

# Public Document Pack



Neuadd y Sir  
Y Rhadyr  
Brynbuga  
NP15 1GA

Dydd Mawrth, 23 Gorffennaf 2024

## Hysbysiad o gyfarfod

### Pwyllgor Llywodraethu ac Awdit

Dydd Mercher, 31ain Gorffennaf, 2024 at 2.00 pm,  
Neuadd Y Sir, Y Rhadyr, Brynbuga, NP15 1GA

**Nodwch y cynhelir rhag gyfarfod 30 munud cyn dechrau'r cyfarfod ar gyfer aelodau'r pwyllgor a swyddogion Archwilio Cymru**

## AGENDA

Item No	Item	Pages
1.	Ymddiheuriadau am absenoldeb	
2.	Datganiadau o Fuddiant	
3.	Fforwm Agored i'r Cyhoedd  <b>Canllawiau ar gyfer Fforwm Agored i'r Cyhoedd y Pwyllgor Llywodraethu ac Awdit</b>  Mae ein cyfarfodydd Pwyllgor Llywodraethu ac Awdit yn cael eu ffrydio'n fyw a bydd dolen i'r ffrwd fyw ar gael ar dudalen cyfarfod gwefan Cyngor Sir Fynwy  Os hoffech rannu eich barn ar unrhyw faterion sy'n cael eu trafod gan y Pwyllgor Llywodraethu ac Awdit, gallwch fynychu'r cyfarfod yn bersonol (neu ymuno o bell drwy Microsoft Teams), neu gyflwyno sylwadau ysgrifenedig (drwy Microsoft Word, uchafswm o 500 gair).  Y dyddiad cau ar gyfer cyflwyno sylwadau i'r Cyngor yw 5pm, a hynny dri diwrnod gwaith clir cyn y cyfarfod. Bydd yr holl sylwadau a dderbynnir ar gael i Aelodau'r Pwyllgor cyn y cyfarfod.  Mae'r amser a roddir i bob aelod o'r cyhoedd i siarad yn ddibynnol ar Gadeirydd y Pwyllgor. Gofynnwn i gyfraniadau beidio â bod yn hwy na 4 munud.  Os hoffech fynychu un o'n cyfarfodydd i siarad o dan y Fforwm Agored i'r Cyhoedd yn y cyfarfod, bydd angen i chi roi tri diwrnod gwaith o rybudd drwy e-bostio <a href="mailto:GACRegistertoSpeak@monmouthshire.gov.uk">GACRegistertoSpeak@monmouthshire.gov.uk</a>	

Os hoffech awgrymu pynciau yn y dyfodol i'w hystyried gan y Pwyllgor  
Llywodraethu ac Awdit, e-bostiwch  
GACRegistertoSpeak@monmouthshire.gov.uk

<b>4.</b>	<b>Nodi'r Rhestr Weithredu o'r cyfarfod diwethaf.</b>	<b>1 - 2</b>
<b>5.</b>	<b>2024/5 Ch1 - Adroddiad y Trysorlys</b>	<b>3 - 28</b>
<b>6.</b>	<b>Datganiad Cyfrifon Drafft WCF/Fferm Sir Fynwy 2023/4</b>	<b>29 - 68</b>
<b>7.</b>	<b>Datganiad Cyfrifon Drafft Cyngor Sir Fynwy 2023/24</b>	<b>69 - 224</b>
<b>8.</b>	<b>Blaengynllun y Pwyllgor Llywodraethu ac Archwilio</b>	<b>225 - 234</b>
<b>9.</b>	<b>Cymeradwyo cofnodion y cyfarfod blaenorol.</b>	<b>235 - 238</b>
<b>10.</b>	<b>Dyddiad y cyfarfod nesaf - 5ed Medi 2024</b>	

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

## CYNGOR SIR FYNWY

### MAE CYFANSODDIAD Y PWYLLGOR FEL SY'N DILYN:

Andrew Blackmore

Colin Prosser

Martin Veale

Rhodri Guest

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

## Gwybodaeth Gyhoeddus

### **Mynediad i gopiâu papur o agendâu ac adroddiadau**

Gellir darparu copi o'r agenda hwn ac adroddiadau perthnasol i aelodau'r cyhoedd sy'n mynychu cyfarfod drwy ofyn am gopi gan Gwasanaethau Democrataidd ar 01633 644219. Dylid nodi fod yn rhaid i ni dderbyn 24 awr o hysbysiad cyn y cyfarfod er mwyn darparu copi caled o'r agenda hwn i chi.

### **Edrych ar y cyfarfod ar-lein**

Gellir gweld y cyfarfod ar-lein yn fyw neu'n dilyn y cyfarfod drwy fynd i [www.monmouthshire.gov.uk](http://www.monmouthshire.gov.uk) neu drwy ymweld â'n tudalen Youtube drwy chwilio am MonmouthshireCC. Drwy fynd i mewn i'r ystafell gyfarfod, fel aelod o'r cyhoedd neu i

gymryd rhan yn y cyfarfod, rydych yn caniatáu i gael eich ffilmio ac i ddefnydd posibl y delweddau a'r recordiadau sain hynny gan y Cyngor.

### **Y Gymraeg**

Mae'r Cyngor yn croesawu cyfraniadau gan aelodau'r cyhoedd drwy gyfrwng y Gymraeg neu'r Saesneg. Gofynnwn gyda dyledus barch i chi roi 5 diwrnod o hysbysiad cyn y cyfarfod os dymunwch siarad yn Gymraeg fel y gallwn ddarparu ar gyfer eich anghenion.



# Nodau a Gwerthoedd Cyngor Sir Fynwy

## Ein diben

Adeiladu Cymunedau Cynaliadwy a Chydnerth

### Amcanion y gweithiwn tuag atynt

- Rhoi'r dechrau gorau posibl mewn bywyd i bobl
- Sir lewyrchus a chysylltiedig
- Cynyddu i'r eithaf botensial yr amgylchedd naturiol ac adeiledig
- Llesiant gydol oes
- Cyngor gyda ffocws ar y dyfodol

## Ein Gwerthoedd

**Bod yn agored.** Rydym yn agored ac yn onest. Mae pobl yn cael cyfle i gymryd rhan mewn penderfyniadau sy'n effeithio arnynt, dweud beth sy'n bwysig iddynt a gwneud pethau drostynt eu hunain/eu cymunedau. Os na allwn wneud rhywbeth i helpu, byddwn yn dweud hynny; os bydd yn cymryd peth amser i gael yr ateb, byddwn yn esbonio pam; os na allwn ateb yn syth, byddwn yn ceisio eich cysylltu gyda'r bobl a all helpu - mae adeiladu ymddiriedaeth ac ymgysylltu yn sylfaen allweddol.

**Tegwch.** Darparwn gyfleoedd teg, i helpu pobl a chymunedau i ffynnu. Os nad yw rhywbeth yn ymddangos yn deg, byddwn yn gwrando ac yn esbonio pam. Byddwn bob amser yn ceisio trin pawb yn deg ac yn gyson. Ni allwn wneud pawb yn hapus bob amser, ond byddwn yn ymrwymo i wrando ac esbonio pam y gwnaethom weithredu fel y gwnaethom.

**Hyblygrwydd.** Byddwn yn parhau i newid a bod yn hyblyg i alluogi cyflwyno'r gwasanaethau mwyaf effeithlon ac effeithiol. Mae hyn yn golygu ymrwymiad gwirioneddol i weithio gyda phawb i groesawu ffyrdd newydd o weithio.

**Gwaith Tim.** Byddwn yn gweithio gyda chi a'n partneriaid i gefnogi ac ysbrydoli pawb i gymryd rhan fel y gallwn gyflawni pethau gwych gyda'n gilydd. Nid ydym yn gweld ein hunain fel 'trefnwyr' neu ddatrysyr problemau, ond gwnawn y gorau o syniadau, asedau ac adnoddau sydd ar gael i wneud yn siŵr ein bod yn gwneud y pethau sy'n cael yr effaith mwyaf cadarnhaol ar ein pobl a lleoedd.

**Caredigrwydd** – Byddwn yn dangos caredigrwydd i bawb yr ydym yn gweithio gyda nhw, gan roi pwysigrwydd perthnasoedd a'r cysylltiadau sydd gennym â'n gilydd wrth wraidd pob rhyngweithio.

**Rôl Cyn-cyfarfod**

1. Pam fod y Pwyllgor yn ystyried yr eitem hon ar yr agenda? (perthnasedd a materoldeb)
2. Beth yw rôl y Pwyllgor a pha ganlyniadau y mae Aelodau am eu sicrhau?
3. A oes digon o wybodaeth i gyflawni hyn? Os na, pwy all ddarparu hyn?
4. Beth yw barn gyfrinachol yr archwilwyr ar y materion perthnasol?  
- Trafod barn/pryderon allweddol yr aelodau gyda'r papurau a chytuno ar flaenoriaethau

**Cwestiynau / Ystyriaethau Posib ar gyfer y Cyfarfod**

### Archwilio Mewnol (AM)

1. Beth yw'r model swyddogaethol AM ac a yw'n addas at y diben?
2. A oes gan AM awdurdod a dylanwad digonol ar draws yr Awdurdod?
3. A oes digon o adnoddau gan AM ac a yw wedi'i ymrymuso'n addas? A yw'r cynllun AM blynyddol yn briodol? Ar ba sail ydym yn gwneud y dyfarniad hwn?
4. A yw Prif Swyddogion yn amlwg yn derbyn ac yn hyrwyddo rôl AM? Sut maent yn gwneud hyn?
5. A yw Swyddogion yn gweithredu'n egniol ar ganfyddiadau AM? Sut mae hyn yn cael ei ddangos? A ydyn ni'n herio ac yn dwyn swyddogion i gyfrif yn effeithiol am weithredu canfyddiadau AM?
6. Sut gallwn ni fod yn hyderus bod yr amgylchedd rheolaeth fewnol yn parhau i fod yn briodol?
7. A oes gennym ni hyder mewn effeithiolrwydd cyffredinol AM? Ar beth ydym yn seilio hyn?
8. A yw barn flynyddol/cyfnodol AM yn gredadwy?
9. A oes gennym ddigon o welededd dros waith, allbwn ac effeithiolrwydd y timau AM cysylltiedig, e.e. CBST?

### Llywodraethu

1. A oes disgrifiad cydlynus sydd wedi ei amlinellu mewn cod ar gyfer trefniadau llywodraethu cyffredinol CSF? A yw'n addas at y diben?

### Archwilio Allanol (AA)

1. A yw'r tîm AA (ariannol a pherfformiad) yn gredadwy?
2. A ydym yn hyderus ynglŷn â'r trefniadau ar gyfer datblygu cynllun gwaith/amserlen waith flynyddol AA ac a yw'n cyd-fynd â'n dealltwriaeth o risgiau allweddol?
3. A yw Prif Swyddogion/uwch swyddogion yn ymgysylltu'n briodol ag AA? Sut mae hyn yn cael ei ddangos?
4. A oes perthynas adeiladol rhwng AM ac AA (ac arolygiaethau eraill)? Beth yw'r dystiolaeth o hyn?
5. A yw swyddogion perthnasol wedi ystyried canlyniadau/casgliadau adroddiadau cenedlaethol a phenodol AA?
6. A oes gennym ni welededd da dros faterion sy'n dod i'r amlwg a nodwyd gan AA?
7. O ran ISA260 ac adroddiadau ariannol cyfatebol gan AA, a yw swyddogion yn dangos yn glir eu bod yn deall y materion a godwyd ac a oes ganddynt gynllun credadwy i ddatrys materion ar gyfer y flwyddyn ariannol nesaf?
8. A oes gan AA hyder yn Swyddogion CSF a threfniadau llywodraethu?

### Cyllidebu / Risg Ariannol / Cronfeydd Wrth Gefn

1. A oes yna broses ac amserlen sydd wedi'u diffinio, eu llywodraethu a'u gwirio'n glir ar gyfer datblygu cyllideb yr Awdurdod?
2. A oes cyfres briodol o bolisiau sy'n ymwneud â risgiau ariannol? A ydynt yn addas?
3. A yw'r rhagdybiaethau ariannol/gweithredol allweddol yn ddealladwy, yn gredadwy, wedi'u dogfennu ac yn cael eu profi gan

2. A oes eglurder ynghylch llywodraethu'r trefniadau goruchwyllo a chraffu amrywiol ar gyfer (ac effeithiolrwydd) partneriaethau a chydweithrediadau materol?
3. A oes eglurder ynglŷn â dyrannu cyfrifoldebau ac awdurdodau gwneud penderfyniadau?
4. Sut mae achosion o dorri rheolau llywodraethu/rheolaeth yn cael eu nodi a'u hadrodd?
5. A ydym yn hyderus bod y trefniadau ar gyfer gwariant materol (tendro, contractio a chaffael cyfalaf) yn gadarn?
6. A oes gennym ni hyder yn y trefniadau chwythu'r chwiban (a threfniadau tebyg) ar gyfer codi pryderon?

#### Risgiau Corfforaethol

1. A yw atebolrwydd allweddol ar gyfer adnabod, asesu, monitro a rheoli risgiau wedi'i ddiffinio a'i weithredu'n ddigonol?
2. A yw'r dull o reoli risgiau wedi'i gynllunio a'i weithredu'n effeithiol?
3. Sut y gall y Pwyllgor fod yn hyderus bod y Gofrestr Risgiau Corfforaethol yn cynnwys yr holl risgiau sylweddol sy'n wynebu'r Awdurdod?
4. A yw'r cynlluniau gweithredu lliniaru risgiau yn gredadwy ac yn ddigonol er mwyn sicrhau'r canlyniadau a

straen?

4. A oes gan y swyddogaeth Gyllid alluoedd a chapasiti addas i reoli risg ariannol / cwrdd â gofynion a rhwymedigaethau statudol i'r Cyngor?
5. A ydym yn hyderus bod y broses gyllidebol yn debygol o gynhyrchu cyllideb gredadwy / MTFP?
6. A oes trefniadau addas ar waith i reoli ac adrodd ar berfformiad ariannol cyffredinol?

#### Datganiadau Ariannol / Risgiau Camddatganiad

1. A oes dealltwriaeth gyffredin o ddiben y Pwyllgor wrth adolygu datganiadau ariannol drafft?
  - a) A yw'r Nodiadau i'r Cyfrifon yn rhesymol?
  - b) A yw'r adroddiadau naratif, gan gynnwys y Datganiad Llywodraethu Blyneddol, yn rhesymol ac yn cyd-fynd â barn y pwyllgor?
2. Ydym ni'n gyfforddus â barn gwaith ac archwilio AA?

ddymunir?

**Cwestiynau ar gyfer y Pwyllgor i orffen...**

A oes gennym ni'r wybodaeth angenrheidiol i ddod i gasgliadau/gwneud argymhellion / uwchgyfeirio materion i'r Uwch Dîm Gweithredol, y cyngor, y pwyllgor craffu perthnasol?

A oes angen i ni wneud gwaith pellach? Os felly, sut?

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**Governance and Audit Committee Action List**  
**10<sup>th</sup> July 2024**

<b>Action</b>	<b>Subject/ Meeting</b>	<b>Officer</b>	<b>Outcome</b>	<b>Due date</b>	<b>Action Status</b>	<b>Recommended to close Action Yes/No</b>
1	MCC Statement of accounts/ISA260	Jon Davies	Update on the 3 ISA260 recommendations	July/Sept 2024	OPEN	No

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## REPORT

<b>SUBJECT:</b>	<b>TREASURY MANAGEMENT ACTIVITY UPDATE - QUARTER 1 2024/25</b>
<b>MEETING:</b>	<b>Governance &amp; Audit Committee</b>
<b>DATE:</b>	<b>31<sup>st</sup> July 2024</b>
<b>DIVISIONS/WARD AFFECTED:</b>	<b>All</b>

### 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 2024/25 was approved by Council on 22<sup>nd</sup> March 2024. Over the first quarter of the year the Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.
- 1.3. This report represents the first update of treasury management activity during 2024/25.

### 2. **RECOMMENDATIONS:**

That Governance & Audit committee review the results of treasury management activities and the performance achieved in quarter 1 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 at quarter end:**

Type	Metric	Q1 2324	Q2 2324	Q3 2324	Q4 2324	Q1 2425
External	Bank of England base rate	4.5%	5.25%	5.25%	5.25%	<b>5.25%</b>
External	UK Consumer Prices Index	7.9%	6.7%	4.0%	3.2%	<b>2.0%</b>
External	10-year UK gilt yield	4.39%	4.45%	3.61%	3.94%	<b>4.29%</b>
Internal	Borrowing	£180.8m	£179.4m	£173.5m	£173.9m	<b>£177.7m</b>
Internal	Borrowing Average rate	3.24%	3.38%	3.47%	3.50%	<b>3.62%</b>
Internal	Investments	£25.0m	£34.0m	£13.6m	£11.9m	<b>£10.3m</b>
Internal	Investment Average rate	4.54%	4.88%	5.09%	5.16%	<b>5.30%</b>
Internal	Credit score/rating	AA- / 3.90	AA- / 3.91	AA- / 4.08	A+ / 4.51	<b>AA-/4.3</b>

### 3.2. Key messages:

<p><b><i>Treasury management activities undertaken during the first quarter complied fully with the CIPFA code and the limits and indicators as set out in the Authority's approved Treasury Management Strategy.</i></b></p>
<p><b><i>The Authorities average cost of borrowing has increased slightly from 3.5% to 3.62% over the quarter, reflective of slightly increased UK Gilt yields.</i></b></p>
<p><b><i>£3m of Lender Option Borrower Option (LOBO) loans were called during the quarter. The Authority chose to repay these at no extra cost, refinancing temporarily from short term cashflows until such time that longer term borrowing is deemed appropriate.</i></b></p>
<p><b><i>Cash balances reduced over the quarter by 1.6m to £10.3m as part of the continued internal borrowing strategy. During the quarter, the authority's investment balances ranged from between £10.3m and £32.9m.</i></b></p>
<p><b><i>Investments in externally managed pooled funds generated £49k (5.55%) income return, together with a £9k (-0.26%) unrealised capital loss during the quarter.</i></b></p>
<p><b><i>Unrealised capital losses over the lifetime of the investments stand at £378k, for which the Authority maintains a sufficient treasury risk reserve to mitigate against realisation.</i></b></p>
<p><b><i>The Authority continues to invest in a specific Environmental, Social and Governance (ESG) investment product and is prioritised for investment where returns remain competitive. During the quarter this product returned 5.07% compared to an average rate of 5.23% for all Money Market Funds.</i></b></p>
<p><b><i>Non-treasury investments, comprising the Authority's Solar farm and two strategic property assets, are budgeted to generate £647k or 2.5% return during 2024/25 (1.06% in 2023/24).</i></b></p>

## 4. ECONOMIC SUMMARY

- 4.1. **Economic background:** UK headline consumer price inflation (CPI) continued to decline over the quarter, falling from an annual rate of 3.2% in March to 2.0% in May, in line with the Bank of England's target. The core measure of inflation, however, only declined from 4.2% to 3.5% over the same period, which, together with stubborn service price inflation at 5.7% in May, helped contribute to the BoE maintaining Bank Rate at 5.25% during the period, a level unchanged since August 2023.
- 4.2. Data released during the period showed that showed the UK economy had emerged from the technical recession at the end of 2023 to expand by 0.7% (upwardly revised from the initial estimate of 0.6%) in the first quarter of the calendar year. Monthly GDP data showed zero growth in April following an expansion of 0.4% in the previous month.
- 4.3. Having started the financial year at 5.25%, the Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at this level throughout the quarter. In line with expectations, at its June meeting, the Committee voted by a majority of 7-2 in favour of maintaining the status quo. The two dissenters preferred an immediate 0.25% reduction in Bank Rate to 5.0%. This continued dovish tilt by the Committee increased financial market expectations that the first cut in Bank Rate will likely be in August.

## 5. BORROWING ACTIVITY

- 5.1. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio and, where practicable, to maintain borrowing and investments below their underlying levels, known as internal borrowing.
- 5.2. Gilt yields have risen slightly overall, having had a number of peaks and troughs. There has been downward pressure from lower inflation figures, but also upward pressure from unexpectedly positive economic data.
- 5.3. On 30th June 2024, the PWLB certainty rates for maturity loans were 4.96% for 10 year loans, 5.37% for 20-year loans and 5.18% for 50-year loans. Their equivalents on 31st March 2024 were 4.74%, 5.18% and 5.01% respectively.
- 5.4. The cost of short term borrowing from other local authorities remained static for the majority of the period before beginning to fall at the end of June. One year temporary borrowing fell to the lowest rate since May 2023.
- 5.5. The Authority's borrowing position at the end of the quarter can be seen below:

	<b>31.3.24 Balance £m</b>	<b>31.3.24 Weighted Average Rate %</b>	<b>31.3.24 Weighted Average Maturity (years)</b>	<b>Balance Movement</b>	<b>30.6.24 Balance £m</b>	<b>30.6.24 Weighted Average Rate %</b>	<b>31.3.24 Weighted Average Maturity (years)</b>
Public Works Loan Board	125.1	3.3	20.1	0.1	125.2	3.3	19.8
Banks (LOBO)	3.0	4.5	19.6	(3.0)	0.0	0.0	0.0
Welsh Govt Interest Free	7.7	0.0	1.8	(0.2)	7.5	0.0	1.7
Local Authorities / Other	38.0	4.9	0.4	7.0	45.0	5.0	0.3
<b>Total borrowing</b>	<b>173.9</b>	<b>3.5</b>	<b>14.9</b>	<b>3.8</b>	<b>177.7</b>	<b>3.6</b>	<b>13.9</b>

- 5.6. The Authority's total borrowing has increased over the quarter by £3.9m due to timing differences between temporary borrowing maturing and being replaced.
- 5.7. The lender holding the remaining Lender's Option Borrower's Option (LOBO) Loan opted to call and propose an interest rate increase on the £3m loan from 4.5% to 8.2%. Consequently, the Authority decided to repay the loan without incurring additional costs, utilising short-term cash flows and keeping open the possibility of long-term refinancing in the future.

