclose Limited – External Treasury management advisors to Monmouthshire CC

10. **BACKGROUND PAPERS**

Appendix 1

Glossary of treasury terms

11. **AUTHORS**

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2023/24 Treasury Management update – Quarter 3 (as at 31st December 2023)

Section 1	External market conditions
Section 2	Movement in treasury balances during the quarter
Section 3	Borrowing activity during the quarter
Section 4	Investment Activity during the quarter
Section 5	Treasury budget performance
Section 6	Environmental, Social and Governance strategy update
Section 7	Non-treasury investments
Section 8	Compliance with prudential indicators and treasury limits
Section 9	Glossary of Treasury terms

1. **External market conditions**

1.1. Economic background: UK inflation rates finally started to decline, mirroring the sharp but earlier drop seen in the Eurozone and US. Despite the fall, the Consumer Price Index (CPI) remained substantially in excess in the Bank of England's (BoE) 2% target, at 3.9% for November 2023. Market expectations for further rises in Bank Rate fell from October through to year end, indicating that the 5.25% level reached in August 2023 was indeed the peak for Bank Rate.

1.2. Economic growth in the UK remained weak over the period, edging into recessionary territory. In calendar Q3 2023, the economy contracted by 0.1%, following no change in Q2. Monthly GDP data showed a 0.3% contraction in October, following a 0.2% rise in September. While other indicators have suggested a pickup in activity in the subsequent months, Q4 GDP growth is likely to continue the weak trend.

1.3. July data showed the unemployment rate increased to 4.2% (3mth/year) while the employment rate rose to 75.7%. Pay growth edged lower as the previous strong pay rates waned; total pay (including bonuses) growth was 7.2% over the three months to October 2023, while regular pay growth was 7.3%. Adjusting for inflation, pay growth in real terms were positive at 1.3% and 1.4% for total pay and regular pay respectively.

1.4. Inflation continued to fall from its peak as annual headline CPI declined to 3.9% (down from 4.6%) in November 2023. The largest downward contribution came from energy and food prices. The core rate also surprised on the downside, falling to 5.1% from 5.7%.

1.5. The BoE's Monetary Policy Committee held Bank Rate at 5.25% throughout the period, although a substantial minority continued to vote for a 25 basis point rate rise. The Bank continues to tighten monetary policy through asset sales, as it reduces the size of its balance sheet. Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data showed that higher interest rates were working in the UK, US, and Eurozone.

1.6. Following the December MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate. Short term risks are broadly balanced, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

1.7. The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, it is likely this will reverse at some point and spending will struggle. Higher rates will also impact exposed businesses; according to S&P/CIPS survey data, the UK manufacturing and construction sectors contracted during the quarter. The services sector recovered, however, with the PMI rising strongly in December, possibly due to improving consumer confidence.

1.8. The US Federal Reserve held its key interest rate at 5.25-5.50% over the period. While policymakers continued to talk up the risks to inflation and therefore interest rates, this stance ebbed over the quarter culminating in a relatively dovish outcome from the December FOMC meeting.

1.9. The European Central Bank continues to resist market policy loosening expectations, but the Eurozone CPI rate has fallen sharply as GDP growth as markedly slowed, hitting 2.4% in November (although rising to 2.9% on energy-related base effects).

1.10. **Financial markets:** Financial market sentiment and bond yields remained volatile, but the latter rapidly trended downwards towards the end of 2023 on signs of sharply moderating inflation and economic growth.

1.11. Gilt yields fell towards the end of the period. The 10-year UK benchmark gilt yield rose from 4.57% to peak at 4.67% in October before dropping to 3.54% by the end of December 2023. The Sterling Overnight Rate (SONIA) averaged 5.19% over the period.

1.12. **Credit review:** Arlingclose maintained the advised maximum duration limit for all banks on its recommended counterparty list to 35 days over the period.

1.13. In October, Moody's revised the outlook on the UK's Aa3 sovereign rating to stable from negative. This led to similar rating actions on entities that include an element of government support in their own credit ratings, including banks and housing associations. Local authorities were, however, downgraded on expectations of lower government funding.

1.14. Following the issue of a Section 114 notice, in November Arlingclose advised against undertaking new lending to Nottingham City Council. After reducing its recommended duration on Warrington Borough Council to a maximum of 100 days in September, the local authority was subsequently suspended from the Arlingclose recommended list following a credit rating downgrade by Moody's to Baa1.

1.15. Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress, but no changes were made to recommended durations over the period.

1.16. Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

2. Movement in Treasury balances during the quarter

2.1. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels for the quarter, known as internal borrowing, in order to reduce risk and keep interest costs low. These factors are summarised in the table below.

Table 1: Balance Sheet Summary

	31.3.23 £m	Movement £m	31.12.23 £m	31.3.24 Forecast £m
General Fund CFR	193.3	6.5	199.8	223.2
Less: *Other debt liabilities	(2.4)	0.0	(2.4)	(2.4)
Borrowing CFR	**190.9**	**6.5**	**197.4**	**220.8**
Less: External borrowing	(198.7)	25.2	(173.5)	(190.6)
Net External borrowing	**(7.8)**	**31.7**	**23.9**	**30.2**

Less: Usable reserves	(39.8)	4.6	(35.2)	(35.2)
Less: Working capital	9.0	(11.3)	(2.3)	(10.0)
Net Investments	**(38.5)**	**24.9**	**(13.6)**	**(15.0)**

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

2.2. The Authority will look to maintain its strategy of internal borrowing as we move through the remainder of the financial year. If capital expenditure plans remain accurate, the Authority will have a further borrowing requirement through to the end of the year of around £17.1m (£190.6m less £173.5m) in addition to the borrowing required to refinance maturing short-term loans.

2.3. Historic trends would however suggest that the level of capital expenditure incurred during the year will be significantly lower than budgeted, and consequently the overall capital financing requirement at the end of the year will be lower than currently anticipated.

2.4. The borrowing and investment position as at 31st December and the change over the quarter is shown in the table below.

Table 2: Borrowing and Investment Summary

	30.9.23 Balance £m	30.9.23 Rate %	Movement	31.12.23 Balance £m	31.12.23 Rate %
Long-term borrowing	126.7	3.20	(2.0)	124.7	3.20
Short-term borrowing	52.7	3.7	(3.9)	48.8	4.16
Total borrowing	**179.4**	**3.4**	**(5.9)**	**173.5**	**3.47**
Long-term investments	0.0	N/A	0.0	0.0	N/A
Short-term investments	(24.5)	4.8	21.5	(3.0)	4.50
Pooled Funds	(4.0)	5.5	0.0	(4.0)	5.77
Cash and cash equivalents	(5.5)	Included in ST above	(1.1)	(6.6)	Included in ST above
Total investments	**(34.0)**	**4.9**	**20.4**	**(13.6)**	**4.76**
Net Borrowing	**145.4**		**14.5**	**159.9**	

2.5. During the third quarter of the financial year 2023/24, the authorities' net borrowing position experienced an increase of £14.5 million. This increase can be attributed to a decrease in short-term investment balances to meet the cash flow requirements, offset by the maturity of some borrowing.

3. <u>Borrowing activity during the quarter</u>

Table 3: Borrowing Position

	30.9.23 Balance £m	30.9.23 Weighted Average Rate %	30.9.23 Weighted Average Maturity (years)	Balance Movement	31.12.23 Balance £m	30.12.23 Weighted Average Rate %	30.12.23 Weighted Average Maturity (years)
Public Works Loan Board	115.9	3.2	21.7	6.3	122.2	3.3	20.8
Banks (LOBO)	10.0	4.9	18.4	(7.0)	3.0	4.5	19.9
Welsh Gov Interest Free	5.5	0.0	3.3	(0.2)	5.3	0.0	2.9
Local authorities/Other	48.0	3.9	0.5	(5.0)	43.0	4.4	0.4
Total borrowing	**179.4**	**3.2**	**15.2**	**(5.9)**	**173.5**	**3.5**	**15.1**

3.1. The Authority's short-term borrowing cost has continued to increase in line with Bank Rate increases experienced this year, and short-dated market rates. The average rate on the Authority's short-term loans at 31st December 2023 on a balance of £43m was 4.4%, compared with 3.9% on £48m of loans 3 months ago.

3.2. **LOBO Loans:** At the start of the quarter the Authority held £10m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate and terms or to repay the loan at no additional cost.

3.3. As market interest rates rose, there was an increased probability of call options on the Authorities two remaining LOBO loans being exercised by lenders. These loans had annual call option dates during the quarter to December 2023, and one lender exercised their option on the following loan:

Table 4: LOBO Options Exercised

	Amount £m	Rate %	Final Maturity	New Rate Proposed %	Action Taken by Authority
Loan 1	7.0	5.03	06/06/2041	6.9	Repaid at no cost. using two new PWLB loans with equal payments. The new loans had a slightly lower rate than the old 5.03% LOBO loan.

3.4. The Authority has one LOBO loan remaining of £3m with a call date within the next 12 months. The Authority has liaised with treasury management advisors Arlingclose over the likelihood of the options being exercised and do not expect the option to be called. If this were to change the Authority would repay the loan at no additional cost as accepting the revised terms would mean the Authority would still have refinancing risk in later years. If required, the Authority will repay the LOBO loans with available cash or by borrowing from other local authorities or the PWLB.

3.5. **Forward starting loans:** To enable certainty of cost to be achieved without suffering a cost of carry in the intervening period, the Authority arranged £10m of forward starting loans with fixed interest rates of 4.83% for the delivery of cash in under one year's time, details of which are below:

Table 5: Forward starting loans

	Amount £m	Rate %	Period (Years)	Forward Start
Local Authority Loan 1	5.0	4.5	1.0	Feb-24
Local Authority Loan 2	5.0	5.15	1.0	Apr-24
Total	**10.0**	**4.83**		

4. Investment Activity during the Quarter

4.1. During the third quarter, the Authority's investment balances ranged from between £16.5m and £57.5m due to timing differences between income and expenditure. The investment position during the second quarter was as follows:

Table 6: Treasury Investment Position

	30.9.23 Balance	Net Movement	31.12.23 Balance	30.9.23 Income Return	30.9.23 Weighted Average

	£m	£m	£m	%	Maturity Days
Banks & building societies (unsecured)	(2.0)	0.5	(1.5)	Average 4.50%	Up to 180 days
Government (incl. local authorities	(24.5)	21.5	(3.0)		
Money Market Funds (MMFs)	(3.5)	(1.6)	(5.1)		
Multi asset income, Pooled funds	(4.0)	0.0	(4.0)	5.77%	N/A
Total investments	**(34.0)**	**20.4**	**(13.6)**	**4.76**	

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

4.3. The comparison of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in the table below.

Table 7: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
MCC 30.09.2023	AA-	3.91	18%	16	4.88
MCC 31.12.2023	AA-	4.08	69%	2	4.76
Similar LAs	AA-	4.00	39%	119	4.97
All LAs	A+	4.77	60%	11	5.08

4.4. There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

4.5. **Externally Managed Pooled Funds:** £4m of the Authority's investments are invested in externally managed strategic pooled multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and longer-term price stability.

4.6. Over the first nine months these funds generated £154k or an annualised average 5.77% income return, together with a £57k unrealised capital gain. Total unrealised capital losses since purchase stand at £384k, a reduction of £122k from the £506k reported at the end of quarter 2.

4.7. The Authority maintains a treasury risk reserve to mitigate against the risk that capital losses on pooled funds are realised and result in a charge against the Council Fund.

4.8. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year minimum period total returns will exceed cash interest rates.

4.9. **Statutory override:** In April 2023 the Department for Levelling Up, Housing and Communities (DLUHC) published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for two years until 31st March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Authority will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

5. **Treasury performance forecast**

5.1. The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 8 below.

Table 8: Budget performance forecast

	Forecast £000's	Budget £000's	Over / (under) Budget
Interest Payable			
PWLB	3,915	3,922	(7)
Market loans	441	652	(212)
Short term loans	1,868	2,316	(448)
Other Activities (Internal Arrangements)	377	61	316
Total Interest payable on borrowing	**6,601**	**6,952**	**(351)**
Interest Receivable			
Invested cash short term	(1,227)	(925)	(301)
Pooled Funds	(189)	Included above	(189)
Finance lease income	(55)	Included above	(55)
Other Interest	(31)	Included above	(31)
Total income from Investments	**(1,501)**	**(925)**	**(576)**
Net Over/(Under)spend	**5,100**	**6,027**	**(927)**

6. **Environmental, Social and Governance strategy update**

6.1. In the first nine months of 2023/24 the investment portfolio has been assessed against 3 charters that organisations can voluntarily sign up for to ensure that all are meeting minimum level of ESG responsibility. These are shown in Table 9.

6.2. The majority of the Authorities funds were invested in organisations that were signatories of all three charters. Investments in two funds that were not signatories of the Net-Zero Asset Managers Initiative have subsequently been unwound.

6.3. An updated list of signatories to the three charters is provided by the Authority's treasury advisors each quarter and will continue to be monitored. Any counterparties not signed up to all three charters will be removed from the Authorities investment portfolio. The latest update was provided on 17.01.24 and is shown in Table 8 below.

6.4. A new ESG specific Investment product opened in the second quarter continues to be used. This fund aims to provide security of capital and liquidity while focussing on the performance of the underlying issuers on a range of environmental, social and governance metrics

Table 9: ESG Charter Signatories

	UN Principles for Responsible Investment	Uk Stewardship Code 2020	Net-Zero Asset Managers Initiative
Aberdeen Asset Liquidity	✓	✓	✓
Aegon	✓	✓	✓
CCLA Investment Management	✓	✓	✓
Federated (Prime Rate) Liquidity Fund	✓	✓	✓
HSBC Global Asset Management	✓	✓	✓
LEGAL AND GENERAL MMF	✓	✓	✓
Ninety-One	✓	✓	✓
STATE STREET	✓	✓	✓
Morgan Stanley - No Longer Used	✓	✓	x
Goldman Sachs - No Longer Used	✓	✓	x

7. Non-Treasury Investments

7.1. The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return.

7.2. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and/or for commercial purposes (made primarily for financial return).

7.3. Investment Guidance issued by DLUHC and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.

7.4. The Authority held a net book value of £31.4m of non-treasury investments at the 31st March 2023. The forecast net return on investment is indicated below:

Table 10: Non-Treasury Investments

	Forecast Net (income) / loss @ Month 9 2023/24 £000's	Carrying Value 31.03.23 £000's	Net return 2023/24 %	Net return 2022/23 %
Oak Grove Solar Farm	(568)	5,485	10.36	13.44
Newport Leisure Park & service loan	(291)	19,756	1.47	0.01
Castlegate Business Park	216	6,159	(3.51)	(6.58)
Total	**(643)**	**31,400**	**2.05**	**1.06**

7.5. The investment at Newport Leisure park continues to provide a net income stream for the Authority, although this is lower than the expected 2% return after borrowing costs, which is expected to be a temporary position until currently negotiated rent free periods end.

7.6. The investment in Castlegate is still providing a net negative ROI, however continued negotiations with interested parties should bring back a positive net return in 2024-25 following rent free periods..

This continues to represent a significant improvement on the position since the anchor tenant vacated their space in Spring 2022.

8. Compliance with prudential indicators and treasury limits

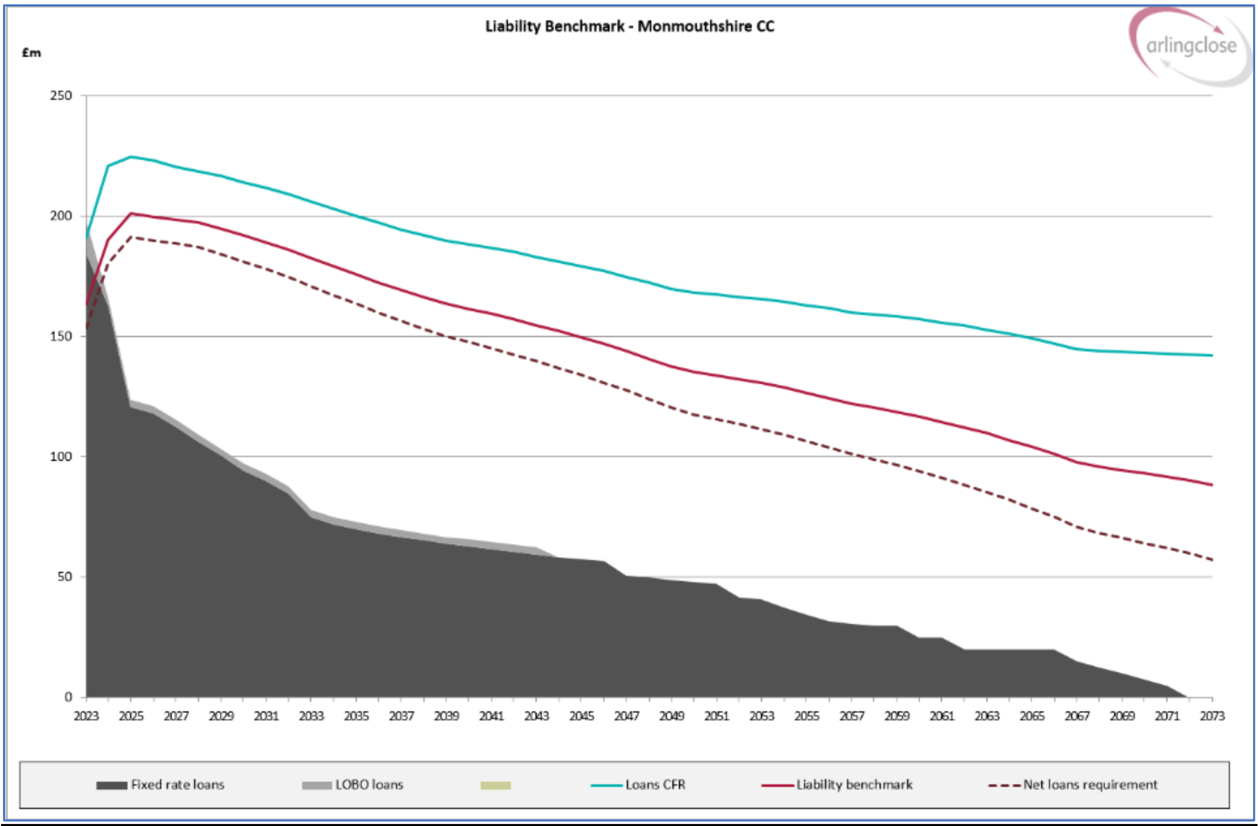
8.1. The Section 151 officer reports that all treasury management activities undertaken during the third quarter complied fully with the CIPFA code and the limits and indicators as set out in the Authority's approved Treasury Management Strategy.