## 6. **INVESTMENT ACTIVITY**

- 6.1. During the year, the authority's investment balances ranged from between £10.3m and £32.9m due to timing differences between income and expenditure. The movement in investments during the year was:

	31.3.24 Balance	Net Movement	30.6.24 Balance	30.6.24 Income Return	30.6.24 Weighted Average Maturity Days
	£m	£m	£m	%	
Banks & building societies (unsecured)	(1.9)	(0.1)	(2.0)	Average 5.15%	Up to 180 days
Government (incl. local authorities)	(3.0)	0.0	(3.0)		
Money Market Funds (MMFs)	(3.0)	1.7	(1.3)		
Multi asset income, Pooled funds	(4.0)	0.0	(4.0)	5.55%	N/A
<b>Total investments</b>	<b>(11.9)</b>	<b>1.6</b>	<b>(10.3)</b>	<b>5.30%</b>	

6.2. Bank Rate remained at 5.25% through the quarter with short term interest rates largely being around this level. The rates on DMADF deposits ranged between 5.19% and 5.2% and money market rates between 5.07% and 5.29%.

6.3. **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.

6.4. These funds provide an important diversification for the Authority and generated £49k (5.55%) income return, together with a £9k (-0.26%) unrealised capital loss in year.

6.5. Accumulated unrealised capital losses over the lifetime of the investment stand at £378k. The Authority maintains an adequate treasury risk reserve to mitigate against the risk that capital losses on pooled funds become realised and consequently result in a charge against the Council Fund.

## 7. Environmental, Social and Governance

7.1. Throughout the quarter 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.

7.2. The authority continues to hold an ESG specific Investment product. 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.

7.3. At 30th June 2024 the Authorities ESG specific Money Market Fund returned 5.07% compared to an average rate of 5.23% for all Money Market Funds. The best and worst performing funds earned 5.07% and 5.29% respectively.

## 8. NON-TREASURY INVESTMENTS:

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

	Budgeted (income) / loss 2024/25 £000's	Carrying Value 31.03.24 £000's	Budgeted return 2024/25 %	Net return 2023/24 %
Oak Grove Solar Farm	(400)	5,611	7.13	9.45
Newport Leisure Park & service loan	(346)	18,819	1.84	0.15*
Castlegate Business Park	99	6,654	-1.46	-3.46
<b>Total</b>	<b>(647)</b>	<b>31,084</b>	<b>2.50</b>	<b>1.06</b>

\*Includes a one-off write-off of historic bad debt of £217k. Net return excluding this write-off would be 1.31% (overall portfolio 1.76%).

- 8.2. The investment at Oak Grove Solar Farm continues to provide a substantial return on investment and is reflective of the ability to export energy at a higher price.
- 8.3. The investment at Newport leisure park continues to provide a net income stream for the Authority, although this is budgeted to remain slightly lower than the expected 2% return after borrowing until currently negotiated rent free concessions end.
- 8.4. The investment in Castlegate is still budgeting a net negative return on investment, however continued negotiations with interested parties should further improve the net return in 2024/25 and as rental concessions periods advance. The majority of anchor tenant space is now occupied. This continues to represent a significant improvement on the position since the anchor tenant vacated their space in Spring 2022.
- 8.5. A more detailed report on the performance of these investments is due to be considered by the Performance & Overview scrutiny committee in September.

## 9. **Compliance with treasury limits and indicators**

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

## 10. **CONSULTEES**

Cabinet Member - Resources

Deputy Chief Executive, (Section 151 officer)

Arlingclose Limited – External Treasury management advisors to Monmouthshire CC

## 11. **BACKGROUND PAPERS**

Appendix 1 – 2024/25 Treasury Management Outturn Quarter 1 Report

Glossary of treasury terms

## 12. **AUTHORS**

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

### 1. External market conditions

- 1.1. Economic background: UK headline consumer price inflation (CPI) continued to decline over the quarter, falling from an annual rate of 3.2% in March to 2.0% in May, in line with the Bank of England's target. The core measure of inflation, however, only declined from 4.2% to 3.5% over the same period, which, together with stubborn services price inflation at 5.7% in May, helped contribute to the BoE maintaining Bank Rate at 5.25% during the period, a level unchanged since August 2023.
- 1.2. Data released during the period showed that showed the UK economy had emerged from the technical recession at the end of 2023 to expand by 0.7% (upwardly revised from the initial estimate of 0.6%) in the first quarter of the calendar year. Monthly GDP data showed zero growth in April following an expansion of 0.4% in the previous month.
- 1.3. Labour market data continued to provide mixed messages for policymakers, exacerbated by issues the Office for National Statistics is having compiling the labour force survey. In the three months between February and April 2024, unemployment was up, employment fell, while the decline in vacancies slowed and wage growth remained elevated. Unemployment rose to 4.4% (3mth/year) while average regular earnings (excluding bonuses) was 6.0% and total earnings (including bonuses) was 5.9%. Adjusting for inflation, real regular pay rose by 2.3% and total pay by 2.2%. Given how keenly the 'second-round' impact of inflation on wages is watched by the BoE, policymakers will likely want to see more downward movement before cutting interest rates.
- 1.4. Having started the financial year at 5.25%, the Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at this level throughout the quarter. In line with expectations, at its June meeting, the Committee voted by a majority of 7-2 in favour of maintaining the status quo. The two dissenters preferred an immediate 0.25% reduction in Bank Rate to 5.0%. This continued dovish tilt by the Committee increased financial market expectations that the first cut in Bank Rate will likely be in August.
- 1.5. Earlier in May, in addition to an identical MPC rate decision and voting pattern, the Bank published the latest version of its Monetary Policy Report (MPR). Within the Report, the Committee noted that it expected four-quarter GDP growth to increase over the forecast period, reflecting the declining negative effects of past Bank Rate increases and the predicted downward path of interest rates which should provide support to economic activity. The trajectory of inflation was broadly similar to that in the previous MPR, albeit slightly lower towards the end of the forecast horizon due to the Committee's revised assessment of falling external inflationary pressures from past price increases. This meant the Committee

expected headline inflation to hit the 2% target two quarters sooner than in the February MPR. As was highlighted earlier, inflation data published in June showed that CPI inflation fell to the 2% target in May.

- 1.6. Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate and that interest rates will most likely be cut later in H2 2024. The risks over the medium term are deemed to be to the upside as while inflation has fallen to target, it is expected to pick up again later in the year and as services price inflation and wage growth are still on the firmer side, the MPC could well delay before delivering the first rate cut.
- 1.7. The US Federal Reserve also maintained interest rates over the period, holding the Fed Funds Rate at 5.25%-5.50% for the seventh consecutive month in June, as was expected. US policymakers have maintained a relatively dovish stance throughout the period but have steadily reduced their predictions around the pace and timing of rate cuts in the face of higher inflation and firmer economic growth. At the meeting, economic projections pointed to one rate cut in calendar 2024 and four in 2025.
- 1.8. The European Central Bank cut rates in June, reducing its main refinancing rate from 4.50% to 4.25%. Inflation in the region fell to 2.5% in May, having increased in the previous month, but since February has been fairly sticky at between 2.4% and 2.6%. Economic growth in the region has picked up but remains weak, and with inflation above the ECB's target this continues put pressure on policymakers on how to balance these factors when setting monetary policy.
- 1.9. **Financial markets:** Sentiment in financial markets showed signs of improvement over the quarter, but bond yields remained volatile. Early in the period yields climbed steadily, but mixed signals from economic data and investors' constant reassessment of when rate cuts might come caused a couple of fairly pronounced but short lived dips in yields. Towards the end of the quarter yields rose once again and were generally higher than at the start of the period.
- 1.10. Over the quarter, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.18% having reached 4.41% in May. While the 20-year gilt started at 4.40%, hit 4.82% in May, before ending the period at 4.61%. The Sterling Overnight Rate (SONIA) averaged 5.20% over the quarter to 30th June.
- 1.11. **Credit review:** Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.
- 1.12. During the quarter, Fitch revised its outlook on Transport for London (TfL) to stable from negative while S&P upgraded its long-term rating for TfL to AA- from A+, in line with its rating of the UK sovereign.
- 1.13. Fitch also upgraded the long-term ratings for the main four Australian banks – Australia & New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank and Westpac.
- 1.14. Having placed Warrington Borough Council on review for a downgrade in March, Moody's subsequently withdrew its ratings for the council in June.
- 1.15. Credit default swap prices started and ended the quarter at broadly similar levels in the UK as they did for the European, Singaporean and Australian lenders on Arlingclose's counterparty list, while Canadian banks generally trended modestly downwards.
- 1.16. Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions



and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

## 2. Movement in Treasury balances

2.1. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available to offset the CFR or for investment.

**Table 1: Balance Sheet Summary**

	31.3.24 £m	Movement £m	30.06.24 £m
General Fund CFR	198.3	0.0	198.3
<b>Less: *Other debt liabilities</b>	<b>(2.3)</b>	0.0	<b>(2.3)</b>
<b>Borrowing CFR</b>	<b>196.0</b>	<b>0.0</b>	<b>196.0</b>
<b>Less: External borrowing</b>	<b>(173.9)</b>	<b>(3.8)</b>	<b>(177.7)</b>
<b>Net External borrowing</b>	<b>22.1</b>	<b>(3.8)</b>	<b>18.3</b>
<b>Less: Usable reserves</b>	<b>(25.3)</b>	0.0	<b>(25.3)</b>
<b>Less: Working capital</b>	<b>(8.8)</b>	5.5	<b>(3.3)</b>
<b>(Net Investments) at 31<sup>st</sup> March 2023</b>	<b>(11.9)</b>	<b>1.6</b>	<b>(10.3)</b>

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

2.2. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels for the quarter, known as internal borrowing. Table 1 above highlights that at the end of the quarter the Authority was internally borrowed by £18.3m, meaning that reserves and working capital were being used in lieu of external borrowing.

2.3. At the end of the quarter the Authority had net investments of £10.3m. Balances over the period ranged from between £10.3m and £32.9m due to timing differences between income and expenditure and borrowing activity.

2.4. The treasury management position at 30th June 2024 and the change during the year is shown in Table 2 below.

**Table 2: Borrowing and Investment Summary**

	31.3.24 Balance £m	31.3.24 Rate %	Movement	30.6.24 Balance £m	30.6.24 Rate %
Long-term borrowing	124.2	3.3	<b>(3.1)</b>	121.1	3.25
Short-term borrowing	48.7	4.2	6.9	56.6	4.39
<b>Total borrowing</b>	<b>173.9</b>	<b>3.5</b>	<b>3.8</b>	<b>177.7</b>	<b>3.62</b>
Long-term investments	0.0	N/A	0.0	0.0	N/A
Short-term investments	<b>(3.0)</b>	4.9	0.0	<b>(3.0)</b>	5.15
Pooled Funds	<b>(4.0)</b>	5.6	0.0	<b>(4.0)</b>	5.55
Cash and cash equivalents	<b>(4.9)</b>	Included in ST above	1.7	<b>(3.3)</b>	Included in ST above
<b>Total investments</b>	<b>(11.9)</b>	<b>5.2</b>	<b>1.6</b>	<b>(10.3)</b>	<b>5.30</b>

<b>Net Borrowing</b>	<b>162.0</b>	<b>5.4</b>	<b>167.4</b>
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2.5. The authorities net borrowing position has slightly increased over the quarter. This is primarily due to a slight cross over period in short term borrowing maturing and the new borrowing replacing it.

### 3. Borrowing activity during the year

3.1. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio and, where practicable, to maintain borrowing and investments below their underlying levels, known as internal borrowing.

3.2. Policy interest rates have risen substantially since 2021 although they have largely plateaued over the last year. Over the quarter gilt yields have risen slightly overall, having had a number of peaks and troughs. There has been downward pressure from lower inflation figures, but also upward pressure from unexpectantly positive economic data. Data from the US continues to impact global markets including UK gilt yields.

3.3. The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the quarter and 4.96% percent at the end. The lowest available 10-year maturity rate during the quarter was 4.80% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.24% to 5.57% during the quarter, and 50-year maturity loans from 5.06% to 5.40%.

3.4. Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a dearth of LA-LA lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.25% through the quarter.

3.5. At 30th June 2024 the Authority held £177.7m of loans, an increase of £3.8m from 31st March 2024, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30th June are summarised in Table 3 below.

**Table 3: Borrowing Position**

	<b>31.3.24 Balance</b>	<b>31.3.24 Weighted Average Rate</b>	<b>31.3.24 Weighted Average Maturity (years)</b>	<b>Balance Movement</b>	<b>30.6.24 Balance</b>	<b>30.6.24 Weighted Average Rate</b>	<b>30.6.24 Weighted Average Maturity</b>
	<b>£m</b>	<b>%</b>	<b>(years)</b>		<b>£m</b>	<b>%</b>	<b>(years)</b>
Public Works Loan Board	125.1	3.3	20.1	0.1	125.2	3.3	19.8
Banks (LOBO)	3.0	4.5	19.6	(3.0)	0.0	0.0	0.0
Welsh Gov Interest Free	7.7	0.0	1.8	(0.2)	7.5	0.0	1.7
Local authorities /Other	38.0	4.9	0.4	7.0	45.0	5.0	0.3
<b>Total borrowing</b>	<b>173.9</b>	<b>3.5</b>	<b>14.9</b>	<b>3.8</b>	<b>177.7</b>	<b>3.6</b>	<b>13.9</b>

3.6. The Authority's chief objective when borrowing has always been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period

for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

3.7. A small long-term PWLB loan was taken during the period to finance new vehicle purchases made in the 2023/24 financial year.

**Table 4: Long-dated Loans borrowed**

	Amount £m	Rate %	Period (years)
PWLB EIP Loan	1.0	4.75	9
<b>Total</b>	<b>1.0</b>		

3.8. **Forward Starting Loans:** To enable certainty of cost to be achieved without suffering a cost of carry in the intervening period, the Authority arranged £15m of forward starting loans with fixed interest rates of 5.11% for the delivery of cash in upcoming months, details of which are below. The short term borrowing is being used to replace maturing short term loans.

**Table 5: Forward Starting Loans**

	Amount £m	Rate %	Loan Period (months)	Forward Period (months)
Local Authority Loan 1	5.0	5.25	11	2
Local Authority Loan 2	5.0	5.24	3	1
Local Authority Loan 3	5.0	4.85	12	2
<b>Total</b>	<b>15.0</b>	<b>5.11</b>		

### 3.9. Other borrowing activity

3.10. **LOBO Loans:** On 1st April 2024 the Authority held £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 Authority has the option to either accept the new rate and terms or to repay the loan at no additional cost.

3.11. As market interest rates rose, there was an increased probability of call options on the Authorities LOBO loans being exercised by lenders. £3m of LOBO loans had annual call option dates during the three-month period to June 2024, with the lender exercising their option in Quarter 1 on the following loan.

**Table 5: LOBO Loans repaid in quarter**

	Amount £m	Rate %	Final Maturity	New rate proposed %	Action taken by Authority
Loan 1	3.0	4.5	04/11/2043	8.2	Repaid at no cost from cash resources
<b>Total</b>	<b>3.0</b>	<b>4.5</b>		<b>8.2</b>	

3.12. The authority consequently no longer holds any LOBO loans which removes the risk of loans requiring early repayment or experiencing rate rises.

3.13. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

3.14. The Authority currently holds commercial investments that were purchased prior to the change in the CIPFA Prudential Code. The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able to access PWLB borrowing if considered cost effective.

#### 4. Investment activity during the quarter

4.1. The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

4.2. The Authority holds significant invested funds during the year, representing income received in advance of expenditure plus balances and reserves held. During the quarter, the Authority's investment balances ranged from between £10.3m and £32.9m due to timing differences between income and expenditure. The investment position at the end of the quarter was:

**Table 6: Treasury Investment Position**

	<b>31.3.24 Balance</b>	<b>Net Movement</b>	<b>30.6.24 Balance</b>	<b>30.6.24 Income Return</b>	<b>30.6.24 Weighted Average Maturity Days</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	
Banks & building societies (unsecured)	(1.9)	(0.1)	(2.0)	Average 5.15%	Up to 180 days
Government (incl. local authorities)	(3.0)	0.0	(3.0)		
Money Market Funds (MMFs)	(3.0)	1.7	(1.3)		
Multi asset income, Pooled funds	(4.0)	0.0	(4.0)	5.55%	N/A
<b>Total investments</b>	<b>(11.9)</b>	<b>1.6</b>	<b>(10.3)</b>	<b>5.30%</b>	

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

4.4. The Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.

- 4.5. Bank Rate remained at 5.25% through the quarter with short term interest rates largely being around this level. The rates on DMADF deposits ranged between 5.19% and 5.2% and money market rates between 5.07% and 5.29%.
- 4.6. The combination of risk and return metrics are shown in the extracts from the Arlingclose quarterly investment benchmarking in the table below.

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

	Credit Score	Credit Rating	<u>Bail-in Exposure</u>	Weighted Average Maturity (days)	Rate of Return %
MCC 31.03.2024	A+	4.51	62%	4	5.01
MCC 30.06.2024	AA-	4.30	52%	4	5.15
Similar LAs	AA-	4.28	34%	109	5.03
All LAs	AA-	4.66	62%	10	5.06

- 4.7. Whilst bail-in exposure as a percentage metric remains high in comparison to similar Local Authorities, this is skewed by the overall low value of investments held at 31<sup>st</sup> March 2024. Consequently unsecured bank deposits and MMF's which attract bail-in exposure constitute a higher proportion of overall investments, despite the overall value of investment in these instruments being low.
- 4.8. **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.
- 4.9. These funds provide an important diversification for the Authority and generated £49k (5.55%) income return, together with a £9k (-0.26%) unrealised capital loss during the quarter.
- 4.10. Accumulated unrealised capital losses over the lifetime of the investment stand at £378k. The Authority maintains an adequate treasury risk reserve to mitigate against the risk that capital losses on pooled funds become realised and consequently result in a charge against the Council Fund.
- 4.11. 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 the longer term that total returns will exceed cash interest rates.
- 4.12. **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 and currently holds a

treasury equalisation reserve which could be used to mitigate the impact of the statutory override not being extended and unrealised losses on pooled investment funds are required to be recognised.

## 5. Environmental, Social and Governance

5.1. Throughout the year 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 the table below:

**Table 8: 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

5.2. 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.

5.3. At 30<sup>th</sup> June 2024 the Authorities ESG specific Money Market Fund returned 5.07% compared to an average rate of 5.23% for all Money Market Funds. The best and worst performing funds earned 5.07% and 5.29% respectively.

## 6. Non-Treasury Investments

6.1. 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.

6.2. 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).

6.3. 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.

6.4. The Authority held a net book value of £31.1m of such non-financial asset investments at the 31<sup>st</sup> March 2024 (£32.2m as at 31<sup>st</sup> March 2023) made up of:

	<b>Budgeted (income) / loss 2024/25 £000's</b>	<b>Carrying Value 31.03.24 £000's</b>	<b>Budgeted Return 2024/25 %</b>	<b>Net return 2023/24 %</b>
Oak Grove Solar Farm	(400)	5,611	7.13	9.45
Newport Leisure Park & service loan	(346)	18,819	1.84	0.15*
Castlegate Business Park	99	6,654	-1.46	-3.46
<b>Total</b>	<b>(647)</b>	<b>31,084</b>	<b>2.50</b>	<b>1.06</b>

\*includes a one-off write-off of £217k of historic bad debt. Net return excluding this write-off would be 1.31% (overall portfolio 1.76%).

6.5. These investments continue to represent an important income diversification for the Council and contributes towards the overall funding of services.

6.6. Returns on both the Newport Leisure park and Castlegate investments will improve as the profile of rental concessions advances. A more detailed report on the performance of these investments is due to be considered by the Performance & Overview scrutiny committee in September.

6.7. The Authority also holds a portfolio of legacy non-financial asset investments that have been held for over a decade and are retained for income generation, capital gain or to support wider economic development or broader policy objectives. Income generation for these agricultural, retail and industrial assets are a secondary consideration and as such return against original investment would be considered negligible.

## 7. Treasury performance

7.1. 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 9 below.

**Table 9: Budget performance**

	<b>Forecast 30.06.24 £000's</b>	<b>Budget £000's</b>	<b>Over / (under) Budget £000's</b>
<b>Interest Payable</b>			
PWLB	4,126	4,046	80

Market loans	12	135	(123)
Short term loans	2,976	2,916	60
Other Activities (Internal Arrangements)	155	155	0
<b>Total Interest payable on borrowing</b>	<b>7,270</b>	<b>7,252</b>	<b>18</b>
<b>Interest Receivable</b>			
Invested cash short term	(943)	(1,176)	232
Pooled Funds	(195)	Included above	(195)
Finance lease income	(55)	Included above	(55)
<b>Total income from Investments</b>	<b>(1,194)</b>	<b>(1,176)</b>	<b>(18)</b>
<b>Total</b>	<b>6,077</b>	<b>6,077</b>	<b>0</b>

## 8. Compliance with treasury limits and indicators

- 8.1. The Section 151 officer reports that all treasury management activities undertaken during the year 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.

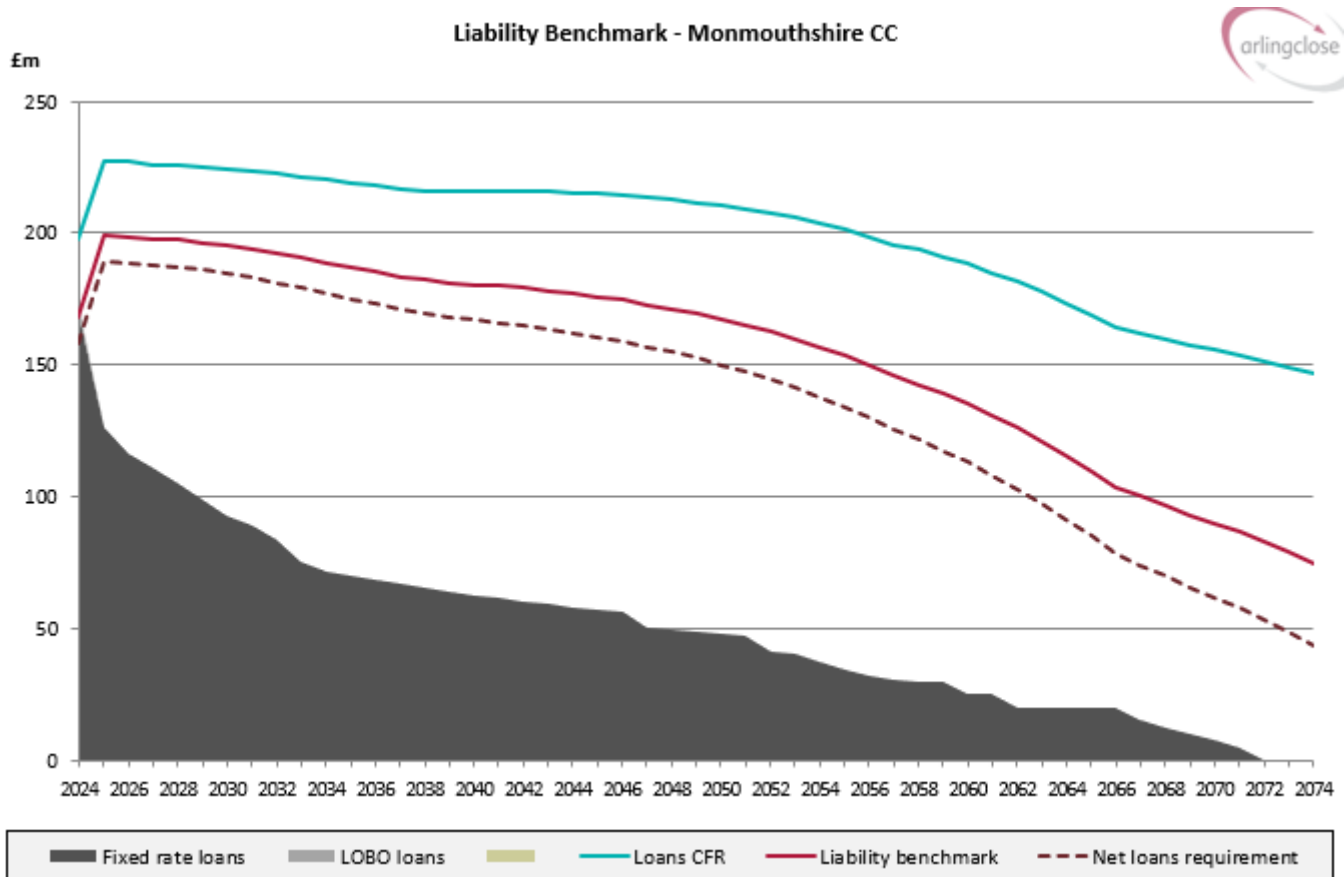
**Table 10: Liability Benchmark**

	31.3.24 Actual	31.3.25 Forecast	31.3.26 Forecast	31.3.27 Forecast	31.3.28 Forecast
Loans CFR	196.0	227.2	226.9	226.1	225.6
Less: Balance sheet resources	(34.1)	(38.2)	(38.2)	(38.2)	(38.2)
<b>Net loans requirement</b>	<b>161.9</b>	<b>189.0</b>	<b>188.7</b>	<b>187.9</b>	<b>187.4</b>
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
<b>Liability benchmark</b>	<b>171.9</b>	<b>199.0</b>	<b>198.7</b>	<b>197.9</b>	<b>197.4</b>
<b>Current loan profile</b>	<b>(173.9)</b>	<b>(127.2)</b>	<b>(117.3)</b>	<b>(112.3)</b>	<b>(105.9)</b>
<b>Borrowing requirement</b>	<b>0.0</b>	<b>71.8</b>	<b>81.4</b>	<b>85.6</b>	<b>91.5</b>

- 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 loans profile. If capital expenditure plans remain accurate, the gap represents a borrowing requirement which will need be met by new and replacement loans over time.

8.5. **Borrowing limits:** Compliance with the [authorised limit](#) and [operational boundary](#) for external debt is demonstrated in the table below.

**Table 11: Borrowing Limits**

	2024/25 Maximum	30.6.24 Actual	2024/25 Operational Boundary	2024/25 Authorised Limit	Complied?

	during the year £m	£m	£m	£m	Yes/No
Borrowing	185.3	177.7	252.6	268.0	Yes
PFI, Finance Leases & Other LT liabs	2.3	2.3	2.8	3.8	Yes
<b>Total debt</b>	<b>187.6</b>	<b>180.0</b>	<b>255.4</b>	<b>271.8</b>	<b>Yes</b>

8.6. **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.

8.7. **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

**Table 12: Maturity Structure of borrowing**

Maturity	30.6.24 Actual	Lower Limit	Upper Limit	Complied?	31.3.24 Actual (For comparison)
Under 12 months	32%	0%	50%	Yes	29%
12 months and within 24 months	3%	0%	30%	Yes	3%
24 months and within 5 years	9%	0%	30%	Yes	10%
5 years and within 10 years	16%	0%	30%	Yes	16%
10 years and within 20 years	7%	0%	30%	Yes	10%
20 years and within 30 years	12%	0%	30%	Yes	12%
30 years and within 40 years	10%	0%	30%	Yes	10%
40 years and within 50 years	11%	0%	30%	Yes	12%
50 years and above	0%	0%	30%	Yes	0%

**Table 13: Investment Limits**

	Maximum in quarter	2024/25 Limit	Complied? Yes/No
The UK Government	£36.8m	Unlimited	Yes
Local Authorities per counterparty	£0m	£4m	Yes
Secured Investments	£0m	£4m	Yes
Banks per counterparty, rating A- or above	£2m (£3m total for the Councils operational bank)	£2m (£3m total for the Councils operational bank)	Yes
Building societies (unsecured)	£0m	£2m	Yes
Registered providers (e.g. Housing Associations (unsecured))	£0m	£2m	Yes
Money Market Funds	£4m	£4m	Yes

Any group of pooled funds under the same management	£2m	£5m	Yes
Real estate investment trusts	£0m	£5m	Yes
Limit per non-UK country	£0m	£4m	Yes
Other Investments	£0m	£2m	Yes

8.8. **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating and 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.

**Table 14: Credit Risk**

	30.6.24 Actual	2024/25 Target	Complied?
Portfolio average credit	AA-/4.30	A-/5.0	Yes

8.9. **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

**Table 15: Principal invested for period longer than a year**

	During 2024/25
Actual principal invested for 365 days & beyond year end	£0m
Limit	£6m
Complied?	Yes

## Background paper: Glossary of Treasury Terms

<b>Authorised Limit</b>	<p>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 <i>Operational Boundary</i> to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit.</p> <p><i>(see also Operational Boundary, below)</i></p>
<b>Balances and Reserves</b>	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
<b>Bail-in</b>	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.
<b>Bank Rate</b>	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'.
<b>Bond</b>	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.
<b>Capital Expenditure</b>	Expenditure on the acquisition, creation or enhancement of capital assets
<b>Capital Financing Requirement (CFR)</b>	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
<b>Capital growth</b>	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)
<b>Capital receipts</b>	Money obtained on the sale of a capital asset.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy

<b>Constant Net Asset Value (CNAV)</b>	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.
<b>Collective Investment Schemes</b>	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.
<b>Corporate Bonds</b>	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.
<b>Corporate Bond Funds</b>	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
<b>CPI</b> <i>Also see RPI</i>	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
<b>Credit Default Swap (CDS)</b>	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.
<b>Credit Rating</b>	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.
<b>Cost of carry</b>	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.
<b>Credit default swaps</b>	Financial instrument for swapping the risk of debt default; the buyer effectively pays a premium against the risk of default.
<b>Diversification / diversified exposure</b>	The spreading of investments among different types of assets or between markets in order to reduce risk.
<b>Derivatives</b>	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'.
<b>ECB</b>	European Central Bank
<b>Federal Reserve</b>	The US central bank. (Often referred to as "the Fed")
<b>Floating Rate Notes</b>	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

<b>GDP</b>	Gross domestic product – also termed as “growth” in the economy. The value of the national aggregate production of goods and services in the economy.
<b>General Fund</b>	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).
<b>Gilts (UK Govt)</b>	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.
<b>Housing Revenue Account (HRA)</b>	A ring-fenced account of all housing income and expenditure, required by statute
<b>IFRS</b>	International Financial Reporting Standards
<b>Income Distribution</b>	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a ‘dividend’
<b>Investments</b> - <b>Secured</b> - <b>unsecured</b>	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.
<b>Liability Benchmark</b>	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).
<b>LOBOs</b>	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.
<b>LVNAV (Low Volatility Net Asset Value)</b>	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)
<b>Maturity</b>	The date when an investment or borrowing is repaid.
<b>Maturity profile</b>	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.
<b>MiFID II</b>	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.
<b>Money Market Funds (MMF)</b>	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.



<b>Minimum Revenue Provision</b>	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
<b>Non-Specified Investments</b>	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.
<b>Net Asset Value (NAV)</b>	A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.
<b>Operational Boundary</b>	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.
<b>Permitted Investments</b>	Term used by Scottish Authorities as those the Authority has formally approved for use.
<b>Pooled funds</b>	See Collective Investment Schemes (above)
<b>Premiums and Discounts</b>	<p>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.</p> <p>PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate.</p> <p>*The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.</p>
<b>Private Finance Initiative (PFI)</b>	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.
<b>Prudential Code</b>	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.
<b>Prudential Indicators</b>	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.

<b>PWLB</b>	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.
<b>Quantitative Easing</b>	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
<b>Registered Provider of Social Housing</b>	Formerly known as Housing Association
<b>Revenue Expenditure</b>	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges
<b>RPI</b>	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.
<b>SORP</b>	Statement of Recommended Practice for Accounting (Code of Practice on Local Authority Accounting in the United Kingdom).
<b>Specified Investments</b>	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.
<b>Supported Borrowing</b>	Borrowing for which the costs are supported by the government or third party.
<b>Supranational Bonds</b>	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.
<b>Treasury Management Code</b>	CIPFA’s Code of Practice for Treasury Management in the Public Services.
<b>Temporary Borrowing</b>	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
<b>Term Deposits</b>	Deposits of cash with terms attached relating to maturity and rate of return (interest)
<b>Unsupported Borrowing</b>	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
<b>Usable Reserves</b>	Resources available to finance future revenue and capital expenditure



<b>Variable Net Asset Value (VNAV)</b>	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.
<b>Working Capital</b>	Timing differences between income/expenditure and receipts/payments
<b>Yield</b>	The measure of the return on an investment instrument

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## AGENDA ITEM TBC

<b>SUBJECT:</b>	<b>DRAFT STATEMENT OF ACCOUNTS 2023/24 – CHARITABLE TRUST FUNDS</b>
<b>MEETING:</b>	<b>Governance and Audit Committee</b>
<b>DATE:</b>	<b>31<sup>st</sup> July 2024</b>
<b>DIVISIONS/WARD AFFECTED:</b>	<b>All</b>

### 1. PURPOSE:

- 1.1 This report has been prepared to provide Governance and Audit Committee Members with an opportunity to review and provide comments on the:
- Draft 2023/24 Welsh Church Fund Accounts (**Appendix 1**)
  - Draft 2023/24 Monmouthshire Farm School Endowment Trust Fund Accounts (**Appendix 2**)
  - Draft 2023/24 Llanelly Hill Social Welfare Centre Accounts (**Appendix 3**)

### 2. RECOMMENDATIONS:

- 2.1 That the Governance & Audit Committee review the 2023/24 draft Statement of Accounts for the above bodies and provide comments or proposed amendments which will be considered alongside the external audit process and prior to the final publication.

### 3. KEY ISSUES

- 3.1 The Authority acts as lead or investment trustee for a number of charitable trust funds.
- 3.2 The accounts for these funds have to be prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on the 16th of July 2014 and the Charities Act 2011, alongside the UK Generally Accepted Practice as it applies from the 1st of January 2015.

### 4. Welsh Church Act Fund

#### Background

- 4.1 Monmouthshire County Council acts as lead trustee for the Welsh Church Act Fund, a charitable trust covering the Council administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen, and the City of Newport.
- 4.2 The primary object of the trust is to assist public groups and individuals for educational, social, recreational, and other charitable benefit purposes. Grants are available from the fund for capital or revenue purposes. Capital grants may be awarded to assist organisations in the furnishing and

upkeep of buildings. Revenue grants are designed to further the aims of societies and to assist individuals in their various pursuits.

- 4.3 An annual budget for grant payments is agreed by full Council in March preceding the financial year and is split between the five administrative bodies on a population basis. Each trustee approves grant applications and pay monies in line with their own financial regulations.
- 4.4 The overall grant allocation from the fund in each financial year is considered in line with the long-term financial viability of the trust and to maintain the ability to generate funds in future years for distribution by maintaining sufficient capital assets.
- 4.5 In line with the requirements of lead trustee, Monmouthshire County Council is responsible for preparing the draft accounts as presented in **Appendix 1** and these will be subject to external audit by Audit Wales, and subsequently a final version will be considered for approval by this committee at its meeting in January 2025. Following final approval, the accounts will be lodged with the Charities Commission by the end of January 2025.

#### **Activity in year**

- 4.6 The fund has increased in value by £9,149 during the year (£479,749 loss in 2022/23). This increase is primarily due to unrealised gains in investments of £76,264 following improvement in fund performance over the year. Increases in interest rates did have a damping effect on capital prices, but conversely higher dividend yields can be obtained on gilts and bonds which helps maintain the income stream into the trust for distribution.
- 4.7 This increase has been offset by increased grant payments following allocation of unspent balances from previous financial years by Caerphilly and Newport Councils.
- 4.8 Income during the year principally comprised of investment income of £226,373 (£212,453 in 2022/23), which has increased slightly due to distributions from the pooled fund investments.
- 4.9 Resources expended during the year amounted to £278,281 (£219,230 in 2022/23) and principally comprised grant distribution payments of £267,391 (£204,850 in 2022/23).

## **5. Monmouthshire Farm School Endowment Trust Fund**

### **Background**

- 5.1 Monmouthshire County Council acts as Trust administrator and Investment custodian for the Monmouthshire Farm School Endowment Trust Fund.
- 5.2 The primary object of this charitable trust is to make awards to students in need of assistance to attend Usk Agricultural College (Coleg Gwent), or at the discretion of the governing body, any other college, institution, or university to pursue courses of study in agricultural subjects.
- 5.3 The draft accounts presented will be subject to independent examination by Audit Wales and will subsequently be considered by the trustees prior to lodging with the Charities Commission by the end of January 2025.

### **Activity in year**

The Fund has increased in value by £11,895 (£61,321 decrease in 2022/23) over the financial year due to interest on investments (£30,341) exceeding resources expended to administer the fund £8,451, together with the small unrealised loss on market investments of £9,995.

- 5.4 Income consisted of interest on investments and cash held of £29,876 (£26,287 in 2022/23), and £465 (£1,077 2022/23) in respect of the annual payment from the Roger Edwards Educational Trust.
- 5.5 Expenditure of £8,451 (£5,839 in 2022/23) primarily comprised of grants payable of £5,178 (£3,871 in 2022/23) in line with the Charity's objects. An unrealised investment loss of £9,995 (£82,846 loss in 2022/23) was made in relation to investments held.
- 5.6 The current strategy is to ensure that there are sufficient funds to meet the needs of beneficiaries. The income generation from investments forms the main basis of the following year's grant allocations to ensure continuity and non-degradation of the fund's capital assets and to perpetuate the Charity as a going concern.

## **6. Llanelly Hill Social Welfare Centre**

### **Background**

- 6.1 The Llanelly Hill Social Welfare centre is a registered charitable trust owned and run by a board of trustees and supported by Monmouthshire County Council.
- 6.2 Due to the comparatively small size of the trust and the values involved, the statement of accounts does not require a formal audit or inspection process and will subsequently be lodged with the Charities Commission.

### **Activity in year**

- 6.3 The trust has generated income of £6,394 during the year (£3,036 in 2022/23) primarily from income generating activities at the centre. This has covered the management and maintenance costs incurred during the year of £6,335, resulting in an overall operational gain on the fund of £59.

## **7. REASONS**

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

## **8. RESOURCE IMPLICATIONS**

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

## **9. CONSULTEES**

Deputy Chief Executive (Section 151 Officer)

## **10. BACKGROUND PAPERS**

**Appendix 1** - Draft 2023/24 Welsh Church Fund Accounts

**Appendix 2** - Draft 2023/24 Monmouthshire Farm School Endowment Trust Fund Accounts

**Appendix 3** - Draft 2023/24 Llanelly Hill Social Welfare Centre Accounts

## **11. AUTHORS:**

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Head of Finance

**12. CONTACT DETAILS**

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

**Annual Report and Financial Statements for the year  
ended the 31 March 2024**

Registered Charity Number: 507094

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

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**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

**Trustee, Officers, and Advisors**

**Trustee**

Monmouthshire County Council

**Secretary**

James Williams

Chief Officer, Law & Governance (Monitoring Officer)

Monmouthshire County Council

**Registered Office**

County Hall

The Rhadyr,

Usk

NP15 1GA

**Auditors**

Audit Wales

1, Capital Quarter,

Tyndall Street,

Cardiff

CF10 4BZ

**Solicitor**

James Williams

Chief Officer, Law & Governance (Monitoring Officer)

Monmouthshire County Council

**Investment Custodian**

Monmouthshire County Council

**General Management**

Mr Peter Davies

Deputy Chief Executive

Monmouthshire County Council

**Bankers**

Barclays Bank

1-5 St David's Way

St David's Centre

Cardiff

CF10 2DP

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

**Report of the Trustee for the year ended 31 March 2024**

The Trustee presents its annual report and the audited financial statements for the year ended 31 March 2024 of The Monmouthshire County Council Welsh Church Act Fund ('the Charity').

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

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

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

**Structure, Governance and Management**

The Charity is governed by the Welsh Church Act 1914 and the Welsh Church Act (Designation and Specification) Order 1996 and is registered with the Charity Commissioners under charity number 507094.

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

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

The management of the Trust Fund is undertaken by officers of the Council and a calculated proportion of their time is charged to the Fund.

**Objectives**

The primary object of the Charity for each year, as stated in its governing document, is to assist public groups and individuals for educational, social, recreational, and

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

other charitable benefit purposes. Grants are available from the Fund for capital or revenue purposes. Capital grants may be awarded to assist organisations in the furnishing and upkeep of buildings. Revenue grants are designed to further the aims of societies and to assist individuals in their various pursuits.

**Grants allocation policy**

An annual budget set by the Trustee for grant payments is split between the administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen, and Newport on a population basis.

A Committee set up by the Trustee approves grant applications on a basis in line with full Council meetings or as deemed required by the participating authorities. Grants are made in pursuance of the Charity's objectives.

The grant allocation of each financial year is considered in line with the long-term financial viability of the trust and to maintain the ability to generate funds in future years for distribution by maintaining sufficient capital assets.

**Review of activities and future developments**

The statement of financial activities for the year is set out on page 7 of the financial statements. A summary of the financial results and the work of the Charity are set out below.

The Fund has increased in value by £9,149 during the year, a (£479,749 loss in 2022/23). This increase is primarily due to unrealised gains in investments of £76,264 at the 31st March 2024 valuation date following improvement in fund performance over the year.

Income is principally comprised of investment income of £226,373 (£212,453 in 2022/23). This has increased slightly in regard to distributions from the pooled investments funds held on the financial markets. The Trust has utilised the Trustee's own investment managers to manage the other individual market investments, thus, controlling management fees and therefore maximising returns whilst at the same time maintaining a balanced capital risk strategy.