8.2. **Liability Benchmark:** This indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. 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. It 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.

	31.3.23 Actual	**31.3.24 Forecast**	**31.3.25 Forecast**	**31.3.26 Forecast**
Loans CFR	190.9	220.8	224.7	222.9
Less: Balance sheet resources	(37.6)	(40.6)	(33.4)	(33.2)
Net loans requirement	153.3	180.2	191.3	189.7
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	**163.3**	**190.2**	**201.3**	**199.7**
Current loan profile	(174.8)	(165.2)	(123.9)	(121.0)
Borrowing requirement	**0.0**	**25.0**	**77.4**	**78.7**

8.3. Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing is in line with the medium-term financial plan, minimum revenue provision on new capital expenditure is based on the annuity method, and expenditure and reserves all increasing by inflation of 2.5% p.a. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing.

8.4. The gap between the dotted red line and the grey shaded area of the chart represents the forecast difference between the estimated borrowing requirement and the Council's current borrowing profile. If capital expenditure plans remain accurate, this gap will need to be filled by new borrowing over time.



8.5. **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk.

Maturity	31.12.23 Actual	Lower Limit	Upper Limit	Complied?
Under 12 months	28%	0%	60%	Yes
12 months and within 24 months	3%	0%	30%	Yes
24 months and within 5 years	9%	0%	30%	Yes
5 years and within 10 years	16%	0%	30%	Yes
10 years and within 20 years	10%	0%	30%	Yes
20 years and within 30 years	12%	0%	30%	Yes
30 years and within 40 years	10%	0%	30%	Yes
40 years and within 50 years	12%	0%	30%	Yes
50 years and above	0%	0%	30%	Yes

8.6. **Long-Term Treasury Management Investments:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are**:**

	During quarter
Actual principal invested for 365 days & beyond year end	£0m
Limit	£5m
Complied?	Yes

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

	31.12.23 Actual	2023/24 Target	Complied?
Portfolio average credit	AA-/4.08	A-/5.0	Yes

8.8. **Borrowing limits:** Compliance with the authorised limit and operational boundary for external debt is demonstrated below.

	Maximum in quarter £m	31.12.23 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied? Yes/No
Borrowing	187.4	173.5	239.9	263.9	Yes
PFI, Finance Leases & Other LT liabs	2.2	2.2	2.9	4.4	Yes
Total debt	**189.6**	**175.7**	**242.8**	**268.3**	**Yes**

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

8.10. **Treasury investment counterparties and limits -** The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown:

	Maximum in quarter	31.12.23 Actual	2023/24 Limit	Complied? Yes/No
The UK Government	£47.0m	£3m	Unlimited	Yes
Local Authorities per counterparty	£0m	£0	£4m	Yes
Secured Investments	£0m	£0	£4m	Yes
Banks per counterparty, rating A- or above	£2m (£3m total for the Councils operational bank)	£1.5m	£2m (£3m total for the Councils operational bank)	Yes
Building societies (unsecured)	£0m	£0	£2m	Yes
Registered providers (e.g. Housing Associations (unsecured)	£0m	£0	£2m	Yes
Money Market Funds	£4m	£4.0m	£4m	Yes
Any group of pooled funds under the same management	£2m	£2m	£5m	Yes
Real estate investment trusts	£0m	£0	£5m	Yes
Limit per non-UK country	£0m	£0	£4m	Yes
Other Investments	£0m	£0	£2m	Yes

Background paper: Glossary of Treasury Terms

Authorised Limit	**The affordable borrowing limit determined in compliance with the Local Government Act 2003 (English and Welsh authorities) and the Local Government in Scotland Act 2003. This Prudential Indicator is a statutory limit for total external debt. It is set by the Authority and needs to be consistent with the Authority's plans for capital expenditure financing and funding. The Authorised Limit provides headroom over and above the *Operational Boundary* to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit.** **(see also *Operational Boundary*, 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 authorities 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 authority 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 authority 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 ***Also see RPI***	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 authorities 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 Authority 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 Authority 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 Authority as its most likely, i.e. prudent, estimate level of external debt, but not the worst case scenario. This limit links directly to the Authority'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 Authorities as those the Authority has formally approved for use.
Pooled funds	See Collective Investment Schemes (above)
Premiums and Discounts	In the context of local authority 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. 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. *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 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 authority.
Prudential Code	Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority 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 authority 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 authorities.
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 authorities 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 Authority Accounting in the United Kingdom).
Specified Investments	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local authorities 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.
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 authority. 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

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REPORT

SUBJECT:	**2024/25 Capital Strategy, 2024/25 Treasury Management Strategy, Revision to MRP Policy 2024/25**
DIRECTORATE:	**Resources**
MEETING:	**Governance & Audit Committee**
DATE:	**22nd February 2024**
DIVISION/WARDS AFFECTED:	**Countywide**

1. PURPOSE

1.1. Full Council delegates responsibility for the detailed implementation, monitoring and scrutiny of capital investment consequences, including treasury management policy, strategy and practices to the Governance & Audit Committee.

1.2. The purpose of this report is to collect the Committee's views and response to the Council's draft 2024/25 Capital and Treasury Management Strategies, including the Minimum Revenue Provision (MRP) policy.

1.3. The report also highlights a proposed revision to the Council's MRP policy for 2024/25 which the committee are asked to scrutinise.

1.4. As per prudential code requirements, following committee scrutiny the strategies and proposed revision to MRP policy will subsequently be reported to full Council for their own consideration and approval. This is scheduled for Council on the 29th February 2024.

2. RECOMMENDATIONS

2.1. That Governance & Audit Committee scrutinise the proposed change to MRP policy for 2023/24 as shown at ***Appendix 1*** and endorses the proposal for onward circulation and approval by full Council.

2.2. That Governance & Audit Committee considers the draft Capital strategy for 2024/25 as found at ***Appendix 2*** and endorses for onward circulation and approval by full Council.

2.3. That Governance & Audit Committee considers the draft Treasury management strategy for 2024/25 as found at ***Appendix 3*** and endorses for onward circulation and approval by full Council. This includes the:

- 2024/25 Minimum Revenue Provision Policy Statement, and;

- 2024/25 Investment & Borrowing Strategies

2.4. That Governance & Audit Committee note the requirement to review the Council's treasury management activities on behalf of the Council by continuing to receive quarterly treasury management activity updates during 2024/25 as per the requirements of the updated CIPFA Treasury Code of Practice.

3. Proposed revision to the Minimum Revenue Provision Policy for 2023/24

3.1. The Welsh Government updated its statutory guidance regarding MRP in 2018 providing advice on how local authorities may determine prudent charges for MRP. This guidance was issued by Welsh Ministers under section 21(1A) of the Local Government Act 2003 [Revised 2018] and is effective from 1st April 2019. The four options for prudent provision remain as indicated above but with two alternative options under Option 3 as follows:

Option 3(a) – Equal Instalment Method
Option 3(b) – Annuity Method

3.2. For supported borrowing the Council is currently adopting Option 3(a) whereby MRP is based on 2% per annum, equivalent to equal instalments over an assumed 50 year life.

3.3. Neither the guidance nor legislation defines what is prudent. It is therefore a decision for each council to manage this appropriately and to determine prudent repayment based on its own individual circumstance. This will involve taking account of medium/long term financial plans, current budgetary pressures, current and future capital expenditure plans, funding needs and any longer term transformational plans.

3.4. The current MRP policy when combined with the cost of interest on outstanding borrowing places a significant burden on the Council's revenue budget, and these charges are biased towards the early years of the asset rather than being spread more evenly across the whole life of the asset.

3.5. There is also inconsistency in approach between supported and unsupported borrowing which is an additional administrative burden for the financial management of MRP.

3.6. The Council has undertaken a review to determine whether this remains the most appropriate method and whether adoption of 3(b) - the Annuity Method for supported borrowing would result in a more prudent provision than the current Equal Instalment Method.

3.7. In forming an opinion the Council has given regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) publication *"Practitioners' Guide to Capital Finance in Local Government"* which states the following:

"*it is arguably the case that the annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden than paying £100 now. The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, taking into account the real value of the amounts when they fall due. The annuity method would then be a prudent basis for providing for assets that provided steady flow of benefits over their useful life.*"

3.8. It is therefore considered that the equalisation of MRP under an annuity-based calculation will have the effect of ensuring that current and future generations will consume equal benefits from the Council's capital assets.

3.9. The proposals above demonstrate that the policy is consistent, affordable over the longer term and ensures a more equitable spread of debt repayment costs across all generations of taxpayer.

3.10. The change also ensures alignment of policy between supported and unsupported borrowing and removes a level of administrative burden and complexity for finance team in the management of MRP.

3.11. It is therefore proposed that Council are asked to approve a change in MRP policy to the following methods:

Type of Expenditure	Option Applied	MRP Calculation
Supported Borrowing funded Expenditure	Option 3	Calculated on an annuity basis over the expected useful life of an asset. The MRP element increases over time to reflect a consistent charge over life of the assets taking into account the real value of money.
Unsupported Borrowing funded Expenditure	Option 3	Calculated on an annuity basis over the expected useful life of an asset. The MRP element increases over time to reflect a consistent charge over life of the assets taking into account the real value of money.

3.12. **Financial implications**

3.13. The revised MRP calculation will be based on charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational.

3.14. A consequence of this more prudent provision is significant MRP savings over the medium term:

Financial Year	Estimated Current MRP £'000	Revised MRP £'000	Difference £'000
2023/24	1,812	805	-1,007
2024/25	1,861	861	-1,000
2025/26	1,861	891	-970
2026/27	1,861	922	-939
2027/28	1,861	954	-907

3.15. Annual monetary savings continue to 31st March 2047 by applying the Annuity Method together with an increased annual cost thereafter albeit recognising the time value of money. Crucially, the overall amount of provision remains the same, and ensures that full provision is made over time to match the debt needing to be repaid.

4. <u>2024/25 Capital Strategy</u>

Overview

4.1. 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.

4.2. 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.

4.3. The main considerations arising from the Capital strategy shown in ***Appendix 2*** are summarised in this report below.

4.4. 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.

4.5. The Cabinet's 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, and making a positive contribution to addressing the climate and nature emergency;

- A Thriving and ambitious place, where there are vibrant town centres, where businesses can grow and develop;
- 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 and are valued;
- A Learning place where everybody has the opportunity to reach their potential.

4.6. 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.

4.7. 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.

4.8. 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).

4.9. 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.

4.10. Within the context of significant demands for capital resources and limited availability, there is the need to develop and link 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.

4.11. **Setting Capital Budgets**

Final 2024/25 Capital Medium Term Financial Plan

Scheme Type	**Indicative Budget 2024/25**	**Indicative Budget 2025/26**	**Indicative Budget 2026/27**	**Indicative Budget 2027/28**
Asset Management Schemes	2,630,049	2,230,049	2,230,049	2,230,049
School Development Schemes	19,456,606	4,151,797	0	0
Infrastructure & Transport Schemes	6,144,740	4,204,740	4,204,740	4,204,740
Regeneration Schemes	150,000	730,200	730,200	730,200
Inclusion Schemes	1,150,000	1,200,000	1,200,000	1,200,000
ICT Schemes	303,000	413,000	413,000	413,000
Vehicles Leasing	1,500,000	1,500,000	1,500,000	1,500,000

Capitalisation Directive	3,357,500	507,500	507,500	507,500
Other Schemes	550,000	570,000	570,000	570,000
Total Expenditure	**35,241,896**	**15,507,287**	**11,355,490**	**11,355,490**

4.12. 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.

4.13. The current capital MTFP does not cover all the capital budget pressures that have been identified. This shows that there is more demand for capital spending than the Council considers it can reasonably afford. This means that capital schemes will have to be ranked or the capital available has to be divided more widely than is ideal.

4.14. All stakeholders must understand that paying for capital spending by borrowing only pushes the cost to revenue budgets over future years, but at the same time if capital maintenance works are put off then the total lifetime costs of keeping an asset are likely to go up. This effect is often hidden in medium term financial planning as asset lives are much longer than four years.

4.15. The capital programme includes yearly investment for property maintenance, highways maintenance, relevant specific capital grants and the future schools programme. This will help to deal with the most urgent backlog issues, focussing on worst condition first and related risk. However, estate rationalisation programs, closure/disposal of assets, asset transfers and other capital projects to refurbish or replace operational properties will also be used to reduce the backlog funding needed. This will not solve the specific total backlog but is a way of targeting the main issues in a reasonable way.

4.16. **Capital Financing**

4.17. 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).

Medium term capital financing

Financing source	**Final Budget 2024/25**	**Indicative Budget 2025/26**	**Indicative Budget 2026/27**	**Indicative Budget 2027/28**
Debt	14,489,533	8,221,113	7,782,990	7,782,990
External sources	16,351,863	6,215,674	2,502,000	2,502,000
Capital Receipts	4,147,500	967,500	967,500	967,500
Reserves	253,000	103,000	103,000	103,000
Total Funding	**35,241,896**	**15,507,287**	**11,355,490**	**11,355,490**

4.18. 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	**2023/24 Estimate £m's**	**2024/25 Estimate £m's**	**2025/26 Estimate £m's**	**2026/27 Estimate £m's**	**2027/28 Estimate £m's**
Net Interest payable	6.6	5.9	6.9	7.1	7.1
MRP	6.0	6.2	6.7	7.0	6.7
Total Financing costs	**12.6**	**12.1**	**13.6**	**14.1**	**13.8**
Net Revenue Stream	189.6	198.5	203.2	208.1	213.2
Proportion of net revenue stream %	**6.65%**	**6.09%**	**6.72%**	**6.74%**	**6.48%**

4.19. 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 stable 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.

4.20. 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

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

4.22. 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.

4.23. 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.

4.24. **Capital Receipts**

4.25. In circumstances where property is deemed surplus to requirements and can be sold, the Disposal Strategy within the Asset management strategy (AMS) provides the process by which this happens and considerations for doing so. To enable a consistent approach to the disposal of surplus land and property, the Disposal policy clarifies the circumstances within which the council will achieve its requirements for best consideration, whilst supporting the Council's objectives as per the Community & Corporate Plan and AMS.

Forecast Capital receipts

	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Balance as at 1st April	12,446	8,785	7,004	6,700	5,835
Less: capital receipts used for financing	(2,778)	(1,815)	(460)	(460)	(460)
Less: capital receipts used to support capitalisation directive	(3,008)	(3,358)	(508)	(508)	(508)
Capital receipts for Redundancies	(1,000)	0	0	0	0
Capital receipts Received	1,043	0	0	0	0
Capital receipts Forecast	2,092	3,393	663	103	103
Forecast Balance as at 31st March	**8,785**	**7,004**	**6,700**	**5,835**	**4,970**

4.26. The value of Capital receipts forecast after 2024/25 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. Whilst candidate sites have now been submitted, this will have an impact on the balance of receipts available to fund future capital investment demands in the near term.

4.27. 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.

5. 2024/25 Treasury Management Strategy

Overview

5.1. 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.

5.2. 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.

5.3. 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 (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.

5.4. 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.

5.5. 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.

5.6. The detailed Treasury strategy for 2024/25 is included at ***Appendix 3***. Key points of interest are summarised below.

Annual Minimum Revenue Provision (MRP) Policy Statement

5.7. 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.

5.8. The policy proposed for 2024/25 is consistent with the changes proposed within this report to revise the policy for 2023/24:

Type of Expenditure	Option Applied	MRP Calculation

Supported Borrowing funded Expenditure	Option 3	Calculated on an annuity basis over the expected useful life of an asset, 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
Unsupported Borrowing funded Expenditure	Option 3	Calculated on an annuity basis over the expected useful life of an asset, 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
Leases and PFI	N/A	MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability

Borrowing Strategy

5.9. 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.

5.10. 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.

5.11. The Council has previously raised the majority of its long-term borrowing from the PWLB and expects to continue to do so during 2024/25. 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.

5.12. Short term borrowing has traditionally been sourced from the inter-Local authority market and this is expected to continue during 2024/25 as it provides a low administration cost option for borrowing at competitive rates of interest.

Investment Strategy

5.13. 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

5.14. 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.

5.15. 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.

5.16. The approved counterparty list and limits are shown in 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.

5.17. 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

5.18. 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.

5.19. 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.

5.20. An updated list of signatories to the three charters is provided by the Authority's treasury advisors each quarter and will continue to be monitored. Any counterparties not signed up to all three charters will be removed from the Authorities investment portfolio.

5.21. The Council will continue through 2024/25 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

5.22. The prudential and treasury indicators as recommended under the Prudential Code are outlined within the Treasury strategy and set out the limits and indictors that the treasury function will operate under for 2024/25.

6. CONSULTEES:

Deputy Chief Executive (Section 151 officer)

Cabinet Member for Resources

Arlingclose – Treasury Management Advisors to Monmouthshire CC

Audit Wales

7. APPENDICIES:

Appendix 1 – Proposed revision to the MRP policy for 2023/24

Appendix 2 – 2024/25 Capital strategy

Appendix 3 **-** 2024/25 Treasury Management Strategy including the Minimum Revenue Provision policy statement and Investment & Borrowing Strategies

8. AUTHORS:

Jonathan Davies – Head of Finance (Deputy S151 officer)
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Appendix 1 - Revision to the Minimum Revenue Provision Policy for 2023/24

1. Key messages

Under legislation Local Authorities are required to charge to their revenue account for each financial year a Minimum Revenue Provision (MRP) to account for the cost of their debt in that financial year.
For the current 2023/24 financial year, Council on 9th March 2023 approved a MRP Policy whereby the annual provision for supported borrowing is based on the principle of asset useful economic lives using the equal instalment method.
The Welsh Government's updated guidance on MRP allows Local Authorities to further examine the concept of prudent provision.
The proposed revision to the MRP Policy is based on a more prudent charge to revenue by applying the Asset Life Annuity Method rather than the existing Asset Life Equal Instalment Method.
The change will ensure that current and future generations will consume equal benefits from the Council's capital assets, and also ensures consistency of policy with unsupported borrowing.
A consequence of the proposed more prudent MRP is a significant budgetary saving over the medium term equating to around £1m for each of 2023/24 and 2024/25.

2. Introduction

2.1. 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 this debt is known as Minimum Revenue Provision (MRP).

2.2. MRP is an annual charge to the revenue budget alongside the interest due on any debt outstanding.

3. Legislative framework and current policy

3.1. Under the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, as amended, Local Authorities are required to charge to their revenue account for each financial year a Minimum Revenue Provision (MRP) to account for the cost of their debt in that financial year resulting from borrowing to support capital expenditure.