Resources expended during the year amounted to £293,488 (£222,260 in 2022/23) and principally comprised grant distribution payments of £267,391 (£204,850 in 2022/23). This increase was predominantly due to Caerphilly and Newport Councils allocating brought forward unspent grant balances from previous financial years.

Net gains on investments held amounted to £76,264 (£472,972 net loss in 2022/23). These non-realised investment gains have been due to an improving economic outlook impacting on the financial markets through the year. The 'Trusts' current investment strategy of diversifying the portfolio across several investment categories has enabled a certain degree of stability amid the volatility in the financial markets. The long-term projections on these charity fund investments as indicated by the Trustees' Treasury consultants continue to offer a balanced risk portfolio between income generation and asset growth.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

**Assumptions made about the future and other major sources of estimation uncertainty**

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

The items in the Trust's Balance Sheet at 31st March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**The revaluation of investment property and property funds**

Valuation techniques are used to determine the carrying amount of pooled property funds and investment property. Investment assets have been revalued as at the 31st March 2024 reporting date.

Changes in the valuation assumptions used, together with significant changes in rental growth could affect (increase or decrease) the fair value of property-based investments. As the investments are held on a long-term strategy basis, the fund does not foresee any long-term negative effect in the generation of future income streams.

**Income generation**

The Charity's investment income was £226,373 compared to £212,453 in 2022/23. The diverse external pooled fund investment strategy that mainly replaced the pooled investment strategy with Monmouthshire County Council has continued to produce consistent returns in the financial markets due to investment in more specific charitable investment funds. This income generation forms the main basis of the following years grant allocations to ensure continuity and non-degradation of the funds capital assets and to perpetuate the charity as a 'going concern'.

**Bad debt provision**

There are no bad debts arising in the year of account.

**Investment powers, policy, and performance**

Under the terms of the Trust Deed, the Trustee has general powers of investment, subject to the provisions of The Trustee Act 2000. The investment policy of the Trust is to maximise the rate of investment return, whilst employing a risk strategy that minimises any potential reduction in the capital value of the Fund.

The Trustee reviewed its investment strategy and produced an investment and fund strategy for 2023/24, which was approved by Monmouthshire County Council in its capacity as sole and corporate trustee, on 1st March 2023.

Financial market investments have been restated at the financial year-end to reflect their current open market value.

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2024**

### **Changes in fixed assets**

The fixed asset investments were re-valued in the 2023/24 financial year in line with the Investment Asset policy of revaluation every year.

### **Reserves**

The Trustee's policy is to maintain the level of investments at a level that provides sufficient annual income to fund the Charity's charitable expenditure. The level of funds held at 31<sup>st</sup> March 2024 is £5,210,440 (£5,201,291 in 2022/23). The Trustee reviewed its Fund strategy and produced an investment and fund strategy for 2023/24, which stated that the purpose of reserves is to maintain investments such that they realise sufficient income to provide grants to organisations at a consistent level. Whilst the strategy is to ensure that there is no long-term detrimental effect on overall reserve balances, recommendations made by the Charity Commission has resulted in grants allocations being made in line with investment returns.

### **Governance of the Charity**

Representative Councillors from each of the five administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen, and Newport are appointed by their respective councils annually to form a committee to oversee fund management. Members are appointed to the committee for the term of the Council.

### **Risk management**

The Trustee has undertaken a review of the major risks to which the Charity is exposed, and its risk management and internal control procedures should be updated to ensure that systems are in place to mitigate the risks identified. The risk assessment was considered by Monmouthshire County Council on 1st March 2023 and no risks were identified.

### **Auditors**

Audit Wales were appointed as auditors to the Welsh Church Act Fund in 2007/08.

### **Statement of Trustee's responsibilities**

The Trustee is responsible for preparing financial statements for each financial year, which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity and its financial activities for that period.

In preparing those financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operational existence.

The Trustee confirms that it has complied with the above requirements in preparing the financial statements.

The Trustee is responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable it to ensure that the financial statements comply with the Charities Act 1993. It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee certifies that:

- as far as it is aware, there is no relevant information of which the Charity's auditors are unaware; and
- as Trustee of the Charity, it has taken all the steps that it ought to have taken in order to make itself aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

**By order of the Trustee**

**Mr Peter Davies  
Deputy Chief Executive (Section 151 Officer), Monmouthshire County Council**

**Date:**

**The Monmouthshire County Council Welsh Church Act Fund  
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**Statement of financial activities (Sofa) for the year ended 31  
March 2024**

	Notes	2023/24 Total Unrestricted Funds £	2022/23 Total Unrestricted Funds £
<b>Income &amp; Endowments from:</b>			
Investment income	2	226,373	212,453
Other incoming resources		0	0
<b>Total income &amp; Endowments</b>		<b>226,373</b>	<b>212,453</b>
<b>Resources Expended</b>			
Raising funds:			
Investment Property		(570)	(480)
Professional fees			
Management and administration		(14,637)	(2,550)
		<b>(15,207)</b>	<b>(3,030)</b>
<b>Charitable expenditure</b>			
Costs of activities in furtherance of the Charity's objects			
Grants payable	3,4	(267,391)	(204,850)
Management and administration		(2,620)	(5,095)
<b>Other</b>			
Governance Costs	5	(8,270)	(6,255)
<b>Total Resources Expended</b>		<b>(278,281)</b>	<b>(219,230)</b>
Gains/(losses) on investment	9,10	76,264	(472,972)
<b>Net Income /(Expenditure)</b>		<b>9,149</b>	<b>(479,749)</b>
<b>Net movement in funds</b>		<b>9,149</b>	<b>(479,749)</b>
Fund balances brought forward April 2023		5,201,291	5,681,040
<b>Fund balances carried forward 31 March 2024</b>	13	<b>5,210,440</b>	<b>5,201,291</b>

All incoming resources and resources expended are derived from continuing activities. There are no recognised gains or losses other than those disclosed above.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

**Balance Sheet as at 31 March 2024**

	Notes	<b>2023/24</b>	2022/23
		<b>Unrestricted</b>	Unrestricted
		<b>Funds</b>	Funds
		<b>£</b>	£
<b>Fixed assets</b>			
Investment Land	9	<b>493,000</b>	475,750
Investments	10	<b>4,713,337</b>	4,654,323
		<b>5,206,337</b>	5,130,073
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	<b>52,295</b>	47,159
Cash at bank	8	<b>225,434</b>	228,458
		<b>277,729</b>	275,617
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	12	<b>(273,626)</b>	(204,399)
<b>Net current assets or liabilities</b>		<b>4,103</b>	71,218
<b>Net assets or liabilities</b>			
		<b>5,210,440</b>	5,201,291
<b>The Funds of the Charity:</b>			
Unrestricted Funds	13	<b>5,210,440</b>	5,201,291
<b>Total Charity funds</b>		<b>5,210,440</b>	5,201,291

These accounts were approved by the Trustee on tbc, and signed on their behalf by:

**By order of the Trustee**

**Mr Peter Davies**  
**Deputy Chief Executive – Monmouthshire County Council**

**Date:**



**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

**Statement of Cash flows as at 31 March 2024**

	Total Funds £	Prior Year Funds £
<b>Cash flows from operating activities</b>		
<i>Net cash provided by operating activities 'Note 7'</i>	(229,397)	(155,262)
<hr/>		
<b>Cash flow from investing activities</b>		
Dividends and rents from investments	226,373	212,453
Cash received from pooled funds with MCC	0	0
<hr/>		
<i>Change in cash and cash equivalents in the reporting period</i>	(3,024)	57,191
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>228,458</b>	<b>171,267</b>
<hr/>		
<i>Cash and cash equivalents at the end of the reporting period</i>	<b>225,434</b>	<b>228,458</b>

## **Notes to the financial statements for the year ended 31 March 2024**

### **1 Principal accounting policies**

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

The trust constitutes a public benefit entity as defined by FRS 102. The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

A summary of the principal accounting policies, which have been applied consistently, are set out below.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention, as modified by the inclusion of investments and tangible fixed assets at market value. During the year, the Charity reviewed its accounting policies in accordance with FRS 102 'Accounting Policies'. No accounting policies have been changed as a result.

#### **Incoming Resources**

All income is accounted for on an accrual's basis.

#### **Cash Balances**

Cash is sums of money available for immediate use by the Welsh Church Fund. Such items are deemed to be cash balances held in the Fund's bank accounts (less unpresented cheques). The Welsh Church Fund does not hold Cash in Hand.

#### **Resources expended**

All expenditure is accounted for on an accrual's basis. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with use of the resources.

#### **Grants payable**

Grants payable are accounted for in full as liabilities of the Charity when approved by the Trustee and accepted by the beneficiaries.

#### **Management and administration**

Management and administration costs include expenditure on administration of the Charity and, an appropriate apportionment of overheads based upon a time allocation.

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2024**

### **Governance Costs**

Governance costs comprise costs involving the compliance with constitutional and statutory requirements. These costs relate to audit fees payable to the appointed external auditor.

### **Irrecoverable VAT**

Any irrecoverable VAT is charged to the statement of financial activities or capitalised as part of the cost of the related asset, where appropriate.

### **Recognition of liabilities**

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

### **Debtors/ Creditors**

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

### **Fund accounting**

Funds are unrestricted funds which are available for use at the discretion of the Trustee in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

### **Investment Land and Property**

#### *Capitalisation, Replacement and Valuation*

The Trust's policy is to revalue its Investment land on an annual basis in line with the Charities SORP. Valuations will also be undertaken where identified that there have been material movements between formal valuations, as holdings are Investment Land not tangible fixed assets.

All land Investments were valued internally by a qualified land surveyor as at 31st March 2024 and all assets held at year-end are included in the accounts at that valuation date. Vacant properties are valued at open market value.

### **Depreciation**

Land is not depreciated. The Fund currently has no buildings on the fixed asset register.

### **Investments**

Any realised and unrealised gains and losses on revaluation or disposals of investments are included in the statement of financial activities. The Authority is authorised to invest any surplus income or dispose of any investments when it deems appropriate. Investments are strategically placed in external pooled fund investment funds specifically designed for charitable organisations. The basis of valuation on the market-based investments held with CCLA, M&G, UBS, and Schroder's, is the open market value of the unit holdings on the 31st March 2024 multiplied by the units held. Investment performance is reviewed periodically in light of prevailing economic changes. The Treasury Stock 2024 valuation is based upon the market value of the

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

Treasury Gilts at the 31st March 2024 as listed on the dmo.gov website. The value of the 'pooled' investment with Monmouthshire County Council is the cash value as at the 31st March 2024.

**Fees and similar income**

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided.

**Cash flow statement**

The Charity has produced a cash flow statement under Financial Reporting Standard 102 under section 7 on the basis that it meets the relevant conditions and size criteria specified in the Companies Act.1985.

**2 Investment income**

	<b>2024</b>	2023
	<b>£</b>	£
Investments with Monmouthshire County Council	<b>21,112</b>	10,110
Investment Property Rental Income	<b>4,138</b>	4,138
External Investments	<b>201,103</b>	198,205
	<b>226,373</b>	212,453

**3 Grants Payable**

	<b>2024</b>	2023
	<b>£</b>	£
Grants have been paid to the following administering Local Authorities for them to make to groups and individuals on behalf of the Fund:		
Monmouthshire County Council	<b>19,798</b>	18,750
Torfaen County Borough Council	<b>37,055</b>	24,925
Newport City Council	<b>71,394</b>	56,038
Blaenau Gwent County Borough Council	<b>23,052</b>	22,800
Caerphilly County Borough Council	<b>116,101</b>	82,337
	<b>267,391</b>	204,850

The management and administration cost of the fund and grants distributed were £13,374 during the year.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

**4 Analysis of Grants**

	Grants to Organisations	Grants to Individuals
	£	£
The Advancement of Education	2,375	2,940
The Advancement of Religion	103,374	0
The Relief of Poverty	43,055	0
Other Purposes Beneficial to the Community	115,647	0
<b>Total</b>	<b>264,451</b>	<b>2,940</b>

Unspent balances are retained for distribution in subsequent financial years. Grants to Churches and other religious establishments totaled £103,374 and Community Organisations £115,647 respectively during the financial year. Grants of essential equipment and furnishings to the value of £43,055 were allocated to individuals for the relief of families deemed to be in poverty. No organization or individual received more than one grant award during 2023/24.

**5 Governance Costs**

	2024 £	2023 £
Auditor's remuneration	<b>8,270</b>	6,255
	<b>8,270</b>	6,255

No indemnity insurance for Trustee's liability has been purchased by the Charity however the Fund is covered by Monmouthshire County Councils' fidelity guarantee insurance. Insurance covers financial losses incurred, as a result of fraudulent acts conducted by Authority employees but does not cover the Trustee for any wrong decisions that may have been made.

**6 Taxation**

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Charity is not separately registered for VAT because it falls within the Local Authority's VAT Registration as corporate trustee and accordingly, all their expenditure is recorded exclusive of any VAT incurred.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

**7 Reconciliation of net income/ (expenditure) to net cash flow  
from operating activities as at 31 March 2024**

	Current Year £	Prior Year £
<i>Net income/(expenditure) for the reporting period (as per the statement of financial activities)</i>	<b>(9,149)</b>	(479,749)
<b>Adjustments for non-cash transactions</b>		
(Gains) / losses on investments	<b>(76,264)</b>	472,972
Dividends, Interest & Rents from investments	<b>(226,373)</b>	(212,453)
(Increase) / decrease in debtors / bad debts	<b>(5,135)</b>	(2,348)
Increase / (decrease) in creditors	<b>69,226</b>	66,316
<b>Net cash provided and (used in) operating activities</b>	<b>(229,397)</b>	(155,262)

**8 Analysis of cash and cash equivalents as at 31 March 2024**

	Current Year £	In Year Movement £	Prior Year £
Cash at bank	<b>225,434</b>	(3,024)	<b>228,458</b>
<b>Total cash and cash equivalents</b>	<b>225,434</b>	(3,024)	<b>228,458</b>

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

**9 Investment Land and Property**

	<b>Total £</b>
<b>Valuation</b>	
At 1 April 2023	475,750
Disposals	0
Revaluation	17,250
<b>At 31 March 2024</b>	<b>493,000</b>
<b>Depreciation</b>	
At 1 April 2023	0
Charge in year	0
Disposals	0
<b>At 31 March 2024</b>	<b>0</b>
<b>Net book Value</b>	
At 1 April 2023	475,750
<b>At 31 March 2024</b>	<b>493,000</b>

Tangible Investment assets solely consist of freehold land. Valuations were conducted in accordance with the valuation policy in the 2023/24 financial year and thereafter on an annual rolling basis.

**10 Investments**

	<b>2024 £</b>	<b>2023 £</b>
CCLA - COIF Property Fund	<b>906,388</b>	968,824
UBS Multi Asset Income Fund	<b>532,736</b>	525,558
M&G Charibond Fund	<b>617,340</b>	612,365
Schroders Income Maximiser	<b>361,322</b>	359,688
M&G Charifund	<b>506,657</b>	516,083
CCLA - COIF Investment Fund	<b>1,379,696</b>	1,257,721
Treasury Stock 2024 2.5%	<b>116,652</b>	114,084
Invested with Monmouthshire County Council	<b>300,000</b>	300,000
	<b>4,720,791</b>	4,654,323

The Trust has externally managed investments held with UBS, M&G, Schroeder's,

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

CCLA, and HM Treasury. The pooled investment with Monmouthshire County Council is managed by the Authority's treasury management team, aided by their appointed external treasury management advisors. Returns from Monmouthshire County Council are generated on a "pooled" basis. The average rate of interest generated on the pooled funds from Monmouthshire was 4.84% for 2023/24 (2.28% for 2022/23).

There were no additions or disposals of investments during the financial year. None of the Investments are held outside of the territorial limits of the United Kingdom and the cost of the revaluations is contained within the charity management fee charged annually from Monmouthshire County Council.

**11 Debtors**

	2024 £	2023 £
<b>Amounts falling due within one year</b>		
<b><i>Prepayment &amp; accrued income</i></b>		
Investment Income	52,295	47,159
Other Debtors	0	0
MCC Bank Transfer	0	0
<b><i>Trade debtors</i></b>		
Rental income	0	0
Bad debt provision for loss of rental income	0	0
<b><i>Other Debtors</i></b>		
HM Revenue and Customs	0	0
Other Debtors	0	0
	<b>52,295</b>	<b>47,159</b>

All investment interest due from the trustee was paid in year in 2023/24.

**12 Creditors**

	2024 £	2023 £
<b>Amounts falling due within one year</b>		
Grant creditors	254,602	190,400
Other creditors	9,636	13,999
	<b>264,238</b>	<b>204,399</b>

Grant creditors are recognised as the amounts awarded by the five constituent authorities of the Welsh Church Fund unpaid at the financial year-end. Other creditors are fees reimbursable for professional services utilised during the financial year by the Charity.



**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2024**

**13 Funds**

	Balance 1 April 2023	Incoming Resources resources	Expended	Other Unrealised Gain / (Loss)	Balance 31 March 2024
	£	£	£	£	£
Unrestricted funds	<b>5,201,291</b>	226,373	(293,488)	76,264	<b>5,210,440</b>

**14 Related party transactions**

During the year transactions with related parties arose as follows:

	2024		2023	
	Receipts	Payments	Receipts	Payments
	£	£	£	£
Monmouthshire County Council	<b>21,112</b>	<b>13,374</b>	10,110	5,095

Members of the Authority have direct control over the Welsh Church Fund's financial and operating policies. Where work or services have been commissioned, or where grants were made during the financial year in which members had an interest, members have a duty to declare such an interest. The Welsh Church Fund must ensure that grants allocated were in full compliance with the Authority's standing orders and that grants were made with proper consideration of declarations of such interests.

During the financial year, members who declared an interest did not take part in any discussion or decision relating to grants made or works or services commissioned. Details of all interests declared are recorded in minutes or relevant meetings and recorded in the Register of Members' Interest, open to public inspection at County Hall, Usk.

There are outstanding balances for expenditure of £13,374 with Monmouthshire County Council. The Trust also held a £300,000 investment fund balance with Monmouthshire County Council at the year-end.

**15 Trustee's Expenses, Remuneration and Benefits**

No Expenses, Remuneration or Benefits were incurred during the year of account

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# **Monmouthshire Farm School Endowment Trust Fund**

## **Annual report for the year ended 31 March 2024**

Registered Charity Number: 525649

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for the year ended 31st March 2024**

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**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2024**

## **Trustees, officers and advisers**

### **Trustees**

P Murphy Monmouthshire County Council	M Groucutt Monmouthshire County Council
D W H Jones Monmouthshire County Council	J McKenna Monmouthshire County Council
M. Cross Blaenau Gwent County Borough Council	M. Stevens Monmouthshire County Council
Dr W O C Symondson University of Wales College Cardiff	L. Wright Monmouthshire County Council
R Clark Torfaen County Borough Council	P. James University College Wales Aberystwth
M Rees Coleg Gwent Started 23 <sup>rd</sup> January 2024	Helen Morgan Director Usk Campus – Coleg Gwent
	C. Andrews Caerphilly County Borough Council

### **Investment custodian**

Monmouthshire County Council

### **Secretary**

James Williams  
Head of Legal Services  
Monmouthshire County Council

### **Bankers**

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

### **Registered Office**

County Hall, The Rhadyr, Usk, NP15 1GA

### **Solicitors**

James Williams  
Head of Legal Services  
Monmouthshire County Council

### **Independent Examiners**

Audit Wales, 1 Capital Quarter, Tyndall Street  
Cardiff CF10 4BZ

## **Report of the Trustees for the year ended 31st March 2024**

The Trustees present their annual report and the independently examined financial statements for the year ended 31st March 2024 of The Monmouthshire Farm School Endowment Trust Fund. The information with respect to the Trustees, officers and advisers set out on page 1 forms part of this report. The financial statements have been prepared in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) issued on 16th July 2014 and Charity Act 2011. The financial statements comply with the Charity's trust deed.

### **Status and administration**

The Charity is governed by the 1959 Principal Scheme as amended by the Altering Scheme of 1971, although the governing body may rightly claim a history stretching back to 1894. The Fund is registered with the Charity Commission under Charity number 525649. The Trustees also have regard to the Charity Commission's guidance on public benefit.

### **Objects**

The primary object of the Charity, as stated in its governing document, is to make awards to students in need of assistance to attend Usk Agricultural College (Coleg Gwent), or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects. The governing body can use its discretion to apply any unawarded income to provide funding towards the cost of facilities or amenities at Usk College which would benefit these students. The grants awarded have allowed the beneficiaries to pursue land based courses to enhance career opportunities. The area of benefit is clearly defined; household income is a consideration when making the award. The total grant awards were £5,178 (£3,871 in 2022/23).

### **Review of activities and future developments**

The statement of financial activities for the year is set out within the financial statements. A summary of the financial results and the work of the Charity is set out below.

The Fund has increased in value by £11,895 (£61,321 decrease in 2022/23) over the financial year as a result of losses on unrealised investments which exceeded income resources.

Income consists of dividends and interest from investments and cash held of £29,876 (£26,287 in 2022/23), and £465 (£1,077 2022/23) in respect of the annual payment from the Roger Edwards Educational Trust.

Expenditure of £8,451 (£5,839 in 2022/23) primarily comprised grants payable of £5,178 (£3,871 in 2022/23) in line with the Charity's objects. An unrealised investment loss of £9,995 (£82,846 loss in 2022/23) was made in relation to investments held.

The current strategy is to ensure that there are sufficient funds to meet the needs of beneficiaries. This income generation forms the main basis of the following year's grant allocations to ensure continuity and non-degradation of the fund's capital assets and to perpetuate the Charity as a going concern.

### **Investment powers, policy and performance**

Under the terms of the Trust Deed, the Trustees have general powers of investment, subject to the provisions of the Trustee Act 2000. The Trustees have reviewed their investment strategy and produced an investment and fund strategy for 2023/24 which was approved by Monmouthshire County Council in its capacity as Trust administrator on 1st March 2023. Investments are

## **Monmouthshire Farm School Endowment Trust Fund Annual report for the year ended 31st March 2024**

strategically placed in low-risk investments. Investment performance is reviewed periodically in light of prevailing economic changes.

### **Grant making policy**

Grants are made in pursuance of the Charity's objectives in assisting students in need to attend Usk Agricultural College (Coleg Gwent), or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects.

### **Changes in fixed assets**

The movements in fixed asset investments during the year are set out in note 7 to the financial statements.

### **Reserves**

The Fund consists primarily of the sale proceeds of the Former Monmouthshire Farm School by the governing body of the school to Monmouthshire County Council. The Fund is entitled to receive an annual payment from The Roger Edwards Educational Trust (Charity Number 525638) equivalent to two thirds of the net annual investment and rental income accrued to the Trust.

The Trust has reviewed its fund strategy and produced an investment and fund strategy for 2023/24 which states that it is the Trust's policy to maintain funds at approximately the current level and utilise the annual income received to fund its charitable expenditure. This was approved by Cabinet on the 1st March 2023.

### **Governance of the Charity**

Representative Trustees appointed by Monmouthshire County Council have a term of office equivalent to the term of a County Council (five years); the other representative Trustees have a term of office of three years and the co-opted Trustees have a term of office of five years. County Council Trustees are elected to the board of Trustees. Trustees that represent other organisations are internally appointed. The Trustees are listed on page 1.

### **Risk management**

Monmouthshire County Council as appointed administrator of the Trust Fund periodically review the major risks to which the Charity is exposed as part of the Authority's overall risk management processes. The Roger Edwards Educational Trust has historically provided significant income to this trust to be used for the distribution of grants. This income is received after the independent examination of the accounts and therefore this is usually late in the financial year. A risk assessment policy was approved by Cabinet on 1st March 2023.

### **Independent examiners**

Audit Wales are the appointed independent examiners to the Charity.

### **Trustees' responsibilities**

The Trustees are required by Charity law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Charity and of the net incoming/outgoing resources of the Charity as at the end of the financial year.

The Trustees confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st March 2024. The Trustees also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2024**

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**By order of the Trustees**

Trustee:

Date:



**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2024**

**Statement of financial activities (Sofa) for the year ended**  
**31st March 2024**

	Notes	2024 Unrestricted Funds £	2023 Unrestricte Funds £
<b>Income &amp; Endowments from:</b>			
Investment income	2	29,876	26,287
Income from Roger Edwards Educationaust		465	1,077
<b>Total income &amp; Endowments</b>		<b>30,341</b>	<b>27,364</b>
<b>Resources Expended</b>			
<b>Charitable expenditure</b>			
Costs of activities in furtherance of the Charity's objects			
Expenditure on charitable activities	3	(5,178)	(3,871)
Other expenditure	3 & 4	(3,273)	(1,968)
<b>Total Resources expended</b>		<b>(8,451)</b>	<b>(5,839)</b>
<b>(Losses) on investment assets</b>	5	<b>(9,995)</b>	<b>(82,846)</b>
<b>Net Income / (Expenditure)</b>		<b>11,895</b>	<b>(61,321)</b>
<b>Net movement in funds</b>			
Fund balances brought forward 1 April 2023		<b>622,649</b>	683,970
<b>Fund balances carried forward</b> <b>31 March 2024</b>		<b>634,544</b>	622,649

All incoming resources and resources expended are derived from continuing activities. There are no recognised gains or losses other than those disclosed above.

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2024**

**Balance Sheet as at 31 March 2024**

	Notes	<b>2024</b>	2023
		<b>Unrestricted Funds</b>	<b>Unrestricted Funds</b>
		<b>£</b>	<b>£</b>
<b>Fixed assets</b>			
Investments	7	<b>550,760</b>	560,755
		<b>550,760</b>	560,755
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	<b>2,620</b>	1,138
Cash at bank and in hand		<b>82,831</b>	62,819
		<b>85,451</b>	63,957
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	9	<b>(1,667)</b>	(2,063)
<b>Net current assets</b>		<b>83,784</b>	61,894
<b>Net assets</b>		<b>634,544</b>	622,649
<b>The Funds of the Charity:</b>			
Unrestricted Funds	10	<b>634,544</b>	622,649
<b>Total Charity funds</b>		<b>634,544</b>	622,649

The financial statements were approved by the Trustees and signed on their behalf by:

Trustee:

Date:

## **Notes to the financial statements for the year ended 31<sup>st</sup> March 2024**

### **1 Principal accounting policies**

#### **Basis of accounting**

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) issued on 16th July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic (FRS 102) and Charity Act 2011.

The trust constitutes a public benefit entity as defined by FRS 102. The Trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

#### **Resources expended**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

#### **Incoming Resources**

All income received is accounted for on a receivable basis and has been classified under the appropriate categories. The income from the Roger Edwards Educational Trust is an estimate of the income to be received for the year.

#### **Grants payable**

Grants payable are accounted for in full as liabilities of the Charity when approved by the Trustees and accepted by the beneficiaries.

#### **Management and administration**

Monmouthshire County Council administer the Trust Fund on behalf of the Trustees. Management and administration costs include expenditure on administration of the Charity and compliance with constitutional and statutory requirements, and an appropriate apportionment of support service recharges and overhead apportionments. The basis of the apportionment is a fixed fee agreed with the Trustees of £200 per year.

#### **Debtors/ Creditors**

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

#### **Irrecoverable VAT**

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

#### **Recognition of liabilities**

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

## Monmouthshire Farm School Endowment Trust Fund Annual report for the year ended 31st March 2024

### Fund accounting

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity. Investment income and gains are allocated to the appropriate fund.

### Investments

Investments are included at market value at the balance sheet date. Any realised and unrealised gains and losses on revaluation or disposals are combined in the statement of financial activities.

### Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Trust's Balance Sheet at 31st March 2024 for which there is a significant risk of adjustment in the forthcoming financial year are as follows:

### The revaluation of investment property and property funds

Changes in the valuation assumptions used, together with significant changes in rental growth could affect (increase or decrease) the fair value of property-based investments. Indicative net asset statements for property funds are subject to uncertainty at the reporting date and the valuation for pooled property funds and investment property is less reliable than usual. As the investments are held on a long-term strategy basis, the fund does not foresee any long-term negative effect in the generation of future income streams.

### Cash flow statement

The Charity has taken exemption from preparing a cash flow under Charities SORP FRS 102 Update Bulletin 1.

## 2 Income from Investments

	2024	2023
	£	£
Interest on cash balances	0	1,072
Income from Investments	29,876	25,215
	29,876	26,287

## 3 Expenditure on Charitable Activities

	2024	2023
	£	£
Grants payable	(5,178)	(3,871)

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2024**

Management & administration	(3,273)	(1,968)
	<b>(8,451)</b>	<b>(5,839)</b>

Grants payable comprise numerous payments to individual students in respect of full time and part-time courses attended. It is not possible to provide further details due to restrictions of confidentiality.

## 4 Governance Costs

	2024	2023
	£	£
Net incoming resources is stated after charging:		
Independent Examiner's remuneration	(1,460)	(1,458)
	<b>(1,460)</b>	<b>(1,458)</b>

No indemnity insurance for Trustees liability has been purchased by the Charity. Though no specific indemnity insurance has been purchased by the Charity, the Fund is covered by Monmouthshire County Council's fidelity guarantee insurance. Insurance covers financial losses incurred as a result of fraudulent acts conducted by Authority employees but does not cover the Trustees for any wrong decisions that may have been made. Governance costs have remained the same during the year as a result of the Public Audit Wales Act and in particular the duty placed on the Wales Audit Office to ensure full cost recovery in its audit fees. The audit fee is included in the management and administration spend as per note 3.

## 5 Gains and losses on revaluation and disposal of investment assets

	Market Value	Market Value	Gain/(Loss)
	2023	2024	
	£	£	£
M&G Charibond	208,660	210,355	1,695
UBS Multi-Asset Income Fund	141,092	143,019	1,927
COIF Charities Property Fund	211,003	197,386	(13,617)
<b>Total</b>	<b>560,755</b>	<b>550,760</b>	<b>(9,995)</b>

## 6 Taxation

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2024**

The Charity falls within Monmouthshire County Council regulations for VAT, and therefore any liability is accounted for within Monmouthshire County Council.

**7 Fixed asset investments**

	<b>Total</b>
	<b>£</b>
Valuation at 1 April 2023	<b>560,755</b>
Purchase	<b>0</b>
Net revaluation loss	<b>(9,995)</b>
<b>Valuation at 31 March 2024</b>	<b>550,760</b>

Fixed asset investments solely consist of the quoted investments. All investments are stated at their market value at 31st March 2024. The historical cost of the investments at 31st March 2024 was £639,000. All of the Charity's investments are quoted in the UK. The details of these are disclosed in the table below, being Charibond, COIF and OEIC Fund.

Investments with a market value greater than 5% of the total portfolio market value at 31st March 2024 are as follows:

	<b>£</b>	<b>%</b>
COIF Charities Property Fund	197,386	36%
M&G Charibond	210,355	38%
UBS Multi-Asset Income Fund	143,019	26%

The percentage shown above is the percentage of the total portfolio market value as at 31<sup>st</sup> March 2024.

**8 Debtors**

	<b>2024</b>	<b>2023</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year</b>		
Roger Edwards Educational Trust	<b>465</b>	1,077
Other	<b>2,155</b>	61
	<b>2,620</b>	1,138

**9 Creditors**

	<b>2024</b>	<b>2023</b>
	<b>£</b>	<b>£</b>

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2024**

**Amounts falling due within one year**

Accruals and deferred income	<b>(1,667)</b>	(2,063)
	<b>(1,667)</b>	(2,063)

The amounts owed relate to audit fees and payments to Monmouthshire County Council to administer the trust.

**10 Unrestricted Funds**

	Balance 1 April 2023 £	Incoming resources £	Resources Expended £	Investment Gain/(Loss) £	<b>Balance 31 March 2024 £</b>
Permanent endowed funds	622,649	30,341	(8,451)	(9,995)	<b>634,544</b>

**11 Related party transactions**

No remuneration directly or indirectly out of the funds of the Charity was paid or payable for the year to any Trustees. Payments have been made to Monmouthshire County Council respect of management and administration expenses.

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Charity Registration No: 523661

**Llanelly Hill Social Welfare Centre Trust Fund**  
**Statement of financial activities for the year ended 31<sup>st</sup>**  
**March 2024**

	2024	2023
	£	£
<b>Incoming resources</b>		
Income Generated By Management Committee	6,394	3,036
Contribution from Monmouthshire County Council	0	0
<b>Total incoming resources</b>	<b>6,394</b>	<b>3,036</b>
<b>Charitable expenditure:</b>		
Costs of activities in furtherance of the Charity's objects:		
Management and Maintenance	6,335	4,859
<b>Total resources expended</b>	<b>6,335</b>	<b>4,859</b>
<b>Net Gain / (Loss) before transfers</b>	<b>59</b>	<b>(1,823)</b>
<b>Net incoming resources before fixed asset revaluations</b>	<b>0</b>	<b>0</b>
Gains/(losses) on the revaluation of fixed assets	0	0
<b>Net movement in funds</b>	<b>0</b>	<b>0</b>
Fund balances brought forward 1 April	66,413	68,236
<b>Fund balances carried forward 31 March</b>	<b>66,472</b>	<b>66,413</b>

Charity Registration No: 523661

**Llanelly Hill Social Welfare Centre Trust Fund**

**Balance Sheet at 31st March 2024**

	2024	2023
	£	£
<b>Fixed assets</b>		
Building and Land	<b>65,000</b>	65,000
	<b>65,000</b>	65,000
<b>Current assets</b>		
Debtors: amounts falling due within one year	<b>73,141</b>	66,747
Creditors: amounts falling due within one year	<b>71,670</b>	65,334
<b>Net current Liabilities</b>	1,471	1,413
<b>Total assets less current liabilities</b>	<b>0</b>	0
<b>Net assets</b>	<b>66,472</b>	66,413
<b>Reserves:</b>		
Endowment capital	<b>66,472</b>	66,413
<b>Total funds</b>	<b>66,472</b>	66,413



**SUBJECT: DRAFT STATEMENT OF ACCOUNTS 2023/24 – MONMOUTHSHIRE COUNTY COUNCIL**

**MEETING: Governance and Audit Committee**

**DATE: 31<sup>st</sup> July 2024**

**DIVISIONS/WARD AFFECTED: All**

### 1. PURPOSE:

1.1 This report has been prepared to provide Governance and Audit Committee Members with an opportunity to review and provide comment on the draft 2023/24 Statement of Accounts of Monmouthshire County Council under the following terms of reference of the Committee:

- To review and scrutinise the authority's financial affairs;
- To oversee the authority's internal and external audit arrangements; and
- To review financial statements prepared by authority

1.2 Members are asked to note that the figures provided are subject to change during the external audit process and that a final audited statement of accounts will be presented to this committee at a future date.

### 2. RECOMMENDATIONS:

2.1 That the Governance & Audit Committee:

- Review the 2023/24 draft Statement of Accounts and highlight any queries and comments.
- Note that following the completion of the external audit process, the audited Statement of accounts for 2023/24, alongside the outcome of the external audit process, will be presented to this Committee.

### 3. KEY ISSUES

3.1 Under current legislation for Wales, the draft statement of accounts are to be produced and published by the Authority by the 31<sup>st</sup> May following the financial year they relate to.

3.2 Welsh Government, in recognising the continued demands and pressure on Local Government resources, continue to allow the Council the flexibility to publish the statement of accounts after the statutory deadline subject to providing a statutory notice as per paragraph 10(4) of the regulations detailing the reasons for not meeting the deadline. This notice was made by the Council on the 31st May 2024.

- 3.3 The draft Statement of Accounts were signed by the Responsible Finance Officer on the 1st July 2024, were subsequently published on the Council's website, and will be subject to external audit and a public inspection period.
- 3.4 The draft accounts for 2023/24 were completed 19 days earlier than for 2022/23, and 40 days earlier than those produced for 2021/22.
- 3.5 The date of completion was in line with the timetable communicated to Audit Wales at the start of the closure process, and therefore allows for the timely commencement of the external audit.
- 3.6 Monmouthshire was the seventh Council in Wales to complete and publish its draft accounts for 2023/24 which is a significant achievement given the additional responsibilities placed upon finance teams during the period in dealing with increased financial reporting requirements for both budget forecasting and treasury management.
- 3.7 The high-level timetable for completion of the final audited accounts is as follows:

Draft accounts published	1st July 2024
Public Inspection period	31st July 2024 to 29th August 2024
External audit process	July to November 2024
Audit Wales certification	30th November 2024

- 3.8 As we look forward to 2024/25 and beyond, there is further significant improvement to be made to move towards meeting the existing statutory deadline of 31<sup>st</sup> May. This will not only rely upon suitable additional resource being embedded within finance teams as part of the finance restructure, but also critically will require the support of the wider Council services involved in the accounts production such as Estates, HR, Payroll, Democratic services, and Internal Audit.

### Statement of accounts

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

3.14 It should be noted that the Council is required to consolidate into its accounts its share of the financial accounts and transactions for the Cardiff Capital Region City Deal (CCRCD). The CCRCD draft accounts for 2023/24 have not yet been completed. The draft Council accounts for 2023/24 therefore continue to reflect its share of 2022/23 CCRCD draft accounts and transactions.

#### **4. REASONS**

4.1 To provide Governance and Audit Committee Members with an opportunity to review and provide comment on the draft 2023/24 Statement of Accounts of Monmouthshire County Council.

#### **5. BACKGROUND PAPERS**

*Appendix 1* - Draft 2023/24 Statement of Accounts – Monmouthshire County Council

*Appendix 2* – Summary of 2023/24 primary financial statements

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

#### **6. AUTHORS:**

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Head of Finance

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Tel: (01633) 644114

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# MONMOUTHSHIRE COUNTY COUNCIL

## DRAFT STATEMENT OF ACCOUNTS

2023/24



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# 1 NARRATIVE REPORT

## 1.1 Introduction

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

### Key facts about Monmouthshire



Monmouthshire is the most South Eastern County in Wales covering the area from the 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**

£64.1m

**Adult services**  
**Children's services**  
**Public protection**  
**Resources & support**

**Children & Young People**

£62.5m

**Schools and Early Years provision**  
**Standards**  
**Resources**  
**Emergency Planning**

**Communities & Place**

£25.2m

**Business growth & enterprise**  
**Facilities & Fleet**  
**Neighbourhood services**  
**Planning & housing**  
**Highways & Flooding**

**Monlife**

£8.3m

**Leisure**  
**Youth & Outdoor Adventure**  
**Countryside & culture**  
**Communications**

**Resources**

£8.5m

**Finance & Audit**  
**Commercial & landlord services**  
**ICT**  
**Corporate Health & Safety**

**Chief Executive's Unit**

£3.1m

**Policy, Scrutiny, & Customer service**  
**People**

**Law & Governance**

£2.7m

**Democratic services**  
**Legal**

**Corporate & Treasury**

£34.3m

**Corporate management**  
**Precepts & levies**  
**Insurances**  
**Treasury**

## 1.2 Operational Performance for the Year

2023/24 saw the adoption of the new Community & Corporate Plan 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 & Corporate Plan establishes a clear purpose to become a net-zero 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 being made against these during 2023/24 outlined below:

### A fair place to live

- We have rolled out universal free school meals to all primary school pupils in Monmouthshire. The proportion of children having these free meals has increased from 64% to 75%
- We have supported children and young people in the school holidays with free or low-cost play provision. We provided 3,363 hours of play provision, with 10,605 attendances. These also provided over 1,000 meals through the summer holidays for families who need it
- We facilitated small grants to 75 local schemes to focus on projects they deemed important to their local areas, included developing community growing areas and addressing holiday hunger

### A green place to live

- Our residents have recycled 71.7% of household waste. This is well above the national target of 64%
- We have created or enhanced 20 active travel routes in the county to provide more opportunities for residents to walk and cycle
- We have worked with partners and volunteers to develop 'libraries of things', reuse shops and repair cafes. Our reuse shops diverted 33 tonnes of waste from going to landfill
- We have increased the percentage of our vehicle fleet which is ultra-low emission from 8.4% to 10.2% as part of our commitments to reduce our carbon emissions

### **A thriving & ambitious place**

- We supported 115 people into employment during the year through a range of training and support
- We supported 21 young people who were not in employment, education or training (NEET) into employment. Overall, 1.8% of school leavers in Monmouthshire are NEET. We will use the tools available to us to try and prevent young people becoming NEET
- We provided support to 165 pre-start-up and existing local businesses to help them develop and grow

### **A safe place to live**

- We have prevented 71% of homeless applications from becoming homeless, an increase from 50% the previous year
- We have decreased the number of homeless households in Bed & Breakfast accommodation by 50%, from 92 in 22/23 to 46 in 23/24

### **A connected place where people care**

- We supported 1,580 adults with social care, 84.6% of those we support are happy with the care and support they receive
- We have provided early help to support families through our Building Stronger Families service; 100% of families involved reported positive outcomes following intervention
- We delivered 331 packages of reablement to support people to regain independence, of which almost three quarters helped to mitigate or reduce the need for further support; 55.3% of packages mitigated the need for support, whilst 14.2% reduced the need for support

### A learning place

- We have worked with schools to support pupils to attend schools. Pupil attendance at our primary schools is returning to pre-pandemic levels and was 93.3% so far this year. Pupil attendance at our secondary schools remains lower than pre-pandemic levels at 87.4%. We are providing continued support to increase attendance
- We are building a new 3-19 school in Abergavenny that will provide wide ranging education and support to 1,900 pupils, including for those with complex learning needs
- We have increased the number of adult learners participating in community education courses to 937, from 560, supporting them to continue to develop their learning

## 1.3 Financial Performance for the Year

### Revenue Budget for 2023/24

The 2023/24 budget set in March 2023 accommodated additional costs of delivering services of £26m or 14%. Whilst income and funding increased by 9% (£16m) to meet some of these costs, the Council needed to find savings of 5% (£10m) from services.

Financial headwinds continued to impact the service operating environment through higher inflation and interest rates, a shortage in some staff resources, supply chain issues, and higher demands as a result of the cost of living crisis and the wider and longer lasting impact of the pandemic on communities. These ultimately result in a growing need for supportive Council services such as Social care and Homelessness support; a reduced demand for income generating services; increased risks around debt recovery; and, a continued high-cost operating environment.