3.2. For the financial year 2007/08 and subsequent financial years, under the Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008, as amended, the detailed calculation has been replaced with a requirement that local authorities calculate an amount of MRP which they consider to be prudent. The broad aim of prudent provision is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits.

3.3. The four options proposed for determination of a prudent provision are indicated as follows:

Option 1	For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined in accordance with the former regulations that applied on 31st March 2008.
Option 2	For General Fund capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined as 4% of the capital financing requirement in respect of that expenditure.
Option 3	For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment, starting in the year after the asset becomes operational.
Option 4	For capital expenditure incurred after 31st March 2008, MRP will be determined as being equal to the accounting charge for depreciation and impairment on those assets (or parts of) continuing until the expenditure has been fully funded.

3.4. The 2008 Regulations recommend that prior to the commencement of each financial year a local authority prepares a statement of its policy on making MRP (Annual MRP Statement) and submits it to full Council.

4. Previous amendment of MRP policy

4.1. Council on 1st December 2016 amended the MRP Policy for supported borrowing from Option 2 (a 4% reducing balance) to Option 3 based on a 2% (50 year) equal instalment approach. This looked to ensure prudently that the liability is actually repaid over the indicative life of Council's asset portfolio, and that 2% equated more closely with the indicative asset life.

4.2. It was noted that this had the added advantage of being more prudent that the existing reducing balance method, in that it does ultimately pay off the liability in accordance with the likely economic usage of assets.

4.3. The revised approach better reflected the usage of assets, and moved away from an approach where future generations would be expected to contribute to the repayment of historic Supported Borrowing liabilities long after the economic use of associated assets had expired.

4.4. The report noted that MRP policy would be periodically reviewed to ensure that that it remained prudent and appropriate to the Council's circumstasnces.

5. Proposed Revised Approach for Supported Borrowing

5.1. The Welsh Government updated its statutory guidance regarding MRP in 2018 providing advice on how local authorities may determine prudent charges for MRP. This guidance was issued by Welsh Ministers under section 21(1A) of the Local Government Act 2003 [Revised 2018] and is effective from 1st April 2019. The four options for prudent provision remain as indicated above but with two alternative options under Option 3 as follows:

Option 3(a) – Equal Instalment Method
Option 3(b) – Annuity Method

5.2. For supported borrowing the Council is currently adopting Option 3(a) whereby MRP is based on 2% per annum, equivalent to equal instalments over an assumed 50 year life.

5.3. Council on the 9th March 2023 approved the following MRP policy for the current financial year 2023/24:

MRP Type	Option Applied	Calculation Method
Supported Borrowing funded Expenditure	Option 3	Asset life at 2% per annum, equivalent to equal instalments over a 50 year life
Unsupported Borrowing funded Expenditure	Option 3	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

5.4. Neither the guidance nor legislation defines what is prudent. It is therefore a decision for each council to manage this appropriately and to determine prudent repayment based on its own individual circumstance. This will involve taking account of medium/long term financial plans, current budgetary pressures, current and future capital expenditure plans, funding needs and any longer term transformational plans.

5.5. The current MRP policy when combined with the cost of interest on outstanding borrowing places a significant burden on the Council's revenue budget, and these charges are biased towards the early years of the asset rather than being spread more evenly across the whole life of the asset.

5.6. There is also inconsistency in approach between supported and unsupported borrowing which is an additional administrative burden for the financial management of MRP.

5.7. The Council has undertaken a review to determine whether this remains the most appropriate method and whether adoption of 3(b) - the Annuity Method for supported borrowing would result in a more prudent provision than the current Equal Instalment Method.

5.8. In forming an opinion the Council has given regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) publication *"Practitioners' Guide to Capital Finance in Local Government"* which states the following:

"*it is arguably the case that the annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden than paying £100 now. The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, taking into account the real value of the amounts when they fall due. The annuity method would then be a prudent basis for providing for assets that provided steady flow of benefits over their useful life."*

5.9. It is therefore considered that the equalisation of MRP under an annuity-based calculation will have the effect of ensuring that current and future generations will consume equal benefits from the Council's capital assets.

5.10. The proposals above demonstrate that the policy is consistent, affordable over the longer term and ensures a more equitable spread of debt repayment costs across all generations of taxpayer.

5.11. The change also ensures alignment of policy between supported and unsupported borrowing and removes a level of administrative burden and complexity for finance team in the management of MRP.

5.12. Audit Wales have been consulted and has no objection to the proposed revision to the MRP Policy.

5.13. The Council will continue to periodically review its MRP policy to ensure that it consistently follows the above principles in the future and remains appropriate the Council's circumstances.

5.14. Council are therefore asked to approve a change in MRP policy to the following methods:

Type of Expenditure	Option Applied	MRP Calculation
Supported Borrowing funded Expenditure	Option 3	Calculated on an annuity basis over the expected useful life of an asset. The MRP element increases over time to reflect a consistent charge over life of the assets taking into account the real value of money.
Unsupported Borrowing funded Expenditure	Option 3	Calculated on an annuity basis over the expected useful life of an asset. The MRP element increases over time to reflect a consistent charge over life of the assets taking into account the real value of money.

6. Financial Implications

6.1. The revised MRP calculation will be based on charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational.

6.2. A consequence of this more prudent provision is significant MRP savings over the medium term:

Financial Year	Estimated Current MRP £'000	Revised MRP £'000	Difference £'000
2023/24	1,812	805	-1,007
2024/25	1,861	861	-1,000
2025/26	1,861	891	-970
2026/27	1,861	922	-939
2027/28	1,861	954	-907

6.3. For completeness the detailed MRP calculations outlining the impact of the proposed revision to the MRP Policy over the full period of provision are shown in Schedule 1 below.

6.4. This demonstrates that the annual monetary savings continue to 31st March 2047 by applying the Annuity Method together with an increased annual cost thereafter albeit recognising the time value of money. Crucially, the overall amount of provision remains the same, and ensures that full provision is made over time to match the debt needing to be repaid.

7. Future Generations Considerations

7.1. Whilst the adoption of the revision to the MRP Policy will have a favourable effect on the Council’s revenue budget for 2023/24 and the Medium Term Financial Plan, it needs to be stressed that these cash flow adjustments should not be considered as savings. The change merely revises the profiles of the same overall charge towards the latter half of repayment schedule. The revised approach better reflects the usage of assets, and ensures that current and future generations will consume equal benefits from local authority capital assets.

7.2. In addition, reducing provision in the shorter term means the Council is better placed to continue to keep services open now for the benefit of future generations rather than have to cut services now that may never get reinstated.

Schedule 1

Financial Year	Current method	Revised method	Difference
2023/24	1,812,449	805,205	-1,007,244
2024/25	1,861,069	861,449	-999,620
2025/26	1,861,069	891,198	-969,871
2026/27	1,861,069	922,001	-939,068
2027/28	1,861,069	953,896	-907,173
2028/29	1,861,069	986,922	-874,146
2029/30	1,861,069	1,021,120	-839,948
2030/31	1,861,069	1,056,533	-804,536
2031/32	1,861,069	1,093,204	-767,865
2032/33	1,861,069	1,131,178	-729,891
2033/34	1,861,069	1,170,503	-690,566
2034/35	1,861,069	1,211,228	-649,841
2035/36	1,861,069	1,253,403	-607,666
2036/37	1,861,069	1,297,080	-563,988

2037/38	1,861,069	1,342,315	-518,753
2038/39	1,861,069	1,389,164	-471,905
2039/40	1,861,069	1,437,684	-423,385
2040/41	1,861,069	1,487,937	-373,132
2041/42	1,861,069	1,539,985	-321,084
2042/43	1,861,069	1,593,894	-267,175
2043/44	1,861,069	1,649,731	-211,338
2044/45	1,861,069	1,707,566	-153,503
2045/46	1,861,069	1,767,471	-93,598
2046/47	1,861,069	1,829,522	-31,547
2047/48	1,861,069	1,893,797	32,728
2048/49	1,861,069	1,960,376	99,308
2049/50	1,861,069	2,029,344	168,275
2050/51	1,861,069	2,100,787	239,718
2051/52	1,861,069	2,174,795	313,726
2052/53	1,861,069	2,251,462	390,393
2053/54	1,861,069	2,330,884	469,815
2054/55	1,861,069	2,413,162	552,093
2055/56	1,861,069	2,498,400	637,331
2056/57	1,861,069	2,586,705	725,637
2057/58	1,861,069	2,678,190	817,121
2058/59	1,861,069	2,772,971	911,902
2059/60	1,861,069	2,871,166	1,010,098
2060/61	1,861,069	2,972,903	1,111,834
2061/62	1,861,069	3,078,308	1,217,239
2062/63	1,861,069	3,187,517	1,326,448
2063/64	1,861,069	3,300,668	1,439,600
2064/65	1,861,069	3,417,906	1,556,837
2065/66	1,861,069	3,539,379	1,678,310
2066/67	1,861,069	603,996	-1,257,073
2067/68	338,500	527,160	188,660
2068/69	290,460	456,195	165,735
2069/70	242,260	382,701	140,441
2070/71	194,200	307,161	112,961
2071/72	145,860	229,684	83,824
2072/73	97,240	152,634	55,394
2073/74	48,620	77,104	28,484
Total	**83,195,544**	**83,195,544**	**0**

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Capital Strategy & Treasury Management Strategy 2024/25

Contents

1. Executive Summary

Capital Strategy

1.1. The requirement for Local Councils to produce an annual Capital Strategy is outlined in the most recent update of the CIPFA Prudential Code, published in 2021.

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 (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 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.

2024/25 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 the end of 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 and link 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 £2.8m by the end of 2027/28, 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 February 2024.

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 in respect of capital investment, investment and borrowing, and prudential indicators lies with full Council.

2.8. Council will approve the Capital strategy and the annual Treasury management strategy (including the investment strategy and MRP policy statement).

2.9. Council delegates responsibility for the detailed implementation, monitoring and scrutiny of capital investment consequences, including treasury management policy, strategy and practices to the Governance & Audit Committee.

2.10. The execution and administration of treasury management decisions is delegated 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.

2.11. 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.

2.12. ***Revised strategy:*** 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, a significant change 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 next four years the Council is planning capital expenditure of £73.4m as summarised below:

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

Scheme Type	Indicative Budget 2024/25	Indicative Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28
Asset Management Schemes	2,630,049	2,230,049	2,230,049	2,230,049
School Development Schemes	19,456,606	4,151,797	0	0
Infrastructure & Transport Schemes	6,144,740	4,204,740	4,204,740	4,204,740
Regeneration Schemes	150,000	730,200	730,200	730,200
Inclusion Schemes	1,150,000	1,200,000	1,200,000	1,200,000
ICT Schemes	303,000	413,000	413,000	413,000
Vehicles Leasing	1,500,000	1,500,000	1,500,000	1,500,000
Capitalisation Directive	3,357,500	507,500	507,500	507,500
Other Schemes	550,000	570,000	570,000	570,000
Total Expenditure	**35,241,896**	**15,507,287**	**11,355,490**	**11,355,490**

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.
- Service managers put forward proposals for any change or additional capital investment annually which are collated and scrutinised by senior finance teams, who consider the financing cost of the proposals. These are initially screened against the approved priority investment matrix, and a recommendation made to the strategic leadership team (SLT).
- SLT further consider the recommendations against the approved priority matrix and wider Council plans and strategies in place. Following review, SLT will make recommendation to Cabinet for inclusion in the capital budget and to be considered further by Cabinet and Council at final budget setting stage.
- 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 2024/25 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 agreed priority investment matrix listed below plays a key role in ensuring investment is properly aligned with the overall Community and Corporate Plan and wider strategic principles of the Council.

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 Community & corporate plan priorities	2
Third	Attract significant 3rd 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

3.3. The current capital MTFP does not cover all the capital budget pressures that have been identified. This shows that there is more demand for capital spending than the Council considers it can reasonably afford. This means that capital schemes will have to be ranked or the capital available has to be divided more widely than is ideal.

3.4. All stakeholders must understand that paying for capital spending by borrowing only pushes the cost to revenue budgets over future years, but at the same time if capital maintenance works are put off then the total lifetime costs of keeping an asset are likely to go up. This effect is often hidden in medium term financial planning as asset lives are much longer than four years.

3.5. The capital programme includes yearly investment for property maintenance, highways maintenance, relevant specific capital grants and the future schools programme. This will help to deal with the most urgent backlog issues, focussing on worst condition first and related risk. However, estate rationalisation programs, closure/disposal of assets, asset transfers and other capital projects to refurbish or replace operational properties will also be used to reduce the backlog funding needed. This will not solve the specific total backlog but is a way of targeting the main issues in a reasonable way.

3.6. There might be other calls for capital funding for schemes that are not yet included in the overall programme. Any new schemes that come forward during the year will either need to be paid for by specific funding sources or represent a call upon any available programme under spends. It is important that capital spending stays at a reasonable level within the framework agreed and, therefore, ranking of capital spending is essential and needs to be affordable and sustainable in the long-term.

3.7. Frequent reviews of previously approved schemes that have been delayed will be carried out to ensure that they are still affordable within set budgets. This is especially important in the current economic situation 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

Financing source	Final Budget 2024/25	Indicative Budget 2025/26	Indicative Budget 2026/27	Indicative Budget 2027/28
Debt	14,489,533	8,221,113	7,782,990	7,782,990
External sources	16,351,863	6,215,674	2,502,000	2,502,000

Capital Receipts	4,147,500	967,500	967,500	967,500
Reserves	253,000	103,000	103,000	103,000
Total Funding	**35,241,896**	**15,507,287**	**11,355,490**	**11,355,490**

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 (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

	2023/24 Forecast £m's	2024/25 Estimate £m's	2025/26 Estimate £m's	2026/27 Estimate £m's	2027/28 Estimate £m's
Capital Financing Requirement	213.0	227.0	226.4	225.1	224.1
Minimum Revenue Provision	6.0	6.2	6.7	6.9	6.7

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 2024/25 financial year, and in turn reducing the actual need to undertake external borrowing.

4.6. It is important that capital expenditure plans are realistic, as otherwise this can result in unnecessarily committing revenue resources towards capital financing budgets, which in turn restricts alternative investment in achieving service delivery 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 now likely to impact the 2024/25 financial year. 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	2023/24 Estimate £m's	2024/25 Estimate £m's	2025/26 Estimate £m's	2026/27 Estimate £m's	2027/28 Estimate £m's
Net Interest payable	6.6	5.9	6.9	7.1	7.1
MRP	6.0	6.2	6.7	7.0	6.7
Total Financing costs	**12.6**	**12.1**	**13.6**	**14.1**	**13.8**
Net Revenue Stream	189.6	198.5	203.2	208.1	213.2
Proportion of net revenue stream %	**6.65%**	**6.09%**	**6.72%**	**6.74%**	**6.48%**

5.2. The overall proportion of financing costs remains fairly stable 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.

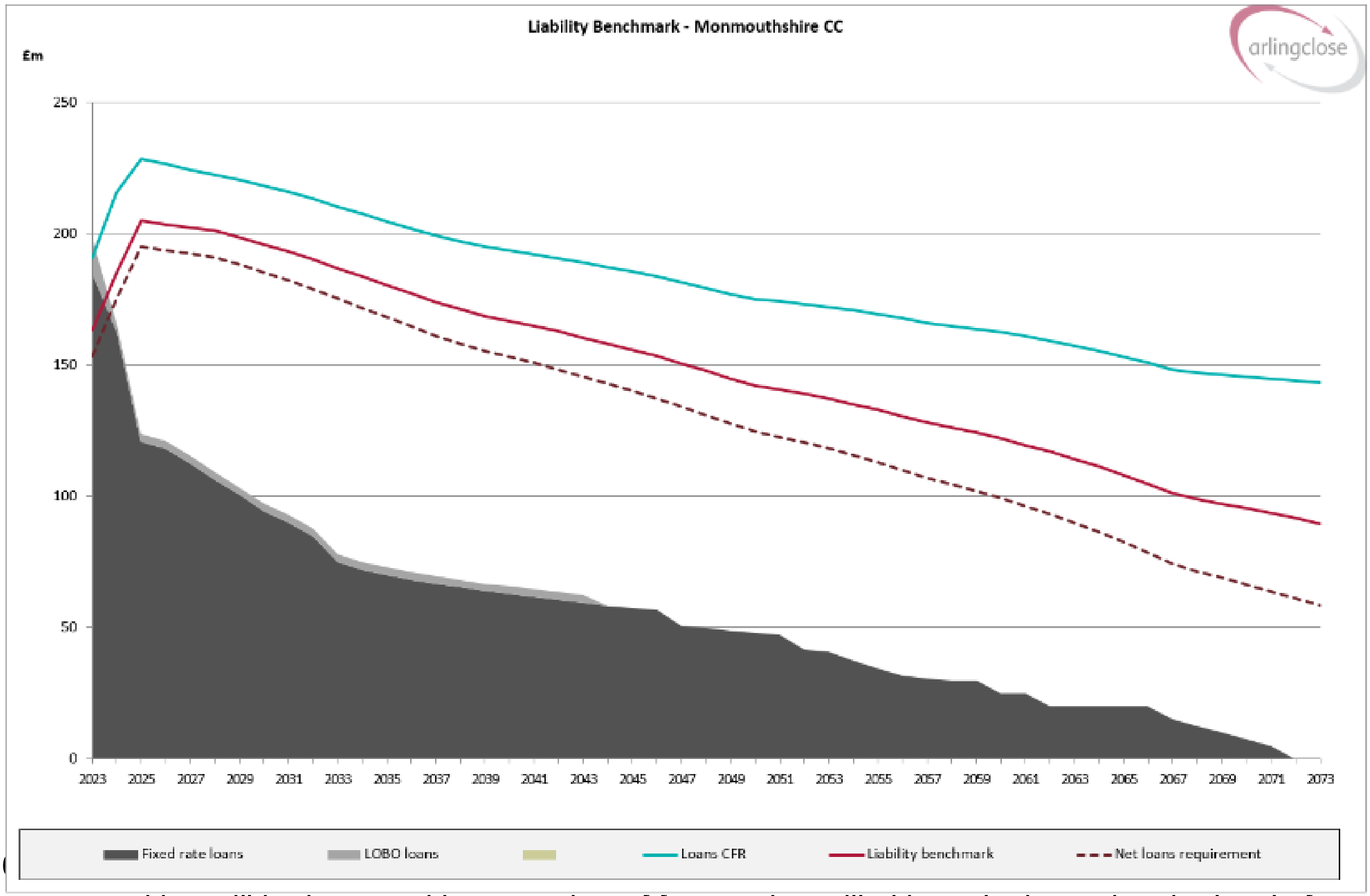
6. Long term capital financing projections

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) in the short term 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.