Cabinet received an early financial update for the year at their July 2023 meeting which highlighted significant early pressure on the Council's budget of around £6m. As part of a package of measures to tackle this, Cabinet approved the use of £2.5m of useable revenue reserves to increase the Council's overall level of inflation contingency. This equated to the amount of reserves that were originally anticipated to be required to support the 2022/23 budget outturn position, but were not ultimately called upon. When set alongside a further unbudgeted grant assumption of £1m, this left a remaining forecast budget pressure of £2.6m

Cabinet immediately instigated mitigating action to develop a structured approach to tackling the remaining forecast deficit through budget recovery proposals brought forward by services. These proposals included a targeted vacancy freeze, maximising grants and income, bearing down on all non-essential spend, and identifying eligible capital related costs that could be met from capital funding.

At outturn, the Council has successfully mitigated the overall cost pressures through those targeted actions. This has culminated in a revenue budget under spend against the revised budget of £1.701m, which has consequently reduced the required draw on additional reserve funding.

Further details on the outturn position are provided in the July 2024 budget outturn report to Cabinet.

	Revised Budget	Actual	Variance
	£000	£000	£000
<b>Net Expenditure:</b>			
<b>Net cost of services (as per internal management reporting)</b>	<b>204,599</b>	<b>204,685</b>	<b>86</b>
Interest and Investment Income	(925)	(1,811)	(886)
Interest Payable and Similar Charges	6,953	6,622	(331)
Charges Required Under Regulation	5,793	6,006	213
Borrowing Cost Recoupment	(3,658)	(4,244)	(586)
Earmarked Contributions to/(from) Reserves	(3,063)	(3,063)	0
Contributions to/(from) Council Fund	(1,184)	(1,184)	0

<b>Net Revenue Budget</b>	<b>208,515</b>	<b>207,011</b>	<b>(1,504)</b>
<b>Financed by:</b>			
General government grants	(91,451)	(91,451)	0
Non-domestic rates	(31,224)	(31,224)	0
Council tax	(93,642)	(93,440)	202
Council Tax Benefit Support	7,802	7,403	(399)
<b>Net Financing Budget</b>	<b>(208,515)</b>	<b>(208,712)</b>	<b>(197)</b>
<b>Year-end Surplus</b>	<b>0</b>	<b>(1,701)</b>	<b>(1,701)</b>
Year-end Transfer to Earmarked Reserves	0	1,235	1,235
Year-end transfer to Council Fund	0	466	466
<b>Council Fund (surplus)/deficit - Non Schools</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Council Fund (surplus)/deficit - Schools</b>	<b>0</b>	<b>5,162</b>	<b>5,162</b>
<b>Council Fund (surplus)/deficit - Total</b>	<b>0</b>	<b>5,162</b>	<b>5,162</b>

The net cost of services in the table above of £204.685m is reported on a management accounting basis, i.e. the same basis as the budget reports that Cabinet receive during the year. The net cost of services in the Comprehensive Income and Expenditure (CIES) of £212.238m is different because these accounts are prepared on a financial accounting basis, which is specified and governed by accepted 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 reserve balances.

<b>Reserves &amp; balances</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Council Fund Balance	10,528	11,105	10,388
School Balances	6,955	4,256	(905)
Earmarked Reserves	16,115	11,549	9,359
<b>Total Usable Reserves &amp; balances available for Revenue Purposes</b>	<b>33,597</b>	<b>26,910</b>	<b>18,842</b>

The Council's reserves have been significantly depleted as a consequence of the reserve cover needed to both support budget proposals and resultant budget recovery action in 2022/23 and 2023/24. This follows a period through the pandemic where reserves were restored as a result of significant Welsh Government funding.

Cabinet were clear in their budget planning framework for 2024/25 that there is a need to progress the Council on a path towards financial sustainability including conserving an appropriate and prudent level of financial resilience, of which the Council's reserves are a key component.

As a consequence, the final revenue budget for 2024/25 did not include any use of reserves to meet recurrent revenue expenditure, which in line with the budget planning framework agreed.

The level of the Council Fund at the end of 2023/24 represents 5% of the Council's net revenue budget and is considered to be at a prudent level.

Further information on reserves can be found in Section 10 of the accounts.

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

<b>School Balances</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Comprehensives	2,253	1,259	(976)
Middle	0	0	(329)
Primaries	4,622	3,027	1,142
Other	79	(31)	(742)
<b>Total</b>	<b>6,955</b>	<b>4,256</b>	<b>(905)</b>

School balances are designed to provide a level of financial resilience to mitigate and smooth risk and are not expected to fund ongoing day-to-day expenditure.

Pre pandemic, net school balances had remained at low levels and had reduced to a net deficit balance of £435k at the end of 2019/20. Receipt of unprecedented levels of grant support from Welsh Government during 2020/21 and 2021/22 looked to ensure appropriate support for schools and their pupils during a period of significant disruption to learning. This had resulted in school balances being in surplus at the beginning of 2022/23 of £6.95m.

The investment plans enacted by schools looked to deliver the best learning outcomes for pupils in line with the purpose of the grant funding provided. As a consequence of this, by the end of 2022/23 school balances had reduced to £4.26m.

The 2023/24 financial year has culminated in a £5.16m draw on schools balances, resulting in the return to a cumulative deficit balance of £0.9m and with thirteen of thirty-three schools now holding deficit balances. Schools continue to face significant budget pressures, particularly in respect of attendance, behaviours and increased additional learning needs. This has required increased staff and specialist resources to tackle the issues presenting and increased overall costs of provision.

The Authority continues to work closely with those schools of concern to aid in the return to a more sustainable budget plan over the medium term without impacting on educational standards.

Recovery plans are required to be put in place by schools that move into deficit and these are being closely monitored by the Council.

### Capital expenditure & financing

In addition to revenue spending the Council also spent £65.18m on its assets which is detailed below along with the corresponding finance streams:

2022/23 £000		2023/24 £000
	<b>Expenditure</b>	
12,258	Schools modernisation programme	28,192
12,168	Infrastructure	11,941
3,211	Asset management schemes	8,681
2,832	Inclusion schemes	1,481
979	ICT schemes	503
6,910	Regeneration schemes	8,976
1,977	Vehicles	1,209
5,336	Other	4,193
<b>45,670</b>	<b>Total Expenditure</b>	<b>65,176</b>
	<b>Financing</b>	
(4,128)	Capital receipts	(6,472)
(10,608)	Borrowing and Finance Lease Commitments	(12,095)
(30,541)	Grants and Contributions	(46,082)
(393)	Revenue and Reserve Contributions	(527)
<b>(45,670)</b>	<b>Total Financing</b>	<b>(65,176)</b>

### Significant capital receipts

The most significant capital receipt received in 2023/24 was £2.1m for the disposal of land at Caldicot comprehensive school. All other receipts totalled £0.88m. The Council currently utilise its capital receipts reserve to support the ongoing investment priorities in line with its approved 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 2023/24 the valuations included Community Centres, Corporate Facilities, Hubs & Public Contact Centres and Recreational Spaces. The programme for subsequent years is as follows:

- 2024/25 – Primary Schools, Comprehensive Schools, Public Conveniences and Hubs & Public Contact Centres
- 2025/26 – Community Centres, Corporate Facilities, Leisure & Outdoor Ed. Centres and Recreational Spaces



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 DRC 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 £480.0m to £536.9m, arising from recognising the in-year asset expenditure of £54.9m; the rolling programme of revaluations increasing their held value by £13.3m, additional Land & Building uplift of £14.5m; offset by depreciation of £17.7m and impairment of £4.3m, and book value of disposals of £3.7m.

### Borrowing arrangements and sources of funds

The Council's overall borrowing, on a principal valuation basis, totalled £175.3m as at 31st March 2024 (£200.2m as at 31st March 2023), comprising of the following:

31st March 2023		31st March 2024
£000		£000
120,792	Public Works Loan Board	125,639
13,811	Market Loans & Bank loans	3,107
5,251	Welsh Government	4,739
57,370	Local Government bodies	38,830
3,000	Special Purpose Vehicle	3,000
<b>200,224</b>	<b>Total borrowing</b>	<b>175,314</b>

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

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

The Council Tax bill for Monmouthshire County Council in 2023/24 (including amounts raised for Police and Community Councils) was £1,959.94 (£1,847.25 in 2022/23) for properties in valuation Band D. We collected 96.7% in year of the total due (96.4% 2022/23). Our in-year collection rate for Non-Domestic Rates was 96.9% in 2023/24 (94.3% in 2022/23). During the year £53,000 Council Tax and £0 Non-Domestic Rates' debts were written off (£58,000 and £158,000 in 2022/23).

### Pension Liabilities

We are required to state the cost of paying retirement pensions when we become committed to the costs, not when we actually pay them. An Actuary is used to estimate the figure for Monmouthshire and 2023/24 shows a net liability of £5.98m (£56.6m in 2022/23).

There is a decrease in the combined net liability of the Greater Gwent pension funds of £50.6m from 1 April 2023 to 31 March 2024. This has resulted from an increase of £59.5m in the value of scheme assets, offset by an increase in the value of scheme liabilities of £8.9m. The increase in scheme assets is due to the improvement of investments with equities, bonds and infrastructure investments all increasing in value. The increase in liabilities is due to changes in financial assumptions (e.g. inflation, discount rate, longevity/age presumptions).

The date of the latest actuarial valuation was 31 March 2022 and this will inform the updated the employers' contribution rates until 31st March 2026. Further details are given in section 14 of the notes to the Accounts.

## 1.4 The Financial Outlook

2024/25



The budget round for 2024/25 was the second successive year that the Council has needed to tackle gross cost pressures of £10m+. Whilst the Council in the past has regularly dealt with financial challenges in the order of £5m - £10m in an annual planning cycle, the scale of the pressure for 2024/25 was challenging, particularly following a budget cycle for 2023/24 which saw significant service change needing to be delivered across the Council that continues to draw on staff capacity and resources.

Given the nature and extent of the budget challenge faced for 2024/25 and the range of budget savings proposals being proposed, Cabinet committed to a significant budget engagement process with a wide range of different interest groups and communities within Monmouthshire. The valuable feedback received informed the final budget deliberations and was significantly addressed within the final budget approved by Council.

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 7.8%, which increased the annual band D charge by £122.04 to £1,686.70 (excluding amounts raised for Police and Community Councils). Cabinet committed to maximising its efforts to ensure that individuals and households eligible for council tax exemptions or reductions claim the benefit available to them.

In respect of the Council's forward capital programme this has been constructed to principally support the Schools modernisation programme, Disabled Facilities Grants, and Asset management and Infrastructure. The Council has a good track record of securing external capital grant funding and this will continue through 2024/25 to support wider regeneration within Active travel, town centre regeneration and wider infrastructure improvements. £60.6m (including contributions to the Cardiff Capital Region City Deal (CCRCD) initiative) is budgeted to be spent in 2024/25.

### **The Medium Term**

The Council has needed to generate over £77m of budget savings since 2010/11. In the last two years alone it has had to absorb cost pressures of over £30m.

The medium term prognosis continues to present a challenge, with the current Medium Term Financial Plan indicating a funding gap of £34m over the next four years based on indicative Welsh Government funding settlements. We continue to see increases in the demand for supportive services, coupled with higher complexity needs in areas such as Children's services, Adult Social Care, Homelessness, and Children's additional learning needs.

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

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. It is clear that a programme of service change will be required that looks to redefine the shape and size of our services over the medium term.

The financial strategy for the next five years will be underpinned by a commitment to fiscal prudence, strategic investment, and sustainable growth.

Amidst a challenging economic landscape, the Council is poised to navigate through uncertainties with a forward-looking approach that ensures the delivery of essential services while fostering a resilient and thriving community.

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

A Joint Working Agreement established the Cardiff Capital Region City Deal as a Joint Committee, with delegated functions, from 1 March 2017 as a partnership between the 10 councils in South-East Wales, including Monmouthshire County Council.

From the 18 March 2024 the City region became a Corporate Joint Committee. The public body will be known as Cardiff Capital Region (CCR), but the legal name will be the South-East Wales Corporate Joint Committee.

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 CJC Regional Cabinet.

The revenue contribution required during the year was £78,568 (£74,826 in 2022/23). The capital contribution to the project was not required during 2023/24, as was the case in 2022/23, 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 2024. The notes are sectioned to aid the user of the accounts to navigate the extensive supporting notes.



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

1st July 2024

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**Date**

## 2 STATEMENT OF RESPONSIBILITIES

### 2.1 The Authority's Responsibilities

The Authority is required to:

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

### 2.2 The Section 151 Officer's Responsibilities

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

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

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

The Section 151 Officer has also:

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

## APPROVAL OF STATEMENT OF ACCOUNTS

I certify that the accounts set out within sections 5 to 17 gives a true and fair view of the financial position of the Council as at the 31st March 2024 and its income and expenditure for the year ended 31st March 2024.



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

1st July 2024

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**Date**

# ANNUAL GOVERNANCE STATEMENT

**2023/24**










### Executive Summary

This Annual Governance Statement confirms that Monmouthshire County Council (the 'Council') has, for the financial year 2023/24, conducted a review of its governance arrangements which concluded that these arrangements accorded with the principles as set out in the Councils Code of Corporate Governance. Consequently, the Council's overall governance arrangements are assessed as being **effective** and provide a sound framework for delivering services to the citizens of Monmouthshire. This statement outlines the Council's responsibility for ensuring proper standards and the safeguarding of public money, as well as the arrangements for the management of risk.

There have been a small number of changes to the Senior Officers within the Council during the period, all of which have benefitted from robust succession planning with consequential amendments being made to the Strategic Leadership Team structure to strengthen executive oversight.

The effective governance arrangements as set out in the body of this document have been operated continuously through the year and up until the date of the 2023/24 Report and Accounts. The remainder of this document sets out further detail of the review of the Council's governance arrangements. In undertaking its review of governance, the Council considered each of the principles set out within the Code of Corporate Governance and assessed what the Council has in place to support each of the Principles, its effectiveness and any areas for future improvement. In summary the Council has concluded as follows:

Principle	Rating	Movement from Previous Year	Number of Areas for Improvement
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Very Good		3
B. Ensuring openness and comprehensive stakeholder engagement	Very Good		3
C. Defining outcomes in terms of sustainable economic, social, environmental and cultural benefits	Very Good		1
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	Very Good		-
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	Adequate		2
F. Managing risks and performance through robust internal control and strong public financial management	Very Good	 (Previously Good)	2
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	Very Good		-

Principle	Rating	Movement from Previous Year	Number of Areas for Improvement
Overall	Very Good		11

Overall, the governance arrangements in place at Monmouthshire County Council continue to be regarded as being fit for purpose.

- 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 2022/23 Action Plan is shown on page 31.

### **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 had planned to review the Code of Corporate Governance during the 2023/24 financial year, however, this was not completed. This will now be a priority for the 2024/25 year.

### **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 31<sup>st</sup> March 2024 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 Community and Corporate Plan 2022-28. This was approved by the Council on the approved by Council on 20<sup>th</sup> April 2023.
- 13 Since the Local Government elections in May 2022, initially the administration had been working without a majority, however, in May 2023 a coalition agreement was reached.
- 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.

### Review of Effectiveness

- 15 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.
- 16 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

### Chief Internal Auditor Statement and Annual Opinion

- 17 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 management, which should provide a reasonable level of assurance.

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 July 2023. 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 2023/24 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.

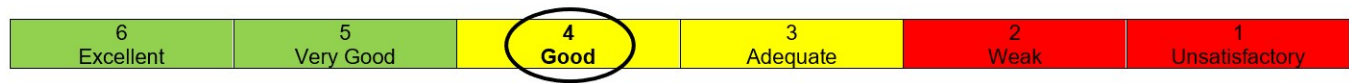
Internal Audit opinions on the work undertaken at the Shared Resource Service by Torfaen Internal Audit team were also taken into consideration.

Based on the planned work undertaken during the year, in my view the internal controls in operation give **Reasonable Assurance**; *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 the Councils strategic objectives.*

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

Jan Furtek  
Acting Chief Internal Auditor  
June 2024

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



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.

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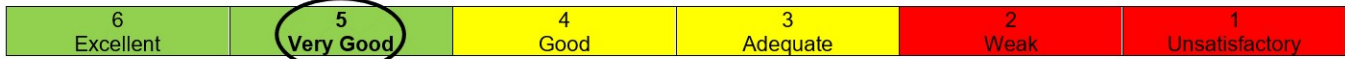
Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement																
<b>Behaving with integrity</b>	<ul style="list-style-type: none"> <li>Members Code of Conduct in Constitution which reflects Local Authorities (Model Code of Conduct) (Wales) Order 2016</li> <li>Officers Code of Conduct in Constitution</li> <li>Registers of interests / hospitality</li> <li>Induction training</li> <li>Member/Officer Protocol in Constitution</li> <li>Member led Authority principles/document</li> <li>Member training programme</li> <li>Council Values — Openness, Fairness, Flexibility, Teamwork, Kindness</li> <li>Whistleblowing Policy</li> <li>Anti-Fraud, Bribery and Corruption Policy</li> <li>Standards Committee</li> <li>Standards Committee Annual Report presented to Council</li> <li>Member Dispute Resolution</li> </ul>	<ul style="list-style-type: none"> <li>The Code of Conduct for Members and the protocol on Member / Officer relationships are set out in the Constitution.</li> <li>The Standards Committee, which includes a majority of independent representatives, advises on and monitors the Members' Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members. The Standards Committee met 3 times during 2023/24.</li> <li>Public Service Ombudsman Wales Annual Report (2022/23) was presented to Cabinet in November 2023.</li> <li>Conduct Complaints about MCC Members received by the Public Services Ombudsman:                     <table border="1" style="margin-left: 20px;"> <thead> <tr> <th></th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> </tr> </thead> <tbody> <tr> <td>Not upheld</td> <td>1</td> <td>2</td> <td>1</td> </tr> <tr> <td>Referred to Standards Committee</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Referred to Adjudication Panel</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table> </li> <li>No judicial reviews were commenced or dealt with at the pre-action stage in the previous year.</li> </ul>		2020/21	2021/22	2022/23	Not upheld	1	2	1	Referred to Standards Committee	0	0	0	Referred to Adjudication Panel	0	0	0	<ul style="list-style-type: none"> <li>Review the Council's Code of Corporate Governance. (Action 1)</li> <li>Review the Corporate Induction process to ensure the key messages are being delivered. (Action 2)</li> </ul>
	2020/21	2021/22	2022/23																
Not upheld	1	2	1																
Referred to Standards Committee	0	0	0																
Referred to Adjudication Panel	0	0	0																

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<ul style="list-style-type: none"> <li>▪ Complaints procedure</li> <li>▪ Decision 'Call In' process</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Governance &amp; Audit Committee met 7 times during 2023/24 and has the responsibility for ensuring that sufficient internal control mechanisms are in place to help identify any potential misconduct within the authority.</li> </ul>	
<p><b>Demonstrating strong commitment to ethical values</b></p>	<ul style="list-style-type: none"> <li>▪ Council Values — Openness, Fairness, Flexibility, Teamwork, Kindness</li> <li>▪ Contract procedure rules</li> <li>▪ Financial procedure rules</li> <li>▪ Codes of conduct for members and employees</li> <li>▪ Whistleblowing Policy</li> </ul>	<p>The ethical governance framework includes:</p> <ul style="list-style-type: none"> <li>▪ Codes of conduct for officers and Members.</li> <li>▪ A protocol governing Member/Officer relations.</li> <li>▪ A whistle-blowing policy widely communicated within the Council.</li> <li>▪ Registers of personal and business interests for Members.</li> <li>▪ Declarations of interests for Chief Officers.</li> <li>▪ 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.</li> <li>▪ All exemptions of the Contract Procedure Rules are reported through the Governance &amp; Audit Committee periodically. The Internal Audit team co-ordinates the exemption process in conjunction with strategic procurement.</li> <li>▪ The Governance &amp; 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 2023/24.</li> <li>▪ A Scrutiny and Executive Protocol is in place which is aligned to the updated constitution of May 2023 and provides parameters for effective executive and scrutiny relationships.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review and update the Employee Code of Conduct and Whistleblowing Policy. (Action 3)</li> </ul>
<p><b>Respecting the rule of law</b></p>	<ul style="list-style-type: none"> <li>▪ Member and Officer Code of Conduct in Constitution</li> <li>▪ Role of Chief Executive, Section 151 Officer and Monitoring Officer established in Constitution</li> <li>▪ CIPFA statement on the Role of the Chief Financial Officer</li> <li>▪ Anti-Fraud, Bribery and Corruption Policy</li> <li>▪ Governance &amp; Audit Committee</li> <li>▪ Internal Audit Section</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Constitution is updated periodically by the Monitoring Officer; the latest update approved by Council was in May 2023. It can be found on the Council's website.</li> <li>▪ To ensure agreed procedures and all applicable statutes are complied with, the Monitoring Officer attends full Council meetings, Cabinet and SLT. To ensure sound financial management is a key factor in decisions, the Deputy Chief Executive and Chief Officer Resources (S151 Officer) attends SLT, Cabinet and Council meetings.</li> <li>▪ In accordance with the Local Government and Housing Act, 1989, the Monitoring Officer ensures compliance with</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<ul style="list-style-type: none"> <li>▪ Internal Audit Annual Report presented to Governance &amp; Audit Committee</li> <li>▪ External Auditors Annual Audit Letter</li> <li>▪ Standards Committee</li> <li>▪ Whistleblowing Policy</li> <li>▪ Complaints procedure</li> <li>▪ Decision 'Call In' process</li> </ul>	<p>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 2023/24, or in the previous year, 2022/23.</p> <ul style="list-style-type: none"> <li>▪ The Councils Anti-Fraud, Corruption &amp; Bribery Policy was reviewed over the course of the year, endorsed by the Governance &amp; Audit Committee before being approved by Cabinet in January 2024.</li> </ul>	



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



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.