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

12

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 which 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 (AMS) sets out the strategic objectives for our land and property. The strategy sets out the way property will be managed and contribute to the policy objectives of the council. The Asset Management Strategy provides a clear vision of the future of property assets and management of their strategic performance.

7.2. Asset Management Strategy objectives:

- **A fit for purpose and collaborative estate** – providing assets necessary to deliver council services, in the right location, compliant and co-located where possible.
- **Be good role models for climate and nature practices** – manage our assets well, lowering our carbon footprint and promoting more sustainable practices.
- **Maximised and commercialised asset base** – generate more revenue and higher value outcomes (financial and non-financial) from sales of surplus assets.
- **Strengthen the enablement role of Landlord Services** – continue to support service objectives including job creation, tackling homelessness, constructing affordable homes, driving value for money.
- **Optimise social value from community assets** – support community assets equitably, transparently, and consistently.

7.3. MCC benefits from a diverse land and property portfolio that has delivered a commercial return over a number of years. There are over 1500 assets in MCC ownership which support different services and public needs.

7.4. In circumstances where property is deemed surplus to requirements and can be sold, the Disposal Strategy within the AMS provides the process by which this happens and considerations for doing so. To enable a consistent approach to the disposal of surplus land and property, the Disposal policy clarifies the circumstances within which the council will achieve its requirements for best consideration, whilst supporting the Council's objectives as per the Community & Corporate Plan and AMS.

7.5. The AMS acknowledges a need for assets to align to its five core objectives. In circumstances where properties are considered to not meet this criteria, have alternative development potential or can be rationalised to unlock capital receipts, the Council's Disposal Policy can be exercised to support the disposal of surplus assets.

7.6. When capital receipts are generated these 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.

7.7. The Council anticipates the following capital receipts in the forthcoming financial years:

Table 5: Forecast Capital receipts

	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Balance as at 1st April	12,446	8,785	7,004	6,700	5,835
Less: capital receipts used for financing	(2,778)	(1,815)	(460)	(460)	(460)
Less: capital receipts used to support capitalisation directive	(3,008)	(3,358)	(508)	(508)	(508)
Capital receipts for Redundancies	(1,000)	0	0	0	0
Capital receipts Received	1,043	0	0	0	0

Capital receipts Forecast	2,092	3,393	663	103	103
Forecast Balance as at 31st March	**8,785**	**7,004**	**6,700**	**5,835**	**4,970**

7.8. 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.

7.9. The value of Capital receipts forecast after 2024/25 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. Whilst candidate sites have now been submitted, this will have an impact on the balance of receipts available to fund future capital investment demands in the near term.

7.10. Traditionally receipts have been earmarked to finance the Councils future schools investment. 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 the 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 2023, the Council has £173.5m borrowing at a weighted average interest rate of 3.47% and £13.6m treasury investments at a weighted average rate of 4.76%.

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 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

Gross Debt Forecast compared to CFR	**2023/24 Estimate £m's**	**2024/25 Estimate £m's**	**2025/26 Estimate £m's**	**2026/27 Estimate £m's**	**2027/28 Estimate £m's**
Debt (Inc. PFI, leases, right of use assets)	198.7	197.8	199.0	199.5	201.1
Capital Financing Requirement (Total)	213.0	227.0	226.4	225.1	224.1
(Under) / Over borrowed	(14.2)	(29.2)	(27.5)	(25.6)	(23.0)

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

Operational boundary and Authorised limit	**2024/25 Estimate £m's**	**2025/26 Estimate £m's**	**2026/27 Estimate £m's**	**2027/28 Estimate £m's**

Operational Boundary - borrowing	252.6	253.5	253.8	254.2
PFI, leases & right of use assets/Headroom	2.8	2.8	2.8	2.8
Operational Boundary - total external debt	**255.4**	**256.3**	**256.6**	**257.0**
Authorised Limit - borrowing	268.0	268.9	269.2	269.6
PFI, leases & right of use assets/Headroom	3.8	3.8	3.8	3.8
Authorised Limit - total external debt	**271.8**	**272.7**	**272.9**	**273.4**

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

	31/3/2024 forecast £m's	**31/3/2025 forecast £m's**	**31/3/2026 forecast £m's**	**31/3/2027 forecast £m's**	**31/3/2028 forecast £m's**
Near-term investments	6.0	6.0	6.0	6.0	6.0
Longer-term investments	4.0	4.0	4.0	4.0	4.0
Total	**14.6**	**36.0**	**10.0**	**10.0**	**10.0**

Governance

10.3. 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 2024/25 strategy is considered alongside this paper with a final version to be put forward for approval by full Council in February 2024. 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. Monmouthshire County Council adopted an Asset Investment Policy in May 2018, with a further amendment to the policy approved in February 2019, which afforded the authority the powers to acquire property to meet policy objectives. The commercial asset investment portfolio contains the strategic sites that are to generate a revenue return to MCC, and/or afford regenerative or social benefit via the ownership of strategic investments.

12.2. Total commercial investments held by the Council are currently valued at £32.4m:

Table 9: Value of Commercial investments

Asset	Value @ 01/04/2022	Movement	Value @ 31/03/2023
Castlegate Business Park	5,735,413	423,582	6,158,995
Castlegate Business Park - Service Charge	342,368	-81,585	260,510
Newport Leisure Park	18,909,000	847,000	19,756,000
Oak Grove Solar Farm	5,388,537	96,281	5,484,818
Broadway Loan	974,074	-181,781	792,293
Total	**31,349,392**	**1,103,224**	**32,452,616**

12.3. 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 holds reserves for its commercial investments that look to further mitigate the factors that may impact upon future income generation.

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

	2023/24 budget £m's	2024/25 budget £m's	2025/26 budget £m's	2026/27 budget £m's	2027/28 budget £m's
Total gross income from commercial investments	3.0	3.2	3.3	3.5	3.6
Net revenue stream	189.6	198.5	203.2	208.1	213.2
Proportion of net revenue stream	1.58%	1.59%	1.63%	1.69%	1.71%

Governance

12.4. The Council paused any further active consideration of commercial investments activity as a consequence of the pandemic and the resultant uncertainty in property and investment markets. No investments have been made subsequent to the strengthening of the Prudential code and confirmation has been provided on an annual basis to the DMO that no PWLB borrowing is intended for the purpose of acquiring investment assets primarily for the purposes of yield.

12.5. The Investment Committee established in 2018 managed the investment portfolio and had delegated authority to acquire or invest over a three-year period against a £50,000,000 fund established through approved prudential borrowing.

12.6. All three investments made by the Investment Committee to date had been made within the three-year period, the last of these in March 2020. The three-year period approved by Council in May 2018 has now lapsed. The expiry of this period and changes to the Council's commercial investment risk appetite has warranted a review of the governance arrangements around commercial activity, including the choice of appropriate fora to consider performance updates of the investment portfolio.

12.7. Furthermore, there remains a pause on further commercial investment activity and that has continued due to the ongoing market volatility since the start of the pandemic.

12.8. As a result of the Council's risk appetite and the ongoing strain on its financial standing any further investment will only be considered in order to support the core policy objectives contained within the Council's latest Community and Corporate Plan, and where deemed prudent, sustainable and affordable.

12.9. If any future investment considerations are intended to deliver against direct policy objectives of the Council then it naturally prompts for the current governance arrangements and Asset Investment Policy to be reviewed.

12.10. In terms of any future investment proposals, these can be considered in line with the Council's current constitution and decision-making processes through Council, Cabinet or otherwise.

12.11. The Investment Committee, as an existing sub-committee of Council, has been retained but put in abeyance. This therefore allows Council in future, and if it so wishes, to request the Investment Committee to preside over an investment proposal before making recommendation back to Council for consideration. In such circumstances this will retain the cross-party scrutiny and consideration of any such investment proposals.

12.12. The Performance & Overview Scrutiny Committee now focuses on maintaining oversight and scrutiny of the performance of the Council's property investment portfolio on a six-monthly basis.

12.13. The Governance and Audit Committee looks to seek ongoing assurance on overall governance arrangements of the commercial and property investments as part of the Council's overall land and property portfolio.

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.

2024/25 Treasury Management Strategy

1. Economic background and forecasts for interest rates

1.1. **Economic background:** The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for 2024/25.

1.2. The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

1.3. The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

1.4. Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.

1.5. ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

1.6. The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong, but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

1.7. Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

1.8. Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

1.9. **Credit outlook:** Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

1.10. On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

1.11. Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

1.12. Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

1.13. There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

1.14. 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.

1.15. **Interest rate forecast (December 2023):** Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

1.16. Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

2. Local Context

2.1. On 31st December 2023, the Council held £173.5m of borrowing and £13.6m of treasury investments as demonstrated below:

Table 11: Current debt and investment levels

	31st Dec 2022 Actual Portfolio £m's	Average Rate %	31st Dec 2023 Actual Portfolio £m's	Average Rate %
External borrowing:				
Public Works Loan Board	116.7	3.2%	122.2	3.3%
LOBO loans from banks	13.6	4.8%	3.0	4.5%
Welsh Government Loans	5.7	0.0%	5.3	0.0%
Council to Council & other ST loans	52.0	1.8%	43.0	4.4%
Total external borrowing	**188.1**	**2.9%**	**173.5**	**3.5%**
Treasury investments:				
Banks & building societies (unsecured)	2.0	0.0%	1.5	1.5%
Government (incl. local Councils)	18.0	3.0%	3.0	4.84%
Money Market Funds	14.3	3.3%	5.1	4.88%
Strategic pooled funds	4.0	4.2%	4.0	5.77%
Total treasury investments	**38.3**	**3.0%**	**13.6**	**4.76%**
Net debt	**149.8**		**159.9**	

2.2. 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.

2.3. The Council has an increasing CFR due to the indicative capital programme, but minimal investments and will therefore be required to borrow additional sums over the longer term.

2.4. **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 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.

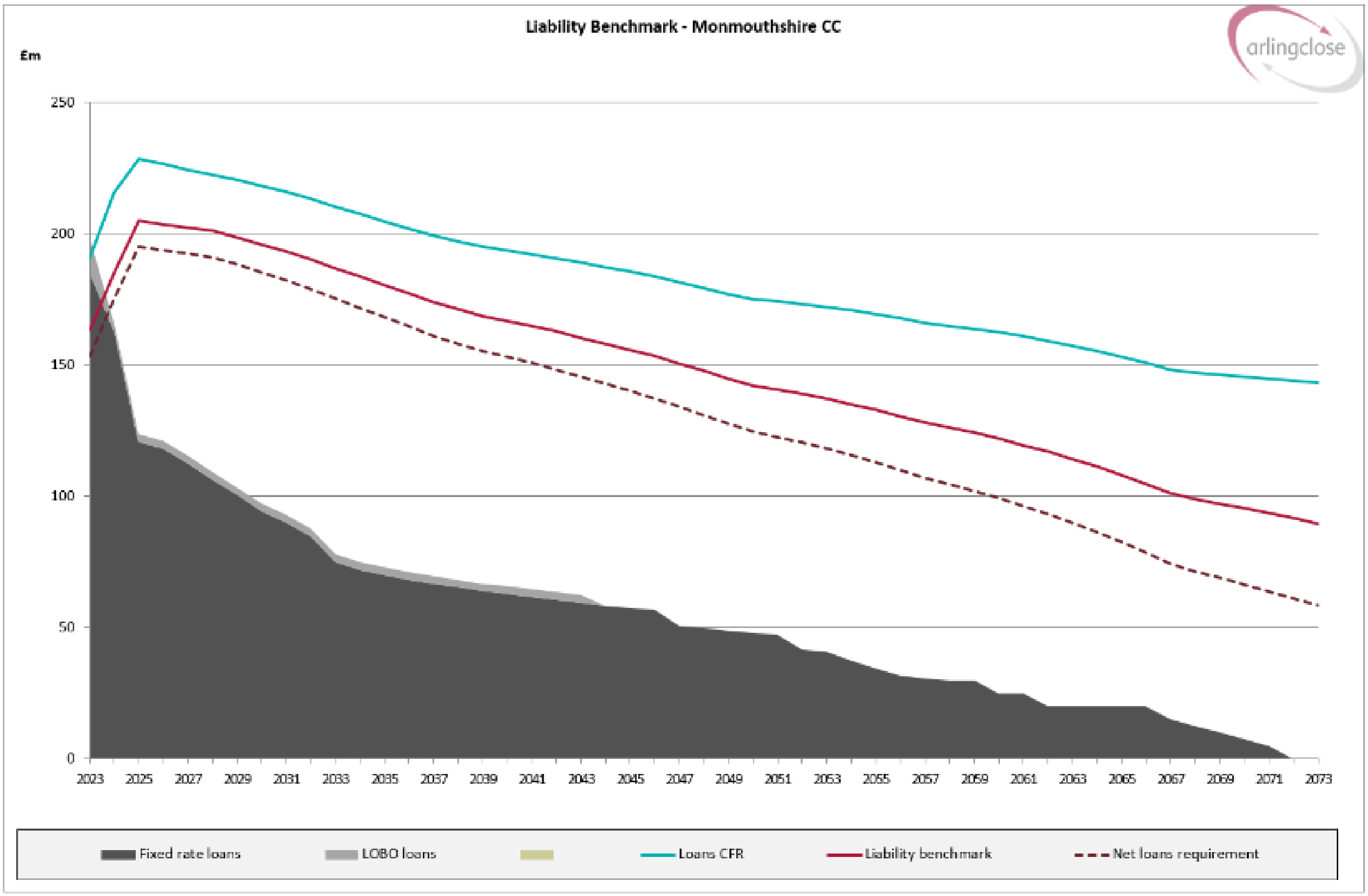
2.5. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external 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 12: (Prudential indicator) - Liability benchmark

	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast	31.3.27 Forecast	31.3.28 Forecast
Loans CFR	213.0	227.0	226.4	225.1	224.1
Less: Balance sheet resources	(24.2)	(22.1)	(21.6)	(20.5)	(19.7)
Net loans requirement	**188.8**	**204.9**	**204.8**	**204.6**	**204.4**
Plus: Liquidity allowance	10.0	20.0	20.0	20.0	20.0
Liability benchmark	**198.7**	**224.9**	**224.8**	**224.6**	**224.4**
Current loan profile**	(198.7)	(125.3)	(121.5)	(117.0)	(111.1)
Borrowing requirement	**0.0**	**99.6**	**103.4**	**107.6**	**113.3**

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

2.6. The long-term liability benchmark assumes capital expenditure funded by borrowing is in line with the medium-term financial plan, minimum revenue provision on new capital expenditure is based on the annuity method, and expenditure and reserves all increasing by inflation of 2.5% p.a. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing:



2.7. 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.

2.8. 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 £173.5m of loans, a decrease of £25.2m on the previous year, as part of its strategy for funding previous years' capital programmes. The liability benchmark above shows that the Council expects to borrow up to £99.6m in 2024/25. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.

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.

3.5. 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 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term**.**

3.6. 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.

3.7. 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.

3.8. **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)
- UK Infrastructure Bank Ltd
- 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
- similar asset based finance

3.9. **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.

3.10. **LOBOs:** The Council holds £3m 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 2024/25, and with interest rates having risen recently, there is now a good 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. .

3.11. **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.

3.12. **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.

13.5. 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.

13.6. **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.

13.7. 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.

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

Table 14: (Prudential indicator) - Authorised limit and operational boundary for external debt in £m

Operational boundary and Authorised limit	**2024/25 Estimate £m's**	**2025/26 Estimate £m's**	**2026/27 Estimate £m's**	**2027/28 Estimate £m's**
Operational Boundary - borrowing	252.6	253.5	253.8	254.2
PFI, leases & right of use assets/Headroom	2.8	2.8	2.8	2.8
Operational Boundary - total external debt	**255.4**	**256.3**	**256.6**	**257.0**
Authorised Limit - borrowing	268.0	268.9	269.2	269.6
PFI, leases & right of use assets/Headroom	3.8	3.8	3.8	3.8
Authorised Limit - total external debt	**271.8**	**272.7**	**272.9**	**273.4**

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 15: (Treasury management indicator) - Maturity structure of borrowing

Refinancing rate risk indicator	**Upper limit**	**Lower limit**
Under 12 months	50%	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 £16.5m and £57.5m million. It is anticipated that the level of investments held in 2024/25 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. An updated list of signatories to the three charters is provided by the Authority's treasury advisors each quarter and will continue to be monitored. Any counterparties not signed up to all three charters will be removed from the Authorities investment portfolio.

4.7. The Council will continue through 2024/25 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.

4.8. **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.

4.9. **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 16: 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%
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	£4m	n/a	£4m
	13 months	5 years		5 years

Credit rating	Banks unsecured	Secured investments	Government	Corporates
AA – AA-	£3m	£4m	n/a	£4m
	13 months	5 years		5 years
A+ - A	£3m	£4m	n/a	£4m
	13 months	2 years		2 years
A-	£3m	£4m	n/a	£4m
	13 months	13 months		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 though 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.

4.10. 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.

4.11. Reputational aspects: The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

4.12. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, 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.

4.13. **Investment limits**: The Council's revenue reserves available to cover investment losses are forecast to be £16.4m on 31st March 2024 and £15.0m on 31st March 2025. In order that no more than a third 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.

4.14. 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 17: 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

4.15. **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.

4.16. 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

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

4.18. **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

4.19. **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	2024/25	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£5m	£4m	£2m	£5m

4.20. 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 2024/25 is £925k, 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 2024/25 is £6.95m, based on existing loans and assumed new borrowing at an average rate of 4.2%. 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 18; the Council confirms that its current non-specified investments remain within these limits.

Table 18: 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 2023, 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 1.6% 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.

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 2023

Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures

suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.

- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium- term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

- **Forecast:**
- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-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	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-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	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-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	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
UK Infrastructure Bank Rate = Gilt yield + 0.40%

8. MRP Policy Statement 2024/25

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	For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined in accordance with the former regulations that applied on 31st March 2008.

Option 2	For General Fund capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined as 4% of the capital financing requirement in respect of that expenditure.
Option 3	For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. 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.
Option 4	For capital expenditure incurred after 31st March 2008, MRP will be determined as being equal to the accounting charge for depreciation and impairment on those assets (or parts of) continuing until the expenditure has been fully funded.

Note: This does not preclude other prudent methods.

MRP in 2024/25:

8.5. The following MRP policy will be applied in 2024/25:

Type of Expenditure	Option Applied	MRP Calculation
Supported Borrowing funded Expenditure	Option 3	Calculated on an annuity basis over the expected useful life of an asset, 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
Unsupported Borrowing funded Expenditure	Option 3	Calculated on an annuity basis over the expected useful life of an asset, 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
Leases and PFI		MRP will be determined as being equal to the element of the rent or charge that goes to

		write down the balance sheet liability

8.6. 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.

8.7. In all cases Capital expenditure incurred during 2024/25 will not be subject to an MRP charge until 2025/26. The 2024/25 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 *Operational Boundary* to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit. (see **also** *Operational Boundary*, 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 ***Also see RPI***	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	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. 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. *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 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

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SUBJECT:	**Self-assessment of Performance Management Arrangements**
MEETING:	**Governance and Audit Committee**
DATE:	**22nd February 2024**
DIVISIONS/WARDS AFFECTED: All	

1. PURPOSE:

1.1 To ensure that members of the committee have an understanding of the council's performance framework.

1.2 To present an update on the current effectiveness of the authority's performance management arrangements.

2. RECOMMENDATIONS:

2.1 That members use the update provided to inform their understanding of the effectiveness of the operation of the authority's performance management arrangements and identify any areas where they feel action needs to be taken or further information provided.

3. KEY ISSUES:

3.1 Performance management is about establishing a shared understanding of what needs to be achieved and making sure that it happens. The council currently has an established performance framework; this is the way in which we translate our purpose into action and ensure that everyone is pulling in the same direction to deliver real and tangible outcomes. These components of the framework are shown visually in appendix 2.

3.2 Our performance framework:

- Translates our purpose into the council's own well-being objectives
- Places an expectation on teams to translate these objectives into specific, measurable actions in their service business plans
- Contains a broad range of data to monitor impact and measure the performance of services

Other key processes that are part of and/or facilitate aspects of the framework include the Whole Authority Strategic Risk Assessment and self-evaluation arrangements.

3.3 There have been considerable adjustments to the council's performance framework in the last few years due to the need to meet requirements of the Local Government and Elections (Wales) Act 2021. The Act requires each council in Wales to keep under review the extent to which it is meeting the 'performance requirements', that is the extent to which; it is exercising its functions effectively; it is using its resources economically, efficiently and effectively; its governance is effective for securing these.

3.4 Appendix 1 provides an appraisal of the arrangements that make up the current performance framework to ensure that Governance and Audit Committee are able to take an overview of their effectiveness. This includes an assessment of how well we are doing, how we know this and planned actions for the future along with timescales.

3.5 A summary of the conclusion of the assessment for each arrangement is provided below:

- Well-being Objectives - The council has set six well-being Objectives in the Community and Corporate Plan. The has ensured that there is a clear direction for the council, that is fed through the performance management framework. There is a need to strengthen the alignment of strategic plans such as service business plans and enabling strategies with the objectives to ensure that the ambition of the plan is embedded through the council activities.
- Service Business Plans - The Service Business plan process has principles, supporting templates and guidance in place that is regularly reviewed. A quality assurance process has been undertaken and has supported the improvement in quality of plans. Although many plans still require improvement in parts and completion rates within timescales need to increase.
- Self-evaluation - The self-assessment process facilitated the completion of a self-assessment report of the Council's performance report for 2022/23 that was scrutinised and agreed. There is a need to strengthen self-evaluation through the council's performance management framework, particularly in services business plans.
- Performance Data and Information – The use of performance data in the Council's performance management framework is being strengthened. There is a need to increase the focus on outcomes in measurement and evaluation and improve our data maturity, with data accuracy being an important part. Dashboards are being developed and updated further strengthening the use of performance data.
- Strategic Risk Management - The strategic risk register is updated and reported regularly. The strategic risk register identifies high and medium level strategic risks and ensures risk levels are assessed and mitigating actions are identified. The strategic risk policy needs strengthening, including risk identification arrangements, risk appetite, responsibilities for managing risks and reporting arrangements.

3.6 This report on the continued effectiveness of the council's strategic planning framework is presented annually to Governance and Audit Committee and is important in ensuring the necessary checks and balances are in place around performance monitoring, evaluation, and policymaking. It will also inform the Council's annual self-assessment process and report, part of which includes an assessment of Corporate Planning, Performance and Risk Management arrangements.

3.7 The council also places reliance on regulatory assessments as a vital part of our framework. These are Audit Wales, who examine the authority's corporate arrangements; Estyn, in relation to education provision; and the Care Inspectorate Wales, in relation to social services. Where applicable, the most recent findings of regulatory work have been factored into the appraisal of arrangements.

4. RESOURCE IMPLICATIONS:

4.1 There are no additional resource implications as a result of this report. However, there may be resource implications in undertaking further actions as directed by Strategic Leadership Team or as recommended by Governance and Audit Committee.

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Appendix 1: Self-Assessment of Performance Management Arrangements

Well-being Objectives			
The Council has a responsibility under the Well-being of Future Generations (Wales) Act 2015 to set well-being objectives. To achieve this, we must: • 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 The Council publishes a Corporate Plan every five years. This plan contains the wellbeing objectives of the Council and sets out the actions it will take to achieve them over the following five years. Alongside these actions are measures and targets that the Council will use to track progress. An evaluation of the Council's performance and progress in meeting these targets is published in our annual Self-Assessment Report.			
	How well are we doing?	**How do we know?**	**Action & timescale**
Are there defined council well-being objectives that are communicated and understood?	The Community and Corporate Plan was approved in April 2023. This plan sets out the council's six well-being objectives which include the aims we want to achieve, the actions we will take and how performance will be measured. The community and corporate plan has been promoted and published on the website for residents and internally for staff. An Audit Wales examination of the Council's well-being objective setting found 'The Council has set its well-being objectives in accordance with the sustainable development principle and is aligning its key strategies and business plans to support their delivery, but it could further strengthen its approach by increasing the diversity of citizen involvement in future'. The approval of the community and corporate plan has ensured that there is a clear direction for the council, which has fed through our performance management framework. There is a	Community and Corporate Plan 2022-28 Audit Wales examination of the Council's well-being objectives	Work with managers to ensure alignment of service business plans with the Community and Corporate Plan – May 2024

	need to strengthen the alignment of strategic plans such as service business plans and enabling strategies with the objectives set out in the community and corporate plan and ensure that the ambition of the plan can be seen throughout all council activities.		
Are the well-being objectives embedded in the performance management framework?	Supporting and Enabling strategies, including on the priorities set in the well-being objectives are being developed. The enabling strategies are being reviewed to ensure they are fit for purpose and support the new policy aims and objectives set out in the Community and Corporate Plan. These will be important to strengthen the delivery of the ambitions of the plans. The actions to deliver the community and corporate plan objectives are mostly embedded, and progress updated, within service business plans. Quality assurance of service business plans undertaken in Q3 of 2023/24 found that some commitments from the community and corporate plan were not included within relevant service business plans, or that plans that should contain key updates were not updated regularly or completed to a sufficient standard. Feedback and support has been provided to managers on the importance of aligning their plans with the community and corporate plan and this will be regularly monitored.	Service business plans quality assurance	Work with managers to ensure alignment of service business plans with the community and corporate plan – May 2024
Is progress and performance in delivering the well-being objectives monitored and held to account?	The actions to deliver the community and corporate plan objectives are updated quarterly within service business plans. A six-month community and corporate plan progress update is produced and scrutinised. This was presented to Cabinet in January as part of their continuous monitoring of how effectively the council is delivering its objectives and to Performance and Overview Scrutiny Committee who scrutinised	Community and corporate plan 2023/24 six-month progress update	Develop and agree the self-assessment process for 2023/24 – March 2024 Produce a self-assessment report for

	the council's performance and used the report to inform their work plan. Assessing progress within the year has allowed officers and members to identify where services are not on track to meet the targets and identify any remedial actions that may be required. An annual self-assessment of our progress in meeting our well-being objectives will be undertaken at the end of the financial year in the form of a self-assessment report. This will clearly identify how well are we doing, how do we know (the evidence we have used) and what and how can we do better.		2023/24 – September 2024

Service Business Plans			
A Service Business Plan is a planning tool which all service areas are required to complete. It allows services to set a plan for the next three years, assess what went well, learn from what didn't and measure the impact the service has made on people and places of Monmouthshire. Service business plans ensure clear alignment between the council's priorities and objectives, and detail the actions the service will be undertaking, performance measures to assess progress and risks facing the service and mitigating actions. Service business planning and regular evaluation of our performance is fundamental to how we operate.			
	How well are we doing?	**How do we know?**	**Action & timescale**
Is the service business plan process robust, communicated and understood?	Service Business plan principles, supporting templates and guidance are in place and regularly reviewed. Guidance on completing service business plans is available on the intranet, the Hub, for all officers to use. This includes service planning principles which sets out what every service plan should include, a guide on competing each section of the provided template and further supporting information/guides. Though these	Service business plan principles, supporting information and guides. Services Business plan Quality Assurance.	To review and update, where necessary, the service business plan principles and guidance – April 2024 To trial using pre-recorded training videos

	documents are available on the Hub, there is a need to promote their use and awareness. Regular service business plan communication is circulated including reminder and quality assurance emails. Quality assurance of service business has identified the principles are sometimes not adhered to. There is a need develop further training and support on the process. The use of training videos for managers to aid the completion of service business plans and to make the process more accessible is being trailed. Additional quality assurance and support is also offered and available from the policy and performance team.	Feedback from service managers.	for managers on completing service business plans – April 2024
Are service business plans complete, up to date and of good quality?	Service business plans completion rates within timescales remains varied, however there has been some improvement following the quality assurance process. For the most recent quarter, Q3, half of the plans were updated in the timescale. Consistent reminders to update plans are needed to continue the increasing trend of timely updates. A quality assurance process has been developed to assess whether plans are meeting the planning principles, the quality of updates and whether they are aligned with wider council commitments. This facilitates officers to easily identify which areas of their plan need improvement, helping them to focus on key aspects. The most recent quality assurance was completed during Q3 of 2023/24. This has found that a significant number have improved since the previous quality assurance completed in Q2 of 2022/23, though many plans still require improvement in parts of their completion.	Service business plans completion rates. Services Business plan Quality Assurance. Feedback from service managers.	To continue to remind managers of deadlines and process for service business plan updates – quarterly To complete quality assurance of service business plans – October 2024

	The quality assurance reports were shared with all chief officers, managers and officers completing service plans in November 2023. Engagement during this time has been positive, with managers conveying a want to improve their plans. Completing quality assurance has allowed us to identify common areas for development between plans and to offer targeted support. This process is also vital in assessing alignment with both the actions and measures contained within the community and corporate plan. Some common areas for development are the completion of risk registers, use of performance indicators and specificity of actions and assessment of progress and impact.		

Self-evaluation			
Self-evaluation is a way of evaluating, critically and honestly, the current position to make decisions on how to secure improvement for the future. It needs to be embedded across the organisation to help the council continually learn and achieve sustainable improvement and better outcomes for citizens, service users and its own workforce. Self-evaluation allows us to assess our actions openly and honestly, and to consider whether the actions taken helped to reach our desired goals and objectives. This process helps us to learn what went well and what didn't, informing our future actions. The Local Government and Elections (Wales) Act 2021 requires each local authority in Wales to keep under review the extent to which it is meeting the 'performance requirements'. Under the Act, the mechanism for a council to keep its performance under review is self-assessment, with a duty to publish a report setting out the conclusions of the self-assessment once in respect of every financial year**.**			
	How well are we doing?	**How do we know?**	**Action & timescale**
Is the self-assessment process robust, communicated and understood?	A process for completing self-assessment was developed and adhered to. The self-assessment process for 2021/22, the council's first self-assessment, was reviewed and informed the 2022/23 process. This included directorate workshops, which provided the opportunity for heads of service to reflect on their service area and assess activity against the Corporate Plan priority goals. The self-assessment report was informed by a	Self-assessment report 2021/22 Self-assessment report 2022/23	Develop and agree the self-assessment process for 2023/24 – March 2024 Produce a self-assessment report for

	range of evidence including the output from the workshops along with other elements of the performance framework, such as Chief Officer reports, scrutiny, external regulation and the Annual Governance Statement. The 2022/23 self-assessment focussed on how well the council had addressed the areas for development that were identified in the 2021/22 report, as the community and corporate was not agreed until April 2023. These areas for development were structured under the headings of the draft community and corporate plan well-being objectives. This allowed the council to produce a self-assessment report for 2022/23 that also facilitated learning to inform the delivery of the community and corporate plan. The experience of the previous two years will be used to develop our self-assessment process for 2023/24, assessing progress made in achieving the well-being objectives set out in the community and corporate plan.		2023/24 – September 2024
Is self-assessment embedded through the performance framework?	Self-assessment and evaluation have been embedded in the council's performance management framework. Service business plans require plan holders to continue to update on progress quarterly and includes an annual 'self-assessment' section. By the end of each financial year, all service plans should contain a section evaluating their performance. The completion of these aids the collation of evidence for the Council's self-assessment report. It also helps services to assess what worked well and what did not and should play a vital role in forward planning.	Service business plans, Service business plans quality assurance.	Ensure that managers apply a self-evaluative mindset when updating and completing service business plans – April 2024

	Quality assurance on service business plans has shown that managers do not always consistently apply a self-evaluative mindset when updating service business plans. This was identified and fed back to managers through quality assurance forms. A self-assessment guide has also been developed and is available to officers to aid them in completing both quarterly updates and year-end self-evaluations within their service business plans. Strengthening self-evaluation within plans will be vital to information gathering to inform the self-assessment report.		
Is the outcome of self-assessment monitored and performance held to account?	Following the workshops, the evidence has been reviewed, further challenged, and collated into a corporate level evaluative self-assessment. The draft self-assessment report is presented to Performance and Overview Scrutiny Committee, with Governance and Audit Committee having approval of the final draft, as per legislation. Both committees scrutinised the 2022/23 report and found that overall, it was a fair and balanced assessment of performance during the year. The report was subsequently approved by Council. The self-assessment report includes an action plan that focuses specifically on what and how the council can do better for the significant conclusions of the assessment. These actions integrate with further actions identified in the council's Annual Governance Statement 2022/23. The actions are monitored through the year in service business plans and the next self-assessment report will include an assessment of the progress made on these actions.	Self-assessment report 2022/23	Develop and agree the self-assessment process for 2023/24 – March 2024 Produce a self-assessment report for 2023/24 – September 2024

Performance Data and Information			
Data and information are essential to our performance framework. This comprises of nationally and locally set indicators that services have developed to measure the impact of their service. As well as maximising the use of data we hold to inform how we plan, manage, and deliver services. All staff and members need to regularly access and use performance data and analysis of performance to evaluate the progress and impact of services.			
	How well are we doing?	**How do we know?**	**Action & timescale**
Is performance data used to monitor and evaluate the council's performance?	Performance data is embedded in the Council's performance management framework. The Community and Corporate Plan has an agreed measurement framework that sets a mix of input, process, output and outcome measures. Targets for 2023/24 have been set and approved by Cabinet as part of the community and corporate plan progress report. The measures are updated quarterly in the community and corporate plan dashboard. This allows officers and members to regularly assess performance and take action accordingly. Performance dashboards are also currently being built for each directorate displaying their key performance indicators. Directorate dashboards have been built for MonLife & Social Care & Health, with the remaining to be completed by April 2024. These dashboards are supporting performance data to be further embedded in decision making at a senior level. Service business plans principles require services to use appropriate performance data and measures to monitor and evaluate performance. Quality assurance of service business plans shows there remains variability in the use of performance indicators within services to assess performance. This can limit the ability of services to robustly assess their performance. Feedback and assistance are being provided to services, where required, to strengthen their planning.	Community and corporate plan measurement framework & dashboard Directorate performance dashboards Service Business Plans	Set out revised measures alongside targets for performance up to 2026/27 for the community and corporate plan – May 2024 Complete the development of directorate performance dashboards – April 2024

Is the council's performance data on its services/ processes/outcomes relevant, accurate and up to date?	The community and corporate plan 'measurement framework' identifies measure we can have a direct and measurable effect on and measures we will track for longer term changes that our contribution is only one part of. This allows us to track service, process and outcome level progress and performance. Our self-assessment concludes there is a need to further develop self-assessment arrangements to focus on outcomes and embed an evaluative mindset. This includes developing, where possible, the use of outcome measures in the community and corporate plan. This has also been identified through the Audit Wales use of performance information review, the report is currently in draft. Quality assurance of service business plans shows there remains variability in the overall quality and timeliness of completion of performance indicators within services to assess performance. Feedback and assistance are being provided to services, where required, to strengthen their planning. Performance measures and target setting guidance is in place and embedded in service business plan principles. Performance measure definitions and proformas are used for collating performance measures in the community and corporate plan. Also, Internal audit reviews will look to ensure that performance information is reviewed when it is appropriate to do so. While arrangements are in place to support the production of accurate performance data, our assessments show we need to focus on improving our data maturity, with data accuracy being an important part. Data quality was also identified as an area for improvement through the Audit Wales use of performance	Community and corporate plan measurement framework. Self-Assessment report 2022/23. Service business plans quality assurance.	Set out revised measures alongside targets for performance up to 2026/27 for the community and corporate plan – May 2024 Undertake targeted action to improve the council's data maturity – December 2024

	information review. We will focus on improving our data accuracy as part of our wider work on developing the council's data maturity.		