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Sub-Principles	What is in place to support this?	Effectiveness	Areas for Improvement	Future
<b>Openness</b>	<ul style="list-style-type: none"> <li>▪ Agendas published in advance of meetings</li> <li>▪ Minutes published following meetings</li> <li>▪ Democratic meetings live streaming on YouTube</li> <li>▪ Decision making process described in Constitution</li> <li>▪ Forward Plan published on internet showing key decisions to be made by Council and Cabinet</li> <li>▪ Annual budget consultation</li> <li>▪ Freedom of Information Scheme</li> <li>▪ Public questions at Council, Cabinet and Select Committees</li> <li>▪ 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).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agendas are published in advance of all meetings on the Council's website; corresponding minutes are published post meeting.</li> <li>▪ Transparency and openness are important to Monmouthshire; the Annual Statement of Accounts was considered by the Governance &amp; Audit Committee prior to their approval. 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.</li> <li>▪ A Forward Plan showing key decisions to be made by Council, Cabinet and Committees is published.</li> <li>▪ The Council's website contains links to the following areas of open data in the interests of openness:                         <ul style="list-style-type: none"> <li>○ List of expenditure over £50</li> <li>○ Gender Pay Gap</li> <li>○ Food Hygiene ratings</li> <li>○ List of Primary Schools</li> <li>○ List of Secondary Schools</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Review the minute taking process to ensure accurate minutes are held of all meetings. (Action 4)</li> <li>▪ To continue to increase the number of datasets published on the council's website. (Action 5)</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<ul style="list-style-type: none"> <li>▪ Publication of open data sets on the Council's website</li> </ul>	<p>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.</p> <ul style="list-style-type: none"> <li>▪ Policy and decision-making is facilitated through (i) Council and Cabinet; the meetings of which are open to the public and live streamed online except where exempt or confidential matters are being discussed, and (ii) a scheme of delegation to committees and officers as set out in the Constitution: Four Scrutiny Committees (including the statutory Public Services Scrutiny Committee) and a separate Governance &amp; 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.</li> <li>▪ 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.</li> <li>▪ Corporate risks are published.</li> </ul>	
<p><b>Engaging comprehensively with institutional stakeholders</b></p>	<ul style="list-style-type: none"> <li>▪ Gwent Public Service Board Partnership arrangements and structure</li> <li>▪ Gwent Public Service Board Well-Being Plan</li> <li>▪ Public Services Scrutiny Committee</li> <li>▪ Cardiff Capital Region</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ In June 2023 the Council considered and approved the Gwent Public Services Board Well-being Plan. The plan had been subject to scrutiny Monmouthshire's Public Services Scrutiny Committee in March 2023.</li> <li>▪ The Monmouthshire Programme Board, chaired by a senior officer links directly to the Gwent PSB to ensure that local issues remain at the forefront of partnership delivery. There</li> </ul>	



Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<p>is a good alignment between the priorities of the PSB document and our own Community and Corporate Plan.</p> <ul style="list-style-type: none"> <li>▪ The Council is a member of the Cardiff Capital Region, a regional body made up of the 10 councils across South East Wales.</li> </ul>	
<p><b>Engaging stakeholders effectively, including individual citizens and service users</b></p>	<ul style="list-style-type: none"> <li>▪ Ward role of Councillors</li> <li>▪ Consultations on the council website and social media platforms</li> <li>▪ Complaints Policy and Annual Report</li> <li>▪ Medium Term Financial Plan (MTFP)</li> <li>▪ Complaints procedure</li> <li>▪ Integrated Impact Assessment including Future Generations evaluation and Equality Impact Assessment, on decision reports</li> <li>▪ Strategic Equality Plan</li> <li>▪ Communication via Social Media</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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 <a href="http://www.monmouthshire.gov.uk/scrutiny">www.monmouthshire.gov.uk/scrutiny</a>. Chief Officers, Members and the Communications team are very proactive in engaging with the public.</li> <li>▪ Public engagement events and YouTube continued to be used 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.</li> <li>▪ The Medium Term Financial Plan supports the vision for Monmouthshire and extensive public engagement continued in 2023/24 for the 2024/25 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.</li> <li>▪ Audit Wales reviewed the council's use of performance information from the service users perspective and outcomes in 2023/24. The report found the Council provides some performance information to enable senior leaders to understand the perspective of service users, but information on outcomes is limited restricting their ability to manage</li> </ul>	<ul style="list-style-type: none"> <li>▪ Deliver the action plan to address the recommendations from the Audit Wales Use of Performance Information review. (Action 6)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		performance effectively. An action plan to address the recommendations has been developed.	

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

6 Excellent	5 <b>Very Good</b>	4 Good	3 Adequate	2 Weak	1 Unsatisfactory
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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

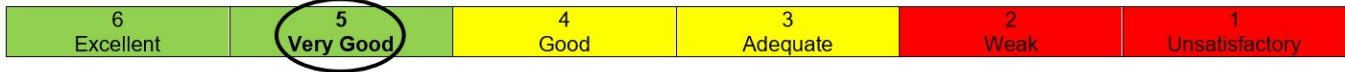
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Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<b>Defining Outcomes</b>	<ul style="list-style-type: none"> <li>▪ Community &amp; Corporate Plan produced and reviewed annually in accordance with Local Government &amp; Elections Act 2021 and 'Wellbeing Objectives' in Wellbeing of Future Generations (Wales) Act 2015</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Corporate Plan Annual Self-Assessment Report</li> <li>▪ Public Service Board Well-being Plan annual report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Monthly Financial Monitoring meetings held for each service area</li> <li>▪ Risk Management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Capital Review Programme</li> <li>▪ Self-Assessment report</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Community &amp; Corporate Plan 2022-2028, "Taking Monmouthshire Forward" was approved by Full Council in April 2023 and 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 Council's 6 objectives (fair place, green place, thriving &amp; ambitious place, safe place, connected place and learning place) and 5 values (teamwork, openness, fairness, flexibility and kindness).</li> <li>▪ The Council's Annual Self-Assessment Report 2022/23 was presented to the Performance &amp; Overview Scrutiny Committee, Governance and Audit Committee and was agreed by Council. The report was published on the council's website in October 2023.</li> <li>▪ The six-month performance report on the Community and Corporate Plan was presented to Performance and Overview Scrutiny Committee and Cabinet in January 2024.</li> <li>▪ Monmouthshire County Council is a member of the Gwent PSB (July 2021), where we work with other public services and the voluntary sector on the delivery of the local well-being plan. This includes countywide well-being objectives that are a focus for public services.</li> <li>▪ Regular budget monitoring reports for revenue and capital were presented to and approved by Cabinet during the year, in July 2023, November 2023, December 2023, February 2024, and at</li> </ul>	<ul style="list-style-type: none"> <li>▪ To ensure that the revised financial strategy is considered by scrutiny and approved by Cabinet. (Action 7)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<p>Outturn. The budget management actions of Cabinet and senior officers are scrutinized regularly by the Performance and Overview Scrutiny Committee.</p> <ul style="list-style-type: none"> <li>▪ The Council has a Welsh Language Strategy for 2022 – 2027, which sets out a vision of how Welsh language will look in Monmouthshire until 2027. The Welsh Language Monitoring Report 2022/23 was presented to the Performance and Overview Scrutiny Committee in July 2023.</li> <li>▪ Objectives are supported by Service Business Plans to operationally deliver these objectives. Service plans are made available on the Council's Hub intranet site. These are quality assessed as part of the service planning process. All service plans were developed to align the delivery of the Council's Corporate Plan.</li> </ul>	
<p><b>Sustainable economic, social and environmental benefits</b></p>	<ul style="list-style-type: none"> <li>▪ Medium Term Financial Plan (MTFP) covering 3 financial years approved annually by Council</li> <li>▪ Corporate Plan</li> <li>▪ Risk management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Monmouthshire Public Service Board Well-being Plan</li> <li>▪ Future Generations Evaluation, including Equality Impact Assessment, on decision making reports</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Climate Emergency Strategy and Action Plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Budget Setting Process and Timetable for 2024/25 was reviewed and approved by Cabinet in November 2023 This provided a framework to underpin the 2024/25 budget and a set of principles were adopted. This report also highlighted an initial budget shortfall of £14.4 million taking into account the impact of economic situation, service demand pressures and the latest intelligence on likely funding levels. Budget recovery actions were undertaken to allow services to maintain delivery whilst addressing the in-year financial over spend that had been forecast.</li> <li>▪ The Draft Capital Budget Proposals 2024/25 were taken to Cabinet in January 2024. Draft Revenue Budget Proposals 2024/25 also went to Cabinet in January 2024. Final Proposals went to Cabinet before being approved by Council in February 2024. Ongoing scrutiny of the Council's budget position in line with the MTFP has provided Members with a greater understanding of the budget setting process and the pressures within individual directorates.</li> <li>▪ 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. This was reviewed over</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		the course of the 2023/24 financial year with a revised Climate and Nature Emergency Strategy due to be considered by Cabinet in May 2024.	

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



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

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Sub-Principles	What is in place to support this?	Effectiveness	Areas for Improvement	Future
<b>Determining interventions</b>	<ul style="list-style-type: none"> <li>▪ Corporate Plan</li> <li>▪ Scrutiny / Select Committee function</li> <li>▪ Risk management policy and guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Finance and Legal implications in all Council, Cabinet and Committee reports report writing template and guidance</li> <li>▪ Future Generations Evaluation (including Equality Impact Assessment)</li> <li>▪ Results of consultation exercises</li> <li>▪ Reports to Government Agencies</li> <li>▪ Enabling strategy framework</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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 (September 2017).</li> <li>▪ Regular reporting into Cabinet, Scrutiny and Governance &amp; 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.</li> <li>▪ 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. During 2023/24 there were;                         <ul style="list-style-type: none"> <li>○ Stage 1 Complaints - 136</li> <li>○ Stage 2 Complaints - 2</li> <li>○ Comments - 399</li> <li>○ Compliments - 325</li> </ul> </li> </ul>		



Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<ul style="list-style-type: none"> <li>▪ The Ombudsman draft annual statement for 2023/24 states they received 32 complaints which are all closed. None of the complaints were investigated, although, 3 of these were classed as 'interventions'. This is where they may ask the Council to provide an early resolution to a particular matter.</li> <li>▪ A separate report containing the Ombudsman's findings in relation to complaints about Monmouthshire County Council was reported separately to both Cabinet and Governance &amp; Audit Committee. In the previous year it showed that Monmouthshire has one of the lowest levels of complaints reported to the Ombudsman at 0.25 per 1,000 residents.</li> <li>▪ Consultation on budget proposals is extensive.</li> <li>▪ The Authority makes numerous annual returns to various external Governing Bodies, such as the Food Standards Agency, Drinking Water Inspectorate, Department for Levelling Up &amp; Communities, Department for Transport, Home Office, Gambling Commission, DEFRA, Health &amp; 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.</li> </ul>	
<p><b>Planning Interventions</b></p>	<ul style="list-style-type: none"> <li>▪ Monthly Financial Monitoring meetings for each Directorate reviews progress and authorises corrective action where necessary</li> <li>▪ Medium Term Financial Plan</li> <li>▪ Annual budget setting process in place including consultation exercise</li> <li>▪ Financial procedure rules</li> <li>▪ Senior Management Structure</li> <li>▪ 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</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council has established robust planning and control cycles covering strategic and operational plans, priorities and targets which is achieved through:                             <ul style="list-style-type: none"> <li>○ A timetable for producing and reviewing plans on an annual basis.</li> <li>○ Working with a consultation and engagement strategy.</li> <li>○ Quarterly and annual performance monitoring including achievement of national and local performance indicators.</li> </ul> </li> <li>▪ There is robust Medium Term Financial Planning.</li> <li>▪ There is an annual budget setting process in place including an extensive consultation exercise.</li> <li>▪ Self-assessment report presented to Governance &amp; Audit Committee and Performance &amp; Overview Scrutiny Committee to review, scrutinise and make any recommendations for changes.</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<ul style="list-style-type: none"> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Annual Self-Assessment Report</li> <li>▪ Public Service Board Well-being Plan</li> <li>▪ Public Service Board Well-being Plan annual report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Risk Management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Reports to Government Agencies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Self-assessment report agreed by Council and published in October 2023. The report provides an assessment of the Authority's performance during the year ending 31 March 2023, in line with requirements outlined in the Local Government and Elections (Wales) Act 2021.</li> </ul>	
<p><b>Optimising achievement of intended outcomes</b></p>	<ul style="list-style-type: none"> <li>▪ Quarterly Financial Monitoring reports to Cabinet and scrutiny</li> <li>▪ Mid-Year Budget Statement to Cabinet</li> <li>▪ Medium Term Financial Plan</li> <li>▪ Budget consultation</li> <li>▪ Community &amp; Corporate Plan</li> <li>▪ Annual Self-Assessment Report</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council ensures the Medium Term Financial Plan 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.</li> <li>▪ The achievement of the Community &amp; Corporate Plan is reviewed at least annually.</li> </ul>	



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

6 Excellent	5 Very Good	4 Good	3 <b>Adequate</b>	2 Weak	1 Unsatisfactory
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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

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Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<b>Developing the entity's capacity</b>	<ul style="list-style-type: none"> <li>▪ Performance review for all staff where required by them or their line manager</li> <li>▪ People Strategy</li> <li>▪ Quarterly financial reports to Cabinet and Scrutiny Committees</li> <li>▪ Partnership &amp; collaborative working arrangements</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Community &amp; Corporate Plan Annual Self-Assessment Report</li> <li>▪ Public Service Board Well-being Plan annual report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ 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 Service Business Plan. The Council has both an Information Security and Technology Team and an Digital Design and Innovation Team to drive technology across the organisation.</li> <li>▪ An Audit Wales review has identified 'The Council does not have a clearly articulated strategic approach to digital'. An action plan to address the recommendations in the report has been developed.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A learning management system to be implemented across the organisation to coordinate all training including for schools. (Action 8)</li> <li>▪ Roll out of a new performance appraisal system across the organisation. (Action 9)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<ul style="list-style-type: none"> <li>▪ There is continued support for Members' development through briefing sessions and other learning opportunities.</li> <li>▪ 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.</li> <li>▪ Appropriate and relevant job descriptions were in place for the Chief Executive, Strategic Leadership Team (SLT), Monitoring Officer and S151 Officer.</li> <li>▪ 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.</li> <li>▪ A review of the Councils Senior Pay structure commended during the 2023/24 year and will be concluded within 2024/25.</li> </ul>	
<p><b>Developing the capability of the entity's leadership and other individuals</b></p>	<ul style="list-style-type: none"> <li>▪ Member/Officer Protocol in Constitution</li> <li>▪ Scheme of Delegation published in Constitution</li> <li>▪ Scrutiny member development programme</li> <li>▪ 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</li> <li>▪ Internal and external audit reports and action plans</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ There has been member led training with both senior officers and cabinet members.</li> <li>▪ There are regular 1-2-1 meetings with the Leader, Cabinet members, Chief Executive, SLT and Heads of Service.</li> <li>▪ The Constitution sets out the Scheme of Delegation which is regularly reviewed.</li> <li>▪ Annual appraisal and performance review</li> </ul>	

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

6 Excellent	5 <b>Very Good</b>	4 Good	3 Adequate	2 Weak	1 Unsatisfactory
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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.

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Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<b>Managing Risk</b>	<ul style="list-style-type: none"> <li>▪ Risk Management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area, including service risk registers</li> <li>▪ Strategic Risk Register reported to Governance &amp; Audit Committee, Performance &amp; Overview Scrutiny Committee and Cabinet</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council's Strategic Risk Management Policy was updated and approved by Cabinet in March 2019; progress was reported into Governance &amp; Audit Committee in December 2023. 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.</li> <li>▪ The Strategic Risk Management Policy was reviewed during 2023/24. This review was due for completion and adoption in June 2024.</li> <li>▪ Within the Council the purpose of risk management is to:                             <ul style="list-style-type: none"> <li>○ preserve and protect the Council's assets, reputation and staff.</li> <li>○ aid good management of risk and support whole authority governance.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ For Cabinet to approve the Council's updated Strategic Risk Management Policy. (Action 10)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<ul style="list-style-type: none"> <li>○ aid delivery of its population outcomes internally and when working with partners.</li> <li>○ improve business performance and anticipated risks in delivering improvements.</li> <li>○ avoid unnecessary liabilities, costs and failures.</li> <li>○ shape procedures and responsibilities for implementation.</li> <li>▪ The strategic risk assessment ensures that:                             <ul style="list-style-type: none"> <li>○ Strategic risks are identified and monitored by Monmouthshire.</li> <li>○ Risk controls are appropriate and proportionate.</li> <li>○ Senior managers and elected members systematically review the strategic risks facing the Council.</li> </ul> </li> <li>▪ 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 Scrutiny and Governance &amp; 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.</li> <li>▪ The strategic risk assessment was presented to Performance &amp; Overview Scrutiny Committee in November 2023. The Committee scrutinised the risk assessment and responsibility holders to ensure that strategic risks have been appropriately identified and risk is being appropriately managed. An overview of the strategic risk register was also presented to Governance and Audit Committee in December 2023 to fulfil the committee's role of assessing the effectiveness of the authority's risk management arrangements</li> <li>▪ The Council's Strategic Risk Assessment for 2023/24 contained 15 risks. Following mitigation there were 6 medium risks and 9 high risks.</li> </ul>	
<p><b>Managing performance</b></p>	<ul style="list-style-type: none"> <li>▪ Community &amp; Corporate Plan produced and reviewed annually</li> <li>▪ Corporate Plan Annual Self-Assessment Report</li> </ul>	<ul style="list-style-type: none"> <li>▪ Audit Wales presented the Councils ISA260 report for 2022/23 to the Governance &amp; Audit Committee in February 2024.</li> <li>▪ The Councils Self-Assessment report 2022/23 was completed in line with requirements outlined in the Local Government and Elections (Wales) Act 2021 to ensure that members and the</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<ul style="list-style-type: none"> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Director of Social Services Annual report</li> <li>▪ Chief Officer Children &amp; Young People Annual Report</li> <li>▪ Scrutiny function</li> <li>▪ Bi-monthly Directorate and Financial monitoring meetings</li> </ul>	<p>public had a clear and transparent assessment of the Council's performance.</p> <ul style="list-style-type: none"> <li>▪ 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 &amp; Communities, Department for Transport, Home Office, Gambling Commission, DEFRA, Health &amp; Safety Executive, General Registrar's Office, National Fraud Initiative and other government departments'.</li> </ul>	
<p><b>Robust internal control</b></p>	<ul style="list-style-type: none"> <li>▪ Governance &amp; Audit Committee provides assurance on effectiveness on internal control, risk management and governance</li> <li>▪ Governance &amp; Audit Committee Annual Report to Council</li> <li>▪ Anti-Fraud, Bribery and Corruption Policy</li> <li>▪ Role of Internal Audit Section</li> <li>▪ Annual Plans approved by Governance &amp; Audit Committee</li> <li>▪ Annual Reports to Governance &amp; Audit Committee</li> <li>▪ Annual Governance Statement</li> <li>▪ Governance Working Group</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Governance &amp; Audit Committee considers the effectiveness of the Council's arrangements for securing continuous improvement including risk management arrangements. The Governance &amp; 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 &amp; Audit Committee has an independent, non-political, Chairperson who prepares an annual report of the work of the Governance &amp; Audit Committee.</li> <li>▪ A Governance Working Group was established and met over the course of the year. The core purpose of the group was to be reviewed by SLT in May 2024.</li> <li>▪ 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 &amp; Audit Committee September 2021). The Chief Internal Auditor reports a summary of audit findings to the Governance &amp; Audit Committee each quarter; he also reports annually an opinion</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement																												
		<p>on the overall adequacy and effectiveness of the Council's internal control environment through his Internal Audit Annual Report.</p> <ul style="list-style-type: none"> <li>▪ The Chief Internal Auditor continues to ensure Internal Audit complies with the Public Sector Internal Audit Standards. A self-assessment was undertaken during 2023/24 to assess compliance with the Standards which was validated as 'generally compliant' in March 2024 by an external assessor.</li> <li>▪ 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.</li> <li>▪ The Anti-Fraud, Bribery and Corruption Strategy was revised and updated during 2023/24. It was approved by Cabinet January 2024 and provides a deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention.</li> <li>▪ The overall opinion on the adequacy of the internal control environment for 2023/24 was <b>REASONABLE</b>. Management agreed to implement the recommendations made in audit reports in order to address the weaknesses identified. The Internal Audit opinions issued in 2023/24 were;</li> </ul> <table border="1" data-bbox="758 906 1341 1105"> <thead> <tr> <th>Opinion</th> <th>2021-22</th> <th>2022-23</th> <th>2023-24</th> </tr> </thead> <tbody> <tr> <td>Substantial Assurance</td> <td>5</td> <td>7</td> <td>8</td> </tr> <tr> <td>Considerable Assurance</td> <td>6</td> <td>10</td> <td>-</td> </tr> <tr> <td>Reasonable Assurance</td> <td>7</td> <td>4</td> <td>18</td> </tr> <tr> <td>Limited Assurance</td> <td>2</td> <td>1</td> <td>8</td> </tr> <tr> <td>No Assurance</td> <td>-</td> <td>-</td> <td>0</td> </tr> <tr> <td><b>Total</b></td> <td><b>20</b></td> <td><b>22</b></td> <td><b>34</b></td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>▪ The reasons why the outcome of an audit review was deemed to provide Limited Assurance was included within quarterly reports to the Governance &amp; Audit Committee; assurances have been sought from respective operational managers that</li> </ul>	Opinion	2021-22	2022-23	2023-24	Substantial Assurance	5	7	8	Considerable Assurance	6	10	-	Reasonable Assurance	7	4	18	Limited Assurance	2	1	8	No Assurance	-	-	0	<b>Total</b>	<b>20</b>	<b>22</b>	<b>34</b>	
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Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<p>action will be taken to make the necessary improvements in control.</p> <ul style="list-style-type: none"> <li>▪ The Internal Audit team did not have a full complement of staff for the whole year. The Acting 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. The 2023/24 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.</li> </ul>	
<p><b>Managing data</b></p>	<ul style="list-style-type: none"> <li>▪ We have established an Information Security &amp; Technology Team across the organisation, including education</li> <li>▪ 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</li> <li>▪ The Information Governance Group with participants from each directorate</li> <li>▪ A Senior Information Risk Officer (SIRO) in place</li> <li>▪ Mandatory training in GDPR and Cyber Security, alongside comprehensive guidance and policies for all aspects of data management</li> <li>▪ Information Asset Register</li> <li>▪ Information sharing &amp; publication guidance in place</li> <li>▪ A comprehensive EDRMS is in place</li> <li>▪ Annual National and Local performance Indicator data</li> </ul>	<ul style="list-style-type: none"> <li>▪ Our comprehensive governance and security arrangements for data and information have enabled us to gain accreditation in industry standards for cyber security.</li> <li>▪ Cyber security arrangements cover cultural, physical and electronic barriers to data access and misuse.</li> <li>▪ 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 &amp; Audit Committee, and this year our performance targets have been exceeded.</li> <li>▪ Privacy notices are published online and have been updated through the year.</li> <li>▪ Schedules are maintained of all MCC information 'line of business' systems to ensure they are fit for purpose and upgraded/replaced as needed.</li> <li>▪ A central EDRMS system is being rolled out to electronically manage, share and retain all data and information outside of line of business systems.</li> <li>▪ 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).</li> <li>▪ Data arrangements are audited by Audit Wales and performance reported through the Governance &amp; Audit Committee.</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	collection process and internal audit arrangements	<ul style="list-style-type: none"> <li>▪ 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.</li> </ul>	
<b>Strong public financial management</b>	<ul style="list-style-type: none"> <li>▪ Financial procedure rules in Constitution</li> <li>▪ Contract procedure rules in Constitution</li> <li>▪ Accounting Instructions on Intranet</li> <li>▪ Spending Restrictions document on Intranet</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council ensures both long term achievement of outcomes and short term performance through the delivery of the Medium Term Financial Plan.</li> <li>▪ In June 2023, the Council's Socially Responsible Procurement Strategy 2023-28 was approved by Cabinet. In July 2021 Cabinet approved the collaboration with Cardiff Council, for mutual benefit, the discharge and provision of the Council's Strategic Procurement services.</li> <li>▪ The Councils Contract Procedure Rules were updated in March 2021.</li> <li>▪ Due to an anticipated budget overspend a Financial Management Board was established to ensure strong financial management and to consider any actions were required to address the shortfall.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Deliver awareness raising training sessions on the importance of compliance with revised Contract Procedure Rules and Financial Procedure Rules. (Action 11)</li> </ul>