Strategic Risk Management			
The strategic risk register captures the high and medium level strategic risks that face the council in line with the council's risk management policy. This ensures that: • Strategic risks are identified and monitored by the authority • Risk controls are appropriate and proportionate • Senior managers and elected members systematically review the strategic risks facing the authority			
	How well are we doing?	**How do we know?**	**Action & timescale**
Is there a collective view of the council's strategic risk management arrangements and risk appetite that is communicated and understood?	The Council has an established strategic risk management policy and guidance that is available on The Hub for members and officers to view. This defines the approach, process and responsibility for managing strategic risk in the council. This also defines risk tolerance and a broad risk appetite for the council. It has been identified that areas of the policy including risk identification arrangements, risk appetite, responsibilities for managing risks and reporting arrangements can be strengthened. This will need to be supported by subsequent communication of the amendments. The content and structure of the strategic risk register is in line with the current policy and guidance. The policy should also be used by service managers when completing service business plans. The latest quality assurance of service business plans demonstrates that the completion of risk registers in the plans	Strategic risk management policy and guidance Strategic risk register Service business plans risk register	Review the strategic risk management policy and guidance – April 2024 Complete further strategic risk training and guidance – May 2024

	needs strengthening and has identified a need for further strategic risk management training in the organisation.		
Is strategic risk management embedded in the council?	The strategic risk register is updated regularly and available to all members and officers to view at any time. There are arrangements to formally review the whole strategic risk register six monthly. These are facilitated by the performance and data insight team in coordination with risk owners and include review reports to Strategic Leadership Team and cabinet. The latest strategic risk register is formally reported to Governance & Audit Committee, Performance & Overview scrutiny committee and Cabinet. This facilitates and demonstrates that risk management is embedded with these groups and officers who have specific responsibilities. The update of the strategic risk register is informed by a wide range of evidence as set by the policy. There is a need to strengthen the alignment will other risk management procedures and processes as part of the strategic risk management policy review. The starting point for identifying risks are often service business plans, where heads of service and service managers identify the risks their service faces or will face over the next three years in line with the risk management policy. The most recent quality assurance of service business plan (October 2023) identified that the completion of service-based risk registers was often not robust enough or fully completed. This shows strategic risk management isn't consistently embedded at a service level and has identified a need for further strategic risk management training in the organisation.	Strategic risk management policy and guidance Strategic risk register Service business plans risk register	Review the strategic risk management policy and guidance – April 2024 Complete further strategic risk training and guidance – May 2024

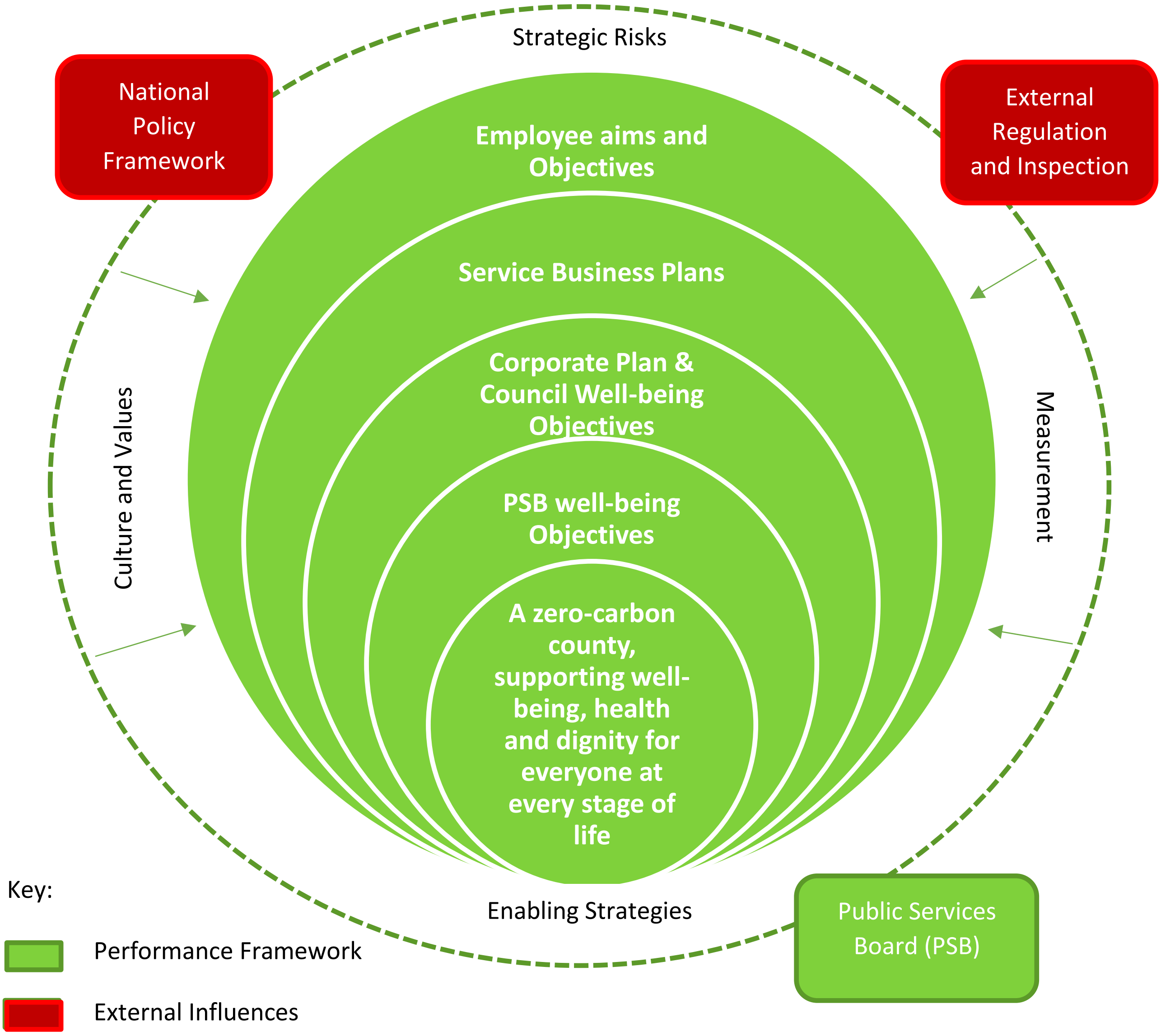
Is there a shared understanding of the most significant corporate risks?	The strategic risk register identifies high and medium level strategic risks and ensures risk levels are assessed and mitigating actions are identified. The register is updated regularly, which ensures it remains focussed on the most significant strategic risks facing the council. It is available to all members and officers to view at any time and has regular reporting arrangements in place. This ensures there is a shared understanding of strategic risks facing the council. The findings from the most recent quality assurance of service business plans (October 2023) have shown that strategic risk management isn't consistently embedded at a service level, which could impact the effectiveness of service risk identification and management. This may subsequently be having an impact on the effective identification and management of strategic risks, although other arrangements are in place, as set out, will limit this. The latest six-monthly review of the strategic risk register has identified for some risks there is no forecast change in risk level or score post mitigation. A review of mitigation actions will be undertaken with risk owners to seek assurance these remain appropriate to manage the type/nature of the strategic risk identified.	Strategic risk register Service business plans risk register Strategic risk management reports	Complete further strategic risk training and guidance – May 2024 Review of mitigating actions in strategic risk register - March 2024
Is there a robust risk management assurance framework in place?	There are arrangements to formally review the whole strategic risk register six monthly. These are facilitated by the performance and data insight team in liaison with risk owners and include review reports to Strategic Leadership Team and cabinet. The latest strategic risk register is then formally reported to Governance & Audit Committee, Performance &	Strategic risk register Service business plans quality assurance	Review the strategic risk management policy and guidance –April 2024

	Overview scrutiny committee and Cabinet. This provides assurance on the robustness of risk management framework in place. A review of strategic risk management arrangements is now reported to Governance and Audit Committee six monthly. The content of this report is being developed to support the committee to consider assurance of the risk framework in place. Risk management arrangements also form part of the Council's annual self-assessment report. These arrangements are providing assurance of the framework in place and informed areas for development identified in this report. To further strengthen internal risk assurance, the council's recently formed governance working group will have a key role in reviewing the risk management policy and guidance. Also, the findings from the internal audit of strategic risk management will further inform strengths and areas for development in the Council's risk management.	Strategic risk management reports	

Appendix 2

Our Performance Framework

Our performance management framework illustrates the interdependencies and how the policies, plans and programmes it contains, should be mutually reinforcing. In simple terms, our performance management makes sure that everyone is pulling in the same direction to deliver real and tangible outcomes, to improve the quality of life of people and communities.



Building a zero-carbon county, supporting well-being, health and dignity for everyone at every stage of life is the unifying purpose of the diverse range of services for which we are responsible. We are a partner in the Public Service Board, which is responsible for setting well-being objectives for the county. The Council's own well-being objectives are set by Council through the Community and Corporate Plan, based on the same well-being assessment as the PSB objectives. Each of our teams has a service business plan that aligns to these objectives. We have a range of performance measures that we use to keep track of our progress. Our risk management policy enables us to manage strategic risks to our delivery. Our employee aims and objectives show how the contributions that individual colleagues make to these objectives and delivering our vision in accordance with our values. Our 'enabling strategies' support the delivery of our objectives. Our work is informed and guided by national policy and external regulation and inspection.

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monmouthshire
sir fynwy

SUBJECT:	**COMPLAINTS PROCESS**
MEETING:	**Governance & Audit Committee**
DATE:	**22 February 2023**
DIVISION/WARDS AFFECTED:	**All Wards**

1. PURPOSE:

1.1 To provide information which enables the committee to form a view on the effectiveness of the authority's complaints processes.

2. RECOMMENDATIONS:

2.1 That the committee use the report, which covers the period up to 31 December 2023, to seek assurance about the effectiveness of the authority's processes for dealing with complaints and compliments and makes recommendations where it identifies any shortcomings.

3. KEY ISSUES:

The Role of the Committee

3.1 The Governance and Audit Committee has a legal duty to assess the authority's ability to handle complaints effectively and make recommendations in relation to this. While there is no specific role for the committee in the approval of the policy itself, the committee may make recommendations to ensure its effective application.

Accountability

3.2 Overall accountability for ensuring that the complaints procedure is followed falls to the Chief Officer People, Performance and Partnerships and the Cabinet Member for Equalities and Engagement. The Customer Relations Manager is responsible for the day-to-day operation of the work including recording, allocating, monitoring, advising on and reporting on complaints.

Policy and Procedure: Whole Authority

3.3 Our whole authority complaints and compliments policy and procedure follows the model that the Public Services Ombudsman for Wales (PSOW) asked each local authority to adopt in 2011. The initial scheme was approved by Council with subsequently updates being completed by officers under delegated powers. The policy was last updated in 2020. It was then reviewed by the PSOW in 2021 who confirmed that policy is compliant.

3.4 The whole authority procedure has two stages; the informal resolution stage and the formal investigation stage. The informal resolution stage aims to resolve the complaint locally wherever possible by means of discussion and problem solving. If it is not possible to resolve the concern, the matter is escalated to the formal investigation stage.

3.5 Where initial discussions have not achieved a resolution, complainants have the right to make a formal complaint. Investigations are undertaken and the complainant receives a full response detailing findings, conclusions and any recommendations made. This is the end of the internal process. Most investigations are carried out by local authority officers in addition to their core roles, there is no additional remuneration for conducting investigations.

3.6 Complainants can contact the Public Services Ombudsman if they still remain dissatisfied. The Ombudsman provides an external independent service to consider complaints about all local authority services. The Ombudsman is concerned with maladministration causing injustice and will normally require complainants to have used their local council's procedures before accepting a complaint for investigation.

Policy and Procedure: Social Services

3.7 Social Services complaints are dealt with separately under the Social Services complaints procedure. It is a statutory requirement for the authority to operate a complaints procedure that follows the Social Services Complaints Procedure (Wales) Regulations 2014 and The Representations Procedure (Wales) Regulations 2014.

3.8 The guidance on handling complaints and representations by local authority social services state that we must publish an annual report on the handling and statistical information relating to the complaints and representations we've dealt with. The guidance also states that the Annual report should be discussed at the appropriate committee.

3.9 There are two stages to the Social Services complaints procedure: Stage One Local Resolution and Stage Two Formal Consideration. The emphasis at stage one is to resolve the complaint by means of discussion and problem solving, whilst adhering to the 17 working days response time that has been imposed under the Regulations.

3.10 Stage Two the formal consideration stage is where the complainant remains dissatisfied after completion of stage one, and they may request that the complaint proceeds to stage two of the process. This involves a formal investigation of the complaint with a report being produced by the external investigating officer appointed to the case. The timescale for dealing with Stage Two is 25 working days.

3.11 If the complainant remains dissatisfied with the outcome of the stage two investigation, they may progress their complaint to the Public Services Ombudsman for Wales.

Promotion and Awareness

3.12 General advice about the procedure for the public can be found in our complaints leaflets "Tell us What You Think" and "How to be heard". Alternatively, people can contact the Customer Relations team for help and advice about how to make a complaint.

Number of Complaints

3.13 Appendix one provides details of the number and details of the complaints received during the nine months to December 2023 along with figures for previous years.

Timeliness

3.14 Stage 1 complaints under the Whole Authority policy should be dealt with within 10 working days. For stage 2 formal complaints we are allowed 20 working days for the investigation plus a further 10 working days for Heads of Service to respond to the report's findings. The following table shows the number of complaints responded to within timescales:

Whole Authority Timescales	2020-21		2021-22		2022-23		2023-24*	
	Stage 1	Stage 2	Stage 1	Stage2	Stage 1	Stage 2	Stage 1	Stage 2
Up to 10 working days	96	2	96	2	84	0	77	0
11 – 30 working days	48	3	48	3	32	1	23	1
30+ working days	12	7	12	7	21	10	14	1
Total	**156**	**12**	**156**	**12**	**137**	**11**	**114**	**2**

*April – December 2023

3.15 61%, or 84 out of 137 stage 1 complaints were responded to within the ten day timescale in 2022-23 and 67% in the first nine months of 2023-24. There was one stage 2 complaint responded to within the combined 30 day timescales during 2022-23 and one in the first 9 months of 2023-24. This compares with 82% in the 2021-22.

3.16 This highlights a significant deterioration in timeliness. Stage 2 complaints are becoming much more complex and officers appointed to investigate are struggling to meet the timescales while balancing their own day to day workloads.

Social Services Timescales	2020-21		2021-22		2022-23		2023-24*	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Up to 17 working days	26	0	20	1	14	1	14	0
18 - 25 working days	1	0	5	0	6	1	2	0
26+ working days	10	4	10	8	13	5	12	4
Total	**37**	**4**	**35**	**9**	**33**	**7**	**28**	**4**

*April – December 2023

Social Services complaints continue to exceed the time limits at both stage 1 and stage 2. This is due to the capacity of staff to respond to complaints while having to prioritise their incoming workloads. Independent investigators are also taking longer to investigate the complaints and anecdotally, this can be due to their own workloads, availability of complainant / staff for interviews and cross referencing file records of cases.

Effectiveness of our process

3.17 In addition to this report. The Governance and Audit Committee receives a separate report containing the PSOW's findings in relation to complaints about Monmouthshire County Council. This is also reported separately to Cabinet. The latest report, presented to the committee on 4th December, showed that Monmouthshire has one of the lowest levels of complaints reported to the Ombudsman at 0.25 per 1,000 residents. The Ombudsman's report highlighted that they needed to intervene in one case, indicating that for the most part our thresholds and responses were considered appropriate and proportionate.

3.18 We have a number of guidance documents on the MCC Hub to assist staff on resolving complaints for customers in a timely manner. The Public Services Ombudsman for Wales (PSOW) have provided free training on handling complaints, investigation and communication skills. This is ongoing with more staff scheduled to receive training in the coming year.

Learning and Evaluation

3.19 Not only is it important to deal with complaints effectively, investigating and putting things right for the complainant where necessary, it is also vital to learn from them to minimise the changes of the same problem occurring again. Complaints are generally resolved on an individual basis. Most formal investigation reports make recommendations for improvements to processes with teams responsible for putting in action plans. These are followed up to ensure the recommendations are addressed. However, there are a number of recurring issues. These are frequently down to human error and the pressure of workloads rather than the design of systems.

3.20 The PSOW's Complaints Standards Authority (CSA) was created under the PSOW (Wales) 2019 Act. The aim of the CSA is to drive improvement in public services. The CSA's task is to work with public bodies within their jurisdiction to support effective complaints handling; collate and publish data; deliver bespoke training packages. This ensures that our staff are trained to deal with complaints in line with the authority's policy and best practice identified nationally.

3.21 All local authorities provide the CSA with quarterly complaints statistics submissions. This information is published on their website alongside information from other bodies and the cases their office handles.

3.22 The CSA has provided Monmouthshire County Council staff with 6 sessions on handling complaints, investigation skills and communication skills. In total 33 staff have attended these sessions in 2023/24. More sessions are scheduled for 2024/25. In the 6 sessions held in 2022-2023, 93 staff attended the training.

4. OPTIONS APPRAISAL:

4.1 There are no alternative options associated with the recommendations in this report.

5. EVALUATION CRITERIA:

5.1 The effectiveness of a complaints process is not always easy to assess. A low number of complaints may mean that an organisation has made it too difficult to complain or that customers see little point in doing so. A very high number of complaints could be a sign of real problems. For this reason, it is important to look at trends over time rather than any one year in isolation. One of the key metrics which does give a good indication of effectiveness is the number of complaints that cannot be resolved by the authority and which require determination by the Public Service Ombudsman for Wales.

5.2 The related issue of service quality sits alongside this and is inter-linked since, if we are learning from complaints, our systems and processes should improve and we should receive better feedback and see less issues being logged. Again, this needs to be balanced against improvements in technology which have made it easier to report issues via app and chatbot as well as the traditional method of phone and e-mail.

6. REASONS:

To ensure that the committee is able to fulfil its role to oversee the effectiveness of the authorities process for dealing with complaints, comments and compliments.

7. RESOURCE IMPLICATIONS:

Whole Authority Complaints and Compliments. There are no extra resource implications associated with the recommendations of the report. The management of the complaints process is done within existing budgets. Where officers from other departments are used to conduct investigations it will take them away from their regular roles but there is not a direct salary cost.

Social Services. The legislation requires that external independent investigating officers must be appointed for formal Stage 2 investigations. There is an existing budget for this work and we will endeavour to keep within the budget expenditure. However, we cannot forecast how many complaints will be made.

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

There are no specific implications that have been identified in respect of this proposal.

9. CONSULTEES:

Strategic Leadership Team

10. AUTHOR:

Annette Evans, Customer Relations Manager

11. CONTACT DETAILS

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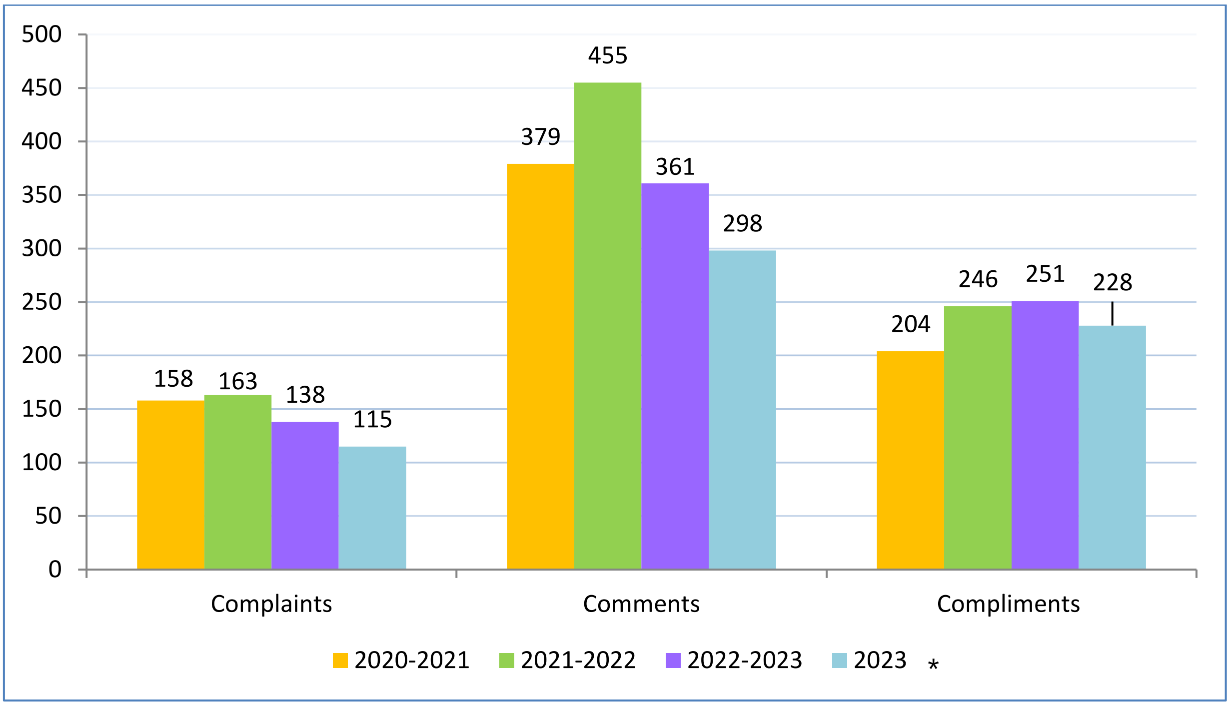
Email: annetteevans@monmouthshire.gov.uk

Number of Additional Details of Complaints, Comments and Compliments

<u>Whole Authority Policy</u>

The following table shows the number of complaints, comments and compliments received for each of the years to December 2023.



*April – December 2023

138 Complaints were received in the year ending 31 March 2023. This is 13% lower than 2020-2021 with the highest number being in the first quarter and the number declining each subsequent quarter.

Services most commonly complained about were Waste & Street services, Development Management & Planning Policy, Highways & Flood Management / Operations / SWTRA, Revenue, Systems and Exchequer, Housing and Homelessness.

The Directorate receiving the largest number of complaints is Communities and Place. This is understandable as it delivers the largest number of universal services that will be received by all households and in many cases these will have multiple contact points over the course of a year. 10 complaints escalated from stage 1 to the formal investigation stage and one went directly to the formal investigation stage.

115 Complaints were received for the period 1 April – 31 December 2023.

Similarly to 2022-2023, the most complaints were from Waste & Street Services, Highways & Flood management / Operations, Housing & Homelessness in the Communities and Place directorate. As well as complaints regarding the passenger transport unit, and Animal Health. There were 2 complaints that escalated to the Formal investigation stage in the period from April – 31 December 2023.

Social Services Policy
Social Services complaints are dealt with separately under the Social Services complaints procedure. 38 complaints were received, 113 comments and 111 compliments were made about the service during April 2022 – March 2023.

From 1 April 2023 – December 2023, 35 complaints, 55 comments and 65 compliments were received and dealt with.

Comments
361 comments were received in the year ending 31 March 2023, 21% less than the year ending March 2022. These issues are important as they help the authority understand where problems may be arising that customers do not wish to formally complain, however want appropriate action taken to prevent issues arising in future.

Compared to complaints, the numbers are more evenly distributed over the year. Most comments were received in relation to Waste and Street services, Highways / Flood Management / Operations & SWTRA.

From 1 April 2023 – 31 December 2023 298 comments were received likewise they concerned Waste and Street Services, Highways / Flood management / Operations / Development Management.

Compliments
251 Compliments were received in the year to 31st March 2023 which is 23% more than were received in 2020-2021.

A range of compliments about the whole of the Council was received – staff thanked for their professionalism, their quick responses, their efficiency and helpful service.

From 1 April 2023 – 31 December 2023, 228 compliments were received. 45 Requests for service were received, recorded and acted upon

Social Services Representations and Complaints

In Social Care and Health the number of stage 1 complaints are generally the same as last year with 7 complaints dealt with at the formal stage of the complaints procedure during April 2022 – March 2023. The trend running through the complaints relates to staffing, quality of service and communication issues which features in most of the complaints. Again, this remains consistent with previous years.

SUBJECT:	**INTERNAL AUDIT** **Progress Report for Quarter 3 (2023/24)**
DIRECTORATE:	**Resources**
MEETING:	**Governance & Audit Committee**
DATE:	**February 2024**
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 2023.

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 consider and note the audit opinions issued.

That if the Members of the Governance & Audit Committee are concerned about any of the audit opinions issued, consideration be given to calling in the operational manager and the Head of Service to a future meeting or to escalate their concerns to the Chief Officer and to the Strategic Leadership Team.

That the Committee note the progress made by the Section towards meeting the 2023/24 Operational Audit Plan and the Section's performance indicators at the 9 month stage of the financial year which are currently in accordance with the profiled target.

3. KEY ISSUES

3.1 Audit work has continued in line with the 2023/24 agreed audit plan, considered and approved by the Governance & Audit Committee in July 2023.

3.2 This report gives brief details of the work undertaken in the year to date. The report also gives details of the Section's performance indicators for the 9 months to 31st December 2023.

3.3 The Public Sector Internal Audit Standards came into force in April 2013 (updated March 2017) which the Internal Audit team needs to demonstrate compliance with. An External Quality Assessment of the Internal Audit team, as required by the Standards, has been arranged to be undertaken during quarter 4 of the 2023/24 year.

3.4 The year end opinion for 2023/24 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.

3.5 As agreed during the Governance & Audit Committee on 29th June 2023, the opinions used by the Internal Audit team during 2023/24 (and beyond) have been revised to those recommended by CIPFA for use across the public sector. A copy of the opinions and risk ratings in use from 01st April 2023 can be seen in Appendix 2 of this report.

4. REASONS

4.1 Since the start of the financial year, the Internal Audit Section has completed 31 audit jobs to draft stage from its 2023/24 Operational Audit Plan; 22 of these being opinion related and are shown in the table at Appendix 1.

4.2 Appendix 3 of the report gives details of the Section's performance indicators as at the 31st December 2023 and 50% of the 2023/24 Audit Plan has been completed. This is on target (50%).

4.3 Other audit work in line with the plan has started and site visits have been undertaken to a number of establishments. At the end of Quarter 3, 77% of the agreed audit plan has been deemed as being in progress.

4.4 Further to the work conducted to complete the 2023/24 Audit Plan, 5 unplanned audit reviews have been undertaken during the year. 3 of these reviews warranted an audit opinion being issued and these are included within the table of Appendix 1.

4.5 Four 'unfavourable' audit opinions have been issued during Quarter 3.

- Adult Commissioning – Limited Assurance (Appendix 4)
- Till Floats (Unplanned) – Limited Assurance (Appendix 5)
- Employee Mileage (Unplanned) – Limited Assurance (Appendix 6)
- Employee General Expenses (Unplanned) – Limited Assurance (Appendix 7)

For 3 out of the 4 reviews above, the audit was undertaken an as 'Unplanned' audit review. They were completed following concerns raised by Internal Audit and by the Financial Management Board. The completion of unplanned audit reviews may affect the overall completion of the annual audit plan. This will be monitored by the Acting Chief Internal Auditor.

4.6 The details and individual weaknesses as to why the above audit reviews were considered by Internal Audit to be of 'Limited Assurance' is included within Appendices 4 - 7.

4.7 Work has been undertaken on the progress of the implementation of Internal Audit Recommendations from previously issued audit reports along with the provision of financial advice across directorates. The outcome of this work will be reported to the Committee shortly.

4.8 During Quarter 3, the Internal Audit team have continued to work with the Digital Design & Innovation team to develop a 'Recommendation Tracker' application to allow operational managers and responsible officers to report when their agreed management actions have been completed and to highlight those which are overdue. The completion of this work has been delayed due to priorities within the Digital Design team and staffing changes. It was planned that user acceptance testing of the system would begin in Quarter 4 with implementation commencing from the 1st April 2024, however, further staffing changes within the Digital team may unfortunately effect this timeframe.

4.9 The team co-ordinates the administration of the National Fraud Initiative (NFI) data sets on behalf of the Council. Data sets in relation to Electoral Registration and Council Tax Discounts were submitted to the Cabinet Office as required in December 2023.

5. SERVICE MANAGEMENT RESPONSIBILITIES

5.1 Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by including their management responses within the audit reports. When management agree the audit action plans, they are accepting responsibility for addressing the issues identified within the agreed timescales.

5.2 Ultimately, managers within MCC are responsible for maintaining adequate internal controls within the systems they operate and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Chief Officers and Heads of Service for information and appropriate action where necessary.

6. FOLLOW UP AUDIT REVIEWS

6.1 Where 'unfavourable' (Limited Assurance / No Assurance) audit 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.

6.2 Currently the Internal Audit team has 1 follow-up review which is outstanding at the end of Quarter 3.

Year	Assignment	Original Opinion	Status	Date Issued
2022/23	Our Lady and St Michael's R.C. School	Limited	Q4 2023/24	Final issued May 2023

A follow-up visit for this School has been arranged with the Headteacher for quarter 4 of the 2023/24 financial year. The details of why this review was considered to be unfavourable was reported to the June 2023 meeting of the Governance & Audit Committee.

8. RESOURCE IMPLICATIONS

None.

9. CONSULTEES

Deputy Chief Executive / Chief Officer Resources

Results of Consultation:
N/A

10. BACKGROUND PAPERS

Operational Audit Plan 2023/24

11. AUTHORS AND CONTACT DETAILS

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AUDIT COMMITTEE FEBRUARY 2024

INTERNAL AUDIT SECTION PROGRESS REPORT
2023/24 – 9 MONTHS

APPENDIX 1

Internal Audit reviews from the 2023/24 Draft Operational Audit Plan where fieldwork has been completed and/or final reports issued since 01/04/23 are listed in the table below.

Internal Control Opinions give the auditor's overall conclusion on the control environment operating in each system/establishment under review. Opinions range from Substantial Assurance through to No Assurance (Appendix 2).

Draft issued indicates that a draft report has been issued and a response is awaited from the client before the report can be finalised.

Status of reports as at 31st December 2023

Internal Audit Services - Management Information for 2023/24 – Quarter 3

Overall Opinions issued to 31st December 2023 (Planned and Unplanned Reviews)

Opinion Summary	Number
Substantial Assurance	7
Reasonable Assurance	10
Limited Assurance	5
No Assurance	0
Unqualified	2
Qualified	1
Total	**25**

Planned Reviews (22 Opinions)

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final / Draft	Opinion given
P2324-01	Resources	Finance - Corporate Accountancy	Insurances	High	Final	Substantial
P2324-03	Resources	Finance - Revenues, Systems & Exchequer	Creditor Payments (2022/23)	Medium	Final	Substantial
P2324-05	Resources	Finance - Revenues, Systems & Exchequer	Benefits	Medium	Draft	Substantial

AUDIT COMMITTEE FEBRUARY 2024

INTERNAL AUDIT SECTION PROGRESS REPORT
2023/24 – 9 MONTHS

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final / Draft	Opinion given
P2324-23	Children & Young People	Primary Schools	Pembroke Primary	Medium	Draft	Substantial
P2324-34	Social Care, Health & Safeguarding	Social Services Finance	Appointeeships & Deputyships (2022/23)	Medium	Final	Substantial
P2324-40	Communities & Place	Placemaking, Housing, Highways and Flood	Planning Applications (2022/23)	Medium	Final	Substantial
P2324-43	Communities & Place	Neighbourhood Services	Winter Maintenance (2022/23)	Medium	Final	Substantial
P2324-07	Resources	Finance - Revenues, Systems & Exchequer	Revenues Shared Service (2022/23)	Medium	Final	Reasonable
P2324-08	Resources	Commercial, Property, Fleet, Facilities	Cemeteries	Medium	Final	Reasonable
P2324-12	People & Governance	Electoral Registration	Electoral Registration	High	Draft	Reasonable
P2324-19	Children & Young People	Primary Schools	Archbishop Rowan Williams Church in Wales Primary	Medium	Final	Reasonable
P2324-21	Children & Young People	Primary Schools	Llantilio Pertholey Primary	Medium	Draft	Reasonable
P2324-35	Social Care, Health & Safeguarding	Public Protection	Trading Standards	Medium	Draft	Reasonable
P2324-47	Mon Life	Active	Point of Sale System	Medium	Draft	Reasonable
P2324-48	Mon Life	Heritage	Old Station, Tintern (Follow-up)	High	Final	Reasonable
P2324-57	Corporate	Corporate	National Fraud Initiative (NFI)	Medium	Final	Reasonable
P2324-59	Corporate	Corporate	Partnership Assurance (2022/23)	Medium	Final	Reasonable

AUDIT COMMITTEE FEBRUARY 2024

INTERNAL AUDIT SECTION PROGRESS REPORT 2023/24 – 9 MONTHS

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final / Draft	Opinion given
P2324-25	Children & Young People	Secondary Schools	Chepstow School	Medium	Final	Limited
P2324-29	Social Care, Health & Safeguarding	Commissioning & Disability Service	Commissioning & Contracts	High	Draft	Limited
P2324-17	Children & Young People	Finance & Support Services	School Improvement Grant	Medium	Draft	Unqualified
P2324-42	Communities & Place	Enterprise and Community Animation	Housing Support Grant	Medium	Draft	Unqualified
P2324-18	Children & Young People	Finance & Support Services	Pupil Development Grant	Medium	Draft	Qualified

Unplanned Reviews (3 Opinions)

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final / Draft	Opinion given
U2324-01	Resources	Finance - Revenues, Systems & Exchequer	Till Float Reconciliations	Unplanned	Draft	Limited
U2324-02	People & Governance	Payroll & Systems	Employee General Expenses	Unplanned	Draft	Limited
U2324-03	People & Governance	Payroll & Systems	Employee Travel Claims	Unplanned	Draft	Limited

AUDIT COMMITTEE FEBRUARY 2024

INTERNAL AUDIT SECTION PROGRESS REPORT 2023/24 – 9 MONTHS

Non – opinion / Added Value Audit Work

Job number	Directorate	Service	Job Name
Planned			
P2324-06	Resources	Finance - Revenues, Systems & Exchequer	Imprest Accounts Closure
P2324-09	Resources	Resources General	Audit Advice
P2324-13	People & Governance	People & Governance General	Audit Advice
P2324-27	Children & Young People	CYP General	Audit Advice
P2324-37	Social Care, Health & Safeguarding	SCH & Safeguarding General	Audit Advice
P2324-45	Communities & Place	Communities & Place General	Audit Advice
P2324-51	Mon Life	Mon Life General	Audit Advice
P2324-54	Chief Executive's	Chief Executives General	Audit Advice
P2324-61	Corporate	Corporate General	Audit Advice
Unplanned			
U2324-04	Corporate	Corporate	National Fraud Initiative - CTRS/Elec Reg
U2324-05	Chief Executive's	Digital	Migration to Sharepoint

APPENDIX 2

Internal Audit Opinions

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

OPINION	DESCRIPTION
SUBSTANTIAL ASSURANCE	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
REASONABLE ASSURANCE	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
LIMITED ASSURANCE	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
NO ASSURANCE	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

For grant claim audits:

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

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

AUDIT COMMITTEE FEBRUARY 204

INTERNAL AUDIT SECTION PROGRESS REPORT
2023/24 – 9 MONTHS

APPENDIX 3

Performance Indicators

N /A – not available

	2022/23	**Q1**	**Q2**	**Q3**	**Q4**	**Target**
1	Percentage of planned audits completed	11%	28%	52%	72%	80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	14 days	5 days	4 days	4.4 days	15 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	8.5 days	10 days
4	Percentage of recommendations made that were accepted by the clients	90%	100%	100%	100%	95%
5	Percentage of clients at least 'satisfied' by audit process	N/A	N/A	N/A	100%	95%
6	Number of special investigations	0	0	0	0	

	2023/24	**Q1**	**Q2**	**Q3**	**Q4**	**Target**
1	Percentage of planned audits completed	15%	36%	50%		30% in Q2 80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	2	4	2.5		15 days
3	Average no. of days from receipt of response to draft report to issue of the final report	N/A	4.2	1.6		10 days
4	Percentage of recommendations made that were accepted by the clients	N/A	100%	100%		95%
5	Percentage of clients at least 'satisfied' by audit process	N/A	100%	100%		95%
6	Number of special investigations	2	0	1		

APPENDIX 4

SUMMARY OF WEAKNESSES – ADULT COMMISSIONING & CONTRACTS (2023/24)

The audit identified several strengths in each of the areas reviewed, however, there were some fundamental weaknesses identified which need addressing. These weaknesses include the absence of an Adult Commissioning Strategy, non-compliance with Contract Procedure Rules in the procurement of key services such as Domiciliary Care, and inadequate evidencing, and reporting of monitoring visits, which form a vital part of the Quality Assurance framework.

The tables below summarise the individual weaknesses identified during the review of Adult Commissioning & Contracts which was issued with a Limited Assurance audit opinion.

RISK RATING	DESCRIPTION	TOTAL IDENTIFIED
CRITICAL	Major or unacceptable risk which requires immediate action.	1
SIGNIFICANT	Important risk that requires attention as soon as possible.	9
MODERATE	Risk partially mitigated but should still be addressed.	6
STRENGTH	No risk. Sound operational controls and processes confirmed.	15

Ref.	CRITICAL
1.03	Domiciliary Care Services contracts have elapsed for the both the Framework and Approved Providers.

Ref.	SIGNIFICANT
1.04	There was no Adult Commissioning Strategy in place for the Authority.
2.11	Service Users have been placed with providers ahead of a full or emergency accreditation taking place.
2.12	Providers were not checked against the escalating concerns information.
2.13	Signed contracts have not been obtained from all providers.
3.04	There was no guidance or checklist covering the annual monitoring process and the areas that should be covered. Coverage was not always inclusive of all key factors and was inconsistent at times.

**INTERNAL AUDIT SECTION PROGRESS REPORT
2023/24 – 9 MONTHS**

Ref.	SIGNIFICANT
3.05	There was no evidence to confirm that feedback had been sought from service users regarding the services commissioned on their behalf.
3.06	There was little to no evidence of what samples were reviewed or what testing was undertaken during monitoring visits. There was no follow up of information that was not made available on the visit date.
3.07	Formal written feedback to providers was either not provided or was not provided in a timely manner.
3.08	No management commitment was obtained from providers for any actions required following monitoring visits. There was no formal monitoring of the implementation of these actions.

Ref.	MODERATE
2.14	Some of the columns on the accreditation database were consistently not populated.
2.15	Expected supporting information such as the Staffing Structures, Statement of Purpose, Training Plans and Internal Quality Assurance Reviews were not consistently obtained from providers as part of the accreditation process.
2.16	Accreditations routinely exceed the standard one-month timeframe for completion.
3.09	Initial risk assessments were not undertaken as prescribed in the Quality Assurance Process Chart (flowchart) document.
3.10	There were no prescribed expectations around relationship visit frequency. 4/10 Servicers Providers sampled had not had a relationship visit during the 2023 calendar year (to September).
3.11	Annual Monitoring Visit Forms and associated supporting documentation were not required to be reviewed prior to being issued to providers.

AUDIT COMMITTEE FEBRUARY 2024

INTERNAL AUDIT SECTION PROGRESS REPORT
2023/24 – 9 MONTHS

Appendix 5

SUMMARY OF WEAKNESSES – TILL FLOAT RECONCILIATION (2023/24)

The audit attempted to agree till float records held on Business World to actual balances held at each site. Account holders were asked complete and return a reconciliation of the till float(s) currently held. It was found that some returns did not agree with the central record. Overall, there was £455 less than expected at sites.
The tables below summarise the individual weaknesses identified during the Unplanned review of Till Floats across the Authority which was issued with a Limited Assurance audit opinion.

RISK RATING	DESCRIPTION	TOTAL IDENTIFIED
CRITICAL	Major or unacceptable risk which requires immediate action.	0
SIGNIFICANT	Important risk that requires attention as soon as possible.	4
MODERATE	Risk partially mitigated but should still be addressed.	1
STRENGTH	No risk. Sound operational controls and processes confirmed.	0

Ref.	SIGNIFICANT
1	Till float balances did not agree to recorded values on the accounts for 5 establishments.
2	A till float was being used as a cash imprest account.
3	When a till float was no longer required it had been banked as income rather than being formally closed.
4	Up-to-date guidance relating to the administration of till floats was not available for all staff

Ref.	MODERATE
5	Tills floats were set up from departmental income.

Appendix 6

SUMMARY OF WEAKNESSES – EMPLOYEE MILEAGE CLAIMS (2023/24)

The audit identified 1 weakness considered to be of a critical nature and further 7 which were significant in nature. Some of the significant issues identified include: lack of compliance with the Authority's Travel and Reimbursement policy, claims not being supported by legible receipts, and management checks completed on submitted claims not being sufficient.

The tables below summarise the individual weaknesses identified during the Unplanned review of Employee Mileage Claims which was issued with a Limited Assurance audit opinion.

RISK RATING	DESCRIPTION	TOTAL IDENTIFIED
CRITICAL	Major or unacceptable risk which requires immediate action.	1
SIGNIFICANT	Important risk that requires attention as soon as possible.	7
MODERATE	Risk partially mitigated but should still be addressed.	2
STRENGTH	No risk. Sound operational controls and processes confirmed.	0

Ref.	CRITICAL
1.01	No second line monitoring or challenge was completed in relation to employee's travel (mileage) claims. The Authority did not undertake a random 10% check of all employees' expenses claims as per HMRC requirements.

Ref.	SIGNIFICANT
1.02	The Authority's Travel and Reimbursement policy has not been reviewed in line with the policy review date. Areas of the policy required updating / strengthening.
1.03	Employees submitting mileage claims had not adequately detailed their journeys and the business reason for travel.
1.04	Home to work mileage has either failed to be deducted or had been deducted incorrectly.
1.05	Valid VAT receipts were not always provided in support of mileage claims.
1.06	Although all claims were authorised by the relevant manager, the issues identified in the audit evidenced that management checks were not robust.

INTERNAL AUDIT SECTION PROGRESS REPORT
2023/24 – 9 MONTHS

Ref.	SIGNIFICANT
1.07	The Authority paid the standard mileage reimbursement amount for employees who were part of the Tusker Salary Sacrifice for Cars Scheme, as opposed to the rates outlined in the Travel and Reimbursement policy which was based on the HMRC Company Car Advisory Notice.
1.08	Annual checks were not being undertaken to ascertain the suitability of staff driving on Council business, the roadworthiness of their vehicles and that individuals had business insurance coverage as per the requirements of the Authority's Fleet and Driver Management Policy. There was no centralised monitoring of those using private vehicles on behalf of the Authority.

Ref.	MODERATE
1.09	Late claims were sometimes paid without appropriate approval. The reason for approval was not documented.
1.10	A shortened approval process existed which did not require managers to check the details of the claim.

Appendix 7

SUMMARY OF WEAKNESSES – EMPLOYEE GENERAL EXPENSES CLAIMS (2023/24)

The audit identified 12 weaknesses considered to be of a critical or significant nature. Some of the significant issues identified include: lack of compliance with the Authority's Travel and Reimbursement policy, claims not being supported by legible receipts, and claims not being appropriately reviewed prior to or following payment.

The tables below summarise the individual weaknesses identified during the Unplanned review of Employee General Expenses Claims which was issued with a Limited Assurance audit opinion.

RISK RATING	DESCRIPTION	TOTAL IDENTIFIED
CRITICAL	Major or unacceptable risk which requires immediate action.	1
SIGNIFICANT	Important risk that requires attention as soon as possible.	11
MODERATE	Risk partially mitigated but should still be addressed.	4
STRENGTH	No risk. Sound operational controls and processes confirmed.	0

Ref.	CRITICAL
1.02	No second line monitoring or challenge was completed in relation to employee's general expenses / subsistence claims. The Authority did not undertake a random 10% check of all employees' expenses claims as per HMRC requirements.

Ref.	SIGNIFICANT
1.03	Expenditure was often outside the scope of the Travel and Reimbursement policy. There was no clear policy definition for when and how to claim 'General Expenses'. One claim was deemed to be inappropriate by the auditor.
1.04	The policy statement regarding professional fees had been omitted from the Pay & Reward Policy.
1.05	The Travel and Reimbursement policy had not been reviewed in line with the policy review date.
1.06	Claims were sometimes submitted more than four months after the expenses were incurred.

INTERNAL AUDIT SECTION PROGRESS REPORT
2023/24 – 9 MONTHS

Ref.	SIGNIFICANT
1.07	In a large number of cases, there was no business reason provided on MyView for the item being claimed.
1.08	Claims for subsistence (food and drink) payments did not provide enough detail to demonstrate the claim met HMRC's qualifying criteria. There was an inconsistent approach to the way claims for food and drink were made.
1.09	Full VAT receipts were not always submitted to support the claims made.
1.10	Staff were incorrectly claiming for "call out" (Standby) payments via general expenses.
1.11	Train travel was incorrectly coded as being subject to VAT.
1.12	VAT was not always claimed when eligible.
1.13	Claims were made through general expenses where established forms of purchasing should have been used.

Ref.	MODERATE
1.14	The wrong category type was sometimes selected for expenditure.
1.15	The MyView system did not have pre-set or a link to the HMRC meal value rates.
1.16	A shortened approval process existed which did not require managers to check the details of the claim.
1.17	For the sample tested, no managers had used the 'Authorisation Notes' section to further expand on any claim e.g. where information was missing or to demonstrate appropriate challenge.

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GOVERNANCE & AUDIT COMMITTEE WORK PROGRAMME IN LINE WITH ITS TERMS OF REFERENCE

Review and scrutinise the authority's financial affairs and make reports and recommendations in relation to them

- Review the financial statements prepared by the authority
- To receive and approve the Council's Annual Statement of Accounts in accordance with the Accounts and Audit Regulations

	29 June 23	27 July 23	20 Sept 23	19 Oct 23	04 Dec 23	11 Jan 24	22 Feb 24	14 Mar 24
2022/23 MCC Statement of Accounts Head of Finance – Jonathan Davies			✓ Draft				✓ Final	
Statement of Accounts 2022/23 - Charitable Trust Funds Head of Finance – Jonathan Davies		✓ Draft				✓ Final		
Treasury Report Head of Finance – Jonathan Davies		✓ 22/23 Outturn ✓ 23/24 Q1			✓ 23/24 Q2		✓ 23/24 Q3	
Statement on the robustness of the Budget Process and the adequacy of reserves Deputy Chief Executive – Peter Davies							✓	
Capital & Treasury Strategy Head of Finance – Jonathan Davies							✓	
Financial Strategy Head of Finance – Jonathan Davies								

Review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority and make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements

- To consider the draft annual self-assessment performance and recommend changes as required ahead of it being considered by Council.
- To consider the report of the (independent) panel performance assessment is also to be made available to the Governance & Audit Committee. A panel performance assessment is to take place at least once during the period between two consecutive ordinary elections of councillors to the Council

	29 June 23	**27 July 23**	**20 Sept 23**	**19 Oct 23**	**04 Dec 23**	**11 Jan 24**	**22 Feb 24**	**14 Mar 24**
People Strategy Matt Gatehouse - Head of Policy, Performance & Scrutiny								
Annual Governance Statement 2022 Audit Manager – Jan Furtek		✓ Draft						
Draft Freedom of Information (FOI) & Data Protection Act (DPA) Breaches & Date Subject Access Request (DSARs) Head of Information Security & Technology – Sian Hayward	✓							
Draft Self Assessment Report Performance & Data Insight Manager – Richard Jones			✓ Draft					
Draft Governance & Audit Committee Annual Report - 2022/23 Chair of Governance & Audit Committee – Andrew Blackmore		✓						

Anti Bribery Risk Assessment Deputy Chief Executive – Peter Davies				✓				
Audit Wales Work Programme: Council Progress update Performance & Data Insight Manager – Richard Jones				✓				
Annual Performance Review of Investment Committee Development Manager - Nick Keyse						✓		
Cyber security Head of Information Security & Technology – Sian Hayward							✓	
Feedback on Collaboration & Partnership arrangements Performance & Data Insight Manager – Richard Jones / Audit Manager – Jan Furtek			✓					
Self Assessment of Performance Management arrangements Performance & Data Insight Manager – Richard Jones							✓	
Effectiveness of Strategic Risk Management Framework Performance & Data Insight Manager – Richard Jones					✓			
Asset Management Strategy Development Manager - Nick Keyse						✓		

Review and assess the authority's ability to handle complaints effectively make reports and recommendations in relation to the authority's ability to handle complaints effectively								
	29 June 23	**27 July 23**	**20 Sept 23**	**19 Oct 23**	**04 Dec 23**	**11 Jan 24**	**22 Feb 24**	**14 Mar 24**
The Ombudsman's Annual Letter (2022/23) Customer Relations Manager – Annette Evans					✓			
Whole Authority annual complaints report Customer Relations Manager – Annette Evans							✓	

Oversee the authority's internal audit arrangements								
	29 June 23	**27 July 23**	**20 Sept 23**	**19 Oct 23**	**04 Dec 23**	**11 Jan 24**	**22 Feb 24**	**14 Mar 24**
Internal Audit Operational Plan 2023/24 Audit Manager – Jan Furtek	✓ Draft	✓ Final						
Internal Audit Plan 2024/25 Audit Manager – Jan Furtek								✓ Draft
Global Internal Audit Standards Audit Manager – Jan Furtek								✓
Internal Audit Annual Report 2022/23 Audit Manager – Jan Furtek	✓							
Internal Audit Revised Opinions	✓							

Audit Manager – Jan Furtek								
Internal Audit quarterly progress reports Audit Manager – Jan Furtek		✓		✓			✓	
CPR Exemptions upto 30th September 2023 Audit Manager – Jan Furtek				✓				
Implementation of Internal Audit agreed recommendations Audit Manager – Jan Furtek								✓
Internal Audit Plan and Annual Report for Shared Resource Service (SRS) – Torfaen CBC IA Team	✓							
Counter Fraud, Corruption and Bribery Policy (6 monthly) Audit Manager – Jan Furtek – **commence May 24**								

Oversee the authority's external audit arrangements								
	29 June 23	**27 July 23**	**20 Sept 23**	**19 Oct 23**	**04 Dec 23**	**11 Jan 24**	**22 Feb 24**	**14 Mar 24**
Annual Audit Plan 23-24 Audit Wales Manager – Rachel Freitag		✓						
Annual Audit Plan 22-23 - Welsh Church Funds				✓				

Audit Wales Manager – Rachel Freitag								
Annual Grants report Audit Wales Manager – Rachel Freitag				✓				
ISA260 Response to Accounts Audit Wales Manager – Rachel Freitag / Head of Finance – Jonathan Davies							✓	
ISA 260 or equivalent for Trust Funds Audit Wales Manager – Rachel Freitag / Head of Finance – Jonathan Davies						✓		
Audit Wales Well-Being Objective Setting Review Audit Wales – Charlotte Owen			✓					
Audit Wales Performance Data Review – Audit Wales – Charlotte Owen								✓
Audit Wales Digital Review Audit Wales – Charlotte Owen								✓
Audit Wales Work Programme and timetable Quarter 1 update Audit Wales				✓				

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 11th January, 2024 at 2.00 pm

PRESENT: Andrew Blackmore (Chairman)
County Councillor Tony Easson, (Vice Chairman)

Lay Members: C. Prosser, M. Veale, R. Guest

County Councillor: Sara Burch, John Crook, David Jones, Malcolm Lane, Phil Murphy, Peter Strong and Ann Webb

OFFICERS IN ATTENDANCE:

Peter Davies	Deputy Chief Executive and Chief Officer, Resources
Jan Furtek	Audit Manager
Wendy Barnard	Democratic Services Officer
Richard Jones	Performance and Data Insight Manager
Jonathan Davies	Head of Finance
Rachel Freitag	Audit Wales Officer

APOLOGIES:

None

1. **Declarations of Interest**

Item 7 – Asset Management Strategy: County Councillor Easson declared a non-prejudicial interest as a member of Caldicot Town Council which has an office suite in the Castlegate Business Park.

Items5/6 – Statement of Accounts – charitable trust funds (Monmouthshire Farm School Endowment Trust Fund): Lay Member Martin Veale declared a non-prejudicial interest as a governor at Coleg Gwent, the legal entity responsible for Usk Agricultural College.

2. **Public Open Forum**

None.

3. **To note the Action List from the previous meeting**

https://www.youtube.com/live/31MMsls9pPU?si=-naiXSeHb9ppgRI0&t=74

1. Finance Team capacity: OPEN
2. a) People Strategy: OPEN
   b) Asset Management Strategy: CLOSED

(County Councillor Tony Easson from 14.07)

3. Whole Authority Complaints Report: OPEN
4. Freedom of Information, Data Protection and Data Subject Access Requests:

a) Policy Governance Arrangements FOI, DP and DSAR: CLOSED
b) Corporate risk control policies: OPEN

5. Counter Fraud, Corruption and Bribery Policy: CLOSED
6. RIPA (Regulation of Investigatory Powers Act 2000): CLOSED

4. Statement of Accounts - charitable trust funds

The Head of Finance presented the Statement of Accounts for the Charitable Trust Funds, and the Audit Wales Financial Audit Manager presented the ISA260. In doing so, the work and co-operation of the Finance Team and Audit Wales officers was recognised. Following presentation of the reports, questions were invited from Committee Members:

https://www.youtube.com/live/31MMsls9pPU?si=qmFsgzfwGqnixBnt&t=406

The recommendations were agreed, and the Committee agreed the Chair should sign the Letter of Representation:

1.1 That the audited 2022/23 statement of accounts for The Welsh Church Act Fund ***(Appendix 1)*** are approved in conjunction with the Audit Wales ISA260 Audit of Accounts report for The Welsh Church Act Fund.

1.2 That the independently examined financial statements for The Monmouthshire Farm School Endowment Trust Fund for 2022/23 ***(Appendix 2)*** are approved in conjunction with the Independent Examination Report for The Monmouthshire Farm School Endowment Trust Fund.

ACTION: Questioning the effectiveness of the Welsh Church Fund, a Committee Member requested information on the proportion of grants paid from the fund for the relief of poverty. The Head of Finance will circulate a response outside the meeting.

5. ISA260 for trust funds

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

6. Asset Management Strategy

The Development Manager, Estates & Sustainability presented the Asset Management Strategy. Following presentation of the report, questions were invited from Committee Members:

https://www.youtube.com/live/31MMsls9pPU?si=OTTUE0vKONuKw92U&t=925

As per the recommendations in the report, the Governance and Audit Committee

1. conducted pre-decision scrutiny of the Asset Management Strategy and associated policies: and

2. recommended approval of the Asset Management Strategy to Full Council.

7. Governance and Audit Committee Forward Work Plan

The Forward Work Plan was noted.

https://www.youtube.com/live/31MMsls9pPU?si=CTrQwRu0MfEHkkKh&t=2746

8. To approve the minutes of the previous meeting

The minutes of the previous meeting were approved as accurate record.

https://www.youtube.com/live/31MMsls9pPU?si=CTrQwRu0MfEHkkKh&t=2746

9. Annual Performance Review of Investment Committee

The Deputy Chief Executive and Chief Officer Resources presented the Annual Performance Review of the Investment Committee. Following presentation of the report, questions were invited from Committee Members.

https://www.youtube.com/live/31MMsls9pPU?si=yPTyO4HDLWcrb8x9&t=2948

As per the report recommendations, the Committee:

1. received a verbal update at the meeting following consideration of the proposed governance changes to the Investment Committee at its meeting on 9th January 2024.
2. considered and scrutinised the proposed, revised governance arrangements contained in the revised Asset Investment Policy (appendix 1) and summarized in section 4 of this report, and endorsed such changes being proposed to Council at its meeting on 18th January 2024.
3. received a performance update on the Council's commercial property and investment portfolio, subsequent to update considered by the Investment Committee on 28th November 2023.

10. Date of Next Meeting: 22nd February 2024

Meeting ended at 3.15 pm

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SCHEDULE 12A LOCAL GOVERNMENT ACT 1972
EXEMPTION FROM DISCLOSURE OF DOCUMENTS

Meeting and Date of Meeting: Audit Committee, 22.02.24

Report: Cyber Resilience

Author: Sian Hayward

I have considered grounds for exemption of information contained in the background paper for the report referred to above and make the following recommendation to the Proper Officer:-

Exemptions applying to the report:

This report will be exempt under paragraph 18 of Schedule 12A of the Local Government Act – Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime

Factors in favour of disclosure:

Openness & transparency in matters concerned with the public

Prejudice which would result if the information were disclosed:

This report looks to provide Audit Committee with assurance around the cyber security arrangements that the Council has in place and to confirm its levels of resilience. In light of the sensitive information contained in the report around the Council's information security arrangements it is appropriate for this report to be exempt from public disclosure.

My view on the public interest test is as follows:

Factors in favour of disclosure are outweighed by those against.

Recommended decision on exemption from disclosure:

Maintain exemption from publication in relation to report

Date: 30.01.24

Signed:

Post: Head of Information Security and Technology

I accept/I do not accept the recommendation made above

Signed:

Peter Davies, Deputy Chief Officer / Chief Officer for Resources

Date: 30.01.24

By virtue of paragraph(s) 18 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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