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

6 Excellent	5 <b>Very Good</b>	4 Good	3 Adequate	2 Weak	1 Unsatisfactory
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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.

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Sub-Principles	What is in place to support this?	Effectiveness	Areas for Improvement	Future
<b>Implementing good practice in transparency</b>	<ul style="list-style-type: none"> <li>▪ Report writing template and guidance</li> <li>▪ Integrated Impact Assessment including Future Generations evaluation and Equality Impact Assessment, on decision reports</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council aims to present understandable and transparent reports for both stakeholders and the public which is supported by:-                             <ul style="list-style-type: none"> <li>▪ A Report Authors Protocol which ensures consistency in reports.</li> <li>▪ A Clear Writing guide for Officers.</li> <li>▪ All reports are signed off by Chief Officers, S151 Officer and Monitoring Officer prior to publication.</li> <li>▪ Where possible exempt reports are split so that the main report can be heard in public with confidential information being a separate exempt report.</li> <li>▪ Publication of delegated decisions.</li> <li>▪ Reports are published on the website</li> </ul> </li> </ul>		
<b>Implementing good practices in reporting</b>	<ul style="list-style-type: none"> <li>▪ Annual Statement of Accounts audited by an external auditor and approved by Council</li> <li>▪ Code of Corporate Governance based on CIPFA/SOLACE Framework 2016</li> <li>▪ Annual Governance Statement</li> <li>▪ Corporate Plan Annual Self-Assessment Report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area</li> </ul>	<ul style="list-style-type: none"> <li>▪ Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Governance &amp; Audit Committee before being endorsed by Council. All public meetings of the Council, including Council, Cabinet, Select, Governance &amp; 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.</li> </ul>		

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p><b>Assurance and effective accountability</b></p>	<ul style="list-style-type: none"> <li>▪ External Audit provided by Audit Wales</li> <li>▪ ESTYN reviews &amp; reports</li> <li>▪ Care Inspectorate Wales reviews &amp; reports</li> <li>▪ Performance of Internal Audit Section monitored by Governance &amp; Audit Committee</li> <li>▪ Implementation of Audit Wales and Internal Audit recommendations monitored by Governance &amp; Audit Committee</li> <li>▪ Peer Review, Corporate Assessment and Corporate Governance Review action plan monitored by SLT</li> <li>▪ Annual Governance Statement</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council's enabling strategies are being revised to align to the delivery of the Corporate Plan, these include the Digital and Data Strategy, People Strategy and Asset Management Strategy as well as linking in with Service Business Plans.</li> <li>▪ The Governance &amp; 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 &amp; Audit Committee presents its Annual report to Council.</li> <li>▪ The Whole Authority Report: Complaints, Comments and Compliments 2022/23 was presented to Governance &amp; Audit Committee in February 2024 which identified the number and types of feedback, received and dealt with, from 1 April 2022 until 31 March 2023.</li> <li>▪ Reports and plans to implement Audit Wales and Internal Audit recommendations are reported (as relevant) to Scrutiny and the Governance &amp; Audit Committee.</li> <li>▪ All agreed recommendation and actions from Internal Audit reviews are monitored.</li> <li>▪ 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.</li> </ul>	

**Progress against the Action Plan (Previous Year 2022/23)**

No	Area for Improvement	Current Status
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)	<p><b>Implemented</b> A Governance Working Group was established and met over the course of the year. The core purpose of the group is to be reviewed by SLT in May 2024.</p>
2	As part of the Governance Working Group, review the Council's Code of Corporate Governance. (Principle A)	<p><b>Not Implemented</b> This remains outstanding and will be a priority for 2024/25.</p> <p><b>Outstanding Action:</b> Review the Council's Code of Corporate Governance (Chief Officer – Law &amp; Governance)</p>
3	Review the minute taking process and assess any opportunities to further digitise. (Principle B)	<p><b>Partially Implemented</b> Changes were made to the minute taking process however it was determined by the Monitoring Officer that further changes are now required to be made to ensure accurate minutes are held.</p> <p>The Council will continue to explore the use of Artificial Intelligence systems such as Co-Pilot to help write consistent minutes.</p> <p><b>Outstanding Action:</b> Review the minute taking process to ensure accurate minutes are held of all meetings. (Chief Officer – Law &amp; Governance)</p>
4	Increase the number of datasets published on the council's website. (Principle B)	<p><b>Partially Implemented</b> We have seen a small increase in the number of published datasets but not in the numbers anticipated as other work has needed to be prioritised.</p> <p><b>Outstanding Action:</b> To continue to increase the number of datasets published on the council's website. (Chief Officer – People, Performance and Partnerships)</p>
5	Review the revenue and capital budget process and the Council's financial strategy. (Principle C)	<p><b>Partially Implemented</b> The Council's Financial Strategy has been reviewed and is due to be considered by the Governance &amp; Audit Committee and the Performance and Overview Scrutiny Committee prior to approval by Cabinet in June 2024.</p> <p><b>Outstanding Action:</b> To ensure that the revised financial strategy is considered by scrutiny and approved by Cabinet. (Deputy Chief Executive / Chief Officer – Resources)</p>

6	Ensure that a suite of enabling strategies and a framework is in place to identify and support any interventions needed. (Principle D)	<p><b>Implemented</b> A suite of enabling strategies and a framework has been put in place to identify and support any interventions needed.</p> <p>Several key strategies have been approved over the course of the year: Socially Responsible Procurement Strategy – June 2023 Asset Management Strategy – January 2024 Anti Fraud, Corruption &amp; Bribery Policy – January 2024 Economy, Employment and Skills Strategy – February 2024</p>
7	Review Service Business Plans to ensure they align to the new Community & Corporate Plan. (Principle D)	<p><b>Implemented</b> A review of service plans has been undertaken and feedback provided to managers.</p>
8	A learning management system to be implemented across the organisation to coordinate all training including for schools. (Principle E)	<p><b>Partially Implemented</b> The Learning Management System is in place in Social Care and Health. All development work has been undertaken, content created and historic training records migrated to the system where available. It will be launched organisation-wide by July 2024.</p> <p><b>Outstanding Action</b> A learning management system to be implemented across the organisation to coordinate all training including for schools. (Chief Officer – People, Performance and Partnerships)</p>
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)	<p><b>Not Implemented</b> A new approach for performance appraisal approach is being piloted ahead of an organisation-wide roll-out (excluding teaching staff). This will provide the basis for gathering the information needed for the training needs analysis.</p> <p><b>Outstanding Action</b> Roll out of a new performance appraisal system across the organisation. (Chief Officer – People, Performance and Partnerships)</p>
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)	<p><b>Partially Implemented</b> The Strategic Risk Management Policy has been revised following engagement with the Chair of the Governance and Audit Committee. The new approach has been positively received by the committee and due to be formally approved by Cabinet (June</p>

		<p>2024). A revised approach for reporting risks is now embedded in the policy and will be rolled out as part of future reporting which takes place every 6 months.</p> <p><b>Outstanding Action</b> For Cabinet to approve the Councils updated Strategic Risk Management Policy. (Chief Officer – People, Performance and Partnerships)</p>
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)	<p><b>Implemented</b> A revised terms of reference and a health and safety work plan have been agreed by the Corporate Health and Safety group.</p>
12 (c/f)	Update the Council's Anti-Fraud, Bribery & Corruption Policy and raise awareness across the Council. (Principle F)	<p><b>Implemented</b> The Anti-Fraud Bribery &amp; Corruption policy was updated, endorsed by the Governance &amp; Audit Committee (October 2023) and approved by Cabinet (January 2024).</p> <p>Following approval the new policy was emailed to all staff, elected and lay members across the organisation.</p>
13	Complete an External Quality Assessment of the Council's Internal Audit Service as required by the Public Sector Internal Audit Standards. (Principle F)	<p><b>Implemented</b> An External Quality Assessment was completed of the Internal Audit section. It was independently deemed that the Internal Audit Team 'generally complies' with the Public Sector Internal Audit Standards.</p>
14 (c/f)	Deliver awareness raising training sessions on the importance of compliance with revised Contract Procedure Rules and Financial Procedure Rules. (Principle F)	<p><b>Partially Implemented</b> This is currently outstanding. The Acting Chief Internal Auditor has attended new staff induction sessions covering the importance of Financial Regulations and Controls. However, the delay in roll out of the Thinki system across the Council has impacted a wider roll out along with the need to ensure the Counter-Fraud Policy was updated to include within the training session. This will be actioned during 2024/25.</p> <p><b>Outstanding Action</b> Deliver awareness raising training sessions on the importance of compliance with revised Contract Procedure Rules and Financial Procedure Rules. (Chief Officer – Communities &amp; Place)</p>
15	To produce a new Socially Responsible Procurement Strategy. (Principle F)	<p><b>Implemented</b> In June 2023, the Council's Socially Responsible Procurement Strategy 2023-28 was approved by Cabinet.</p>

16	Alignment of Council, Cabinet, ICMD and Scrutiny forward work planners. (Principle G)	<b>Implemented</b> A forward work plan for informal cabinet has been developed which brings together all work programmes.
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**Action Plan – 2023/24 Annual Governance Statement**

No	Area for Improvement	By Who	By When
1	Review the Council's Code of Corporate Governance (Principle A)	Chief Officer – Law & Governance	December 2024
2	Review the Corporate Induction process to ensure the key messages are being delivered. (Principle A)	Chief Officer – People, Performance and Partnerships	July 2024
3	Review and update the Employee Code of Conduct and Whistleblowing Policy. (Principle A)	Chief Officer – People, Performance and Partnerships	December 2024
4	Review the minute taking process to ensure accurate minutes are held of all meetings. (Principle B)	Chief Officer – Law & Governance	May 2024
5	To continue to increase the number of datasets published on the council's website. (Principle B)	Chief Officer – People, Performance and Partnerships	March 2025
6	Deliver the action plan to address the recommendations from the Audit Wales Use of Performance Information review. (Principle B)	Chief Officer – People, Performance and Partnerships	March 2025
7	To ensure that the revised financial strategy is considered by scrutiny and approved by Council. (Principle C)	Deputy Chief Executive / Chief Officer - Resources	July 2024
8	A learning management system to be implemented across the organisation to coordinate all training including for schools. (Principle E)	Chief Officer – People, Performance and Partnerships	July 2024
9	Roll out of a new performance appraisal system across the organisation. (Principle E)	Chief Officer – People, Performance and Partnerships	July 2024
10	For Cabinet to approve the Council's updated Strategic Risk Management Policy. (Principle F)	Chief Officer – People, Performance and Partnerships	June 2024
11	Deliver awareness raising training sessions on the importance of compliance with revised Contract Procedure Rules and Financial Procedure Rules. (Principle F)	Chief Officer – Communities & Place	March 2025

**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**

### Movement In Reserves Statement for the Year Ended 31st March 2024

	Note	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Joint Arrangement CCRCD	Total Reserves
		£000	£000	£000	£000	£000		£000
Balance at 1st April 2022		17,482	16,115	9,092	42,689	(36,050)	3,133	9,773
<b>Movement in reserves during 2022/23</b>								
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	(2,045)	2,044		-
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)		-			-
Prior period adjustment: CCRCD								-
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	225,826	4,844	270,426
<b>Movement in reserves during 2023/24</b>								
Total Comprehensive Income and Expenditure		25,969	-	-	25,969	64,108	-	90,077
Adjustments between accounting basis & funding basis under regulations	10.2	(34,036)		(2,626)	(36,662)	36,661		0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(8,067)	-	(2,626)	(10,693)	100,769	-	90,077
Transfers to/(from) Earmarked Reserves	10.4	2,190	(2,190)		-			0
Increase/(Decrease) in 2023/24		(5,877)	(2,190)	(2,626)	(10,693)	100,770	-	90,077
Balance at 31st March 2024 carried forward		9,483	9,359	10,221	29,062	326,596	4,844	360,503



## Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2024

2022/23				2023/24			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
77,362	(20,429)	56,933	Children & Young People		88,247	(19,835)	68,412
92,605	(23,095)	69,510	Social Care & Health		95,384	(26,333)	69,052
71,516	(34,297)	37,219	Communities & Place		71,280	(35,108)	36,172
15,523	(8,241)	7,282	Monlife		19,416	(9,496)	9,921
10,268	(7,797)	2,471	Chief Executives Unit		5,513	(2,287)	3,226
6,656	(522)	6,134	Law & Governance		2,930	(197)	2,733
37,932	(19,301)	18,631	Resources		45,769	(26,838)	18,931
2,209	(330)	1,879	Corporate		3,514	(597)	2,916
1,465	(1,485)	(20)	Cardiff Capital Region City Deal (CCRCD)		0	0	0
<b>315,537</b>	<b>(115,497)</b>	<b>200,040</b>	<b>Cost of Services</b>	11.1	<b>332,053</b>	<b>(120,691)</b>	<b>211,362</b>
			<b>Other operating expenditure:</b>				
			<i>Precepts &amp; Levies:</i>				
14,392	0	14,392	Gwent Police Authority		15,505	0	15,505
4,871	0	4,871	South Wales Fire & Rescue Authority		5,472	0	5,472
3,158	0	3,158	Community and Town Councils		3,381	0	3,381
117	(1)	116	National Parks		116	(1)	115
94	0	94	Internal Drainage Boards		105	0	105
0	(125)	(125)	Gains/losses on the disposal of non-current assets		2,341	(2,227)	114
		<b>22,505</b>	<b>Total Other operating expenditure</b>				<b>24,691</b>
24,754	(18,727)	6,028	Financing and investment income and expenditure	11.3	17,185	(22,263)	(5,078)
	(96)	(96)	Interest & Investment income: CCRCD				0
148		148	Change in Fair Value of Investment Properties: CCRCD				0
			<b>Taxation &amp; non-specific grant income:</b>				
349	(88,235)	(87,886)	Council Tax	11.5	442	(93,883)	(93,440)
0	(34,753)	(34,753)	Non-domestic rates redistribution	11.5	0	(31,224)	(31,224)
0	(105,064)	(105,064)	General government grants	11.6	0	(132,280)	(132,280)
	(1,734)	(1,734)	Recognised Capital Grants & Contributions: CCRCD			0	0
	(10)	(10)	Tax Expenses: CCRCD			0	0
		<b>(822)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(25,969)</b>
			<b>Other Comprehensive Income and Expenditure:</b>				
		(34,478)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	12.1			(12,775)
		405	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income				(72)
		(225,757)	(Gains)/losses on remeasurement of pension assets / liabilities	14.3			(51,261)
		<b>(259,830)</b>	<b>Total Other Comprehensive Income and Expenditure</b>				<b>(64,108)</b>
		<b>(260,652)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(90,077)</b>

<b>Balance Sheet as at 31st March 2024</b>			
<b>31st March 2023</b>		<b>Note</b>	<b>31st March 2024</b>
<b>£000s</b>			<b>£000s</b>
287,142	Other land and buildings	12.1	303,339
11,633	Vehicles, plant, furniture and equipment	12.1	11,108
81,758	Infrastructure	12.1	90,028
4,528	Community assets	12.1	4,547
18,702	Assets under construction	12.1	38,254
10	Surplus assets not held for sale	12.1	10
9,378	Heritage Assets	12.7	9,682
66,862	Investment Property	12.5	79,981
34	Intangible Assets		8
1,330	Long-Term Investments	13.1	562
3,558	Long Term Debtors	13.5	3,445
<b>484,935</b>	<b>Long term assets</b>		<b>540,963</b>
16,852	Short Term Investments	13.1	6,924
419	Inventories		504
58,290	Short Term Debtors	13.5	42,799
24,723	Cash and Cash Equivalents	15.3	8,346
1,000	Assets Held for Sale	12.6	1,250
110	CCRCD: Deferred Tax asset		110
<b>101,394</b>	<b>Current Assets</b>		<b>59,933</b>
(802)	Cash and Cash Equivalents	15.3	(1,723)
(67,157)	Short Term Borrowing	13.1	(51,678)
(45,870)	Short Term Creditors	13.6	(44,010)
(404)	Provisions	13.7	(466)
<b>(114,234)</b>	<b>Current Liabilities</b>		<b>(97,878)</b>
(56,576)	Liability related to defined benefit pension scheme	10.9	(5,980)
(574)	Provisions	13.7	(627)
(133,072)	Long Term Borrowing	13.1	(124,212)
(2,686)	Long Term Creditors: CCRCD		(2,686)
(2,238)	Other Long Term Liabilities	13.1	(2,273)
(4,612)	Capital Grants Receipts in Advance	11.6	(5,388)
(1,912)	Revenue Grants Receipts in Advance		(1,350)
<b>(201,670)</b>	<b>Long Term Liabilities</b>		<b>(142,516)</b>
<b>270,426</b>	<b>Net Assets</b>		<b>360,503</b>
15,360	Council Fund Balance	10.3	9,483
11,549	Earmarked Reserves	10.4	9,359
12,846	Capital Receipts Reserve	10.6	10,220
1,405	Other usable Reserves: CCRCD		1,406
<b>41,161</b>	<b>Usable Reserves</b>		<b>30,468</b>
77,372	Revaluation Reserve	10.7	87,043
(56,576)	Pensions Reserve	10.9	(5,980)
210,379	Capital Adjustment Account	10.8	250,963
3,409	Deferred Capital Receipts Reserve	10.11	2,443
(472)	Financial Instrument Adjustment Account		(449)
(419)	Financial Instrument Revaluation Reserve		(347)
(4,353)	Accumulating Absence Adjustment Account	10.10	(3,563)
(75)	Other unusable Reserves: CCRCD		(75)
<b>229,265</b>	<b>Unusable Reserves</b>		<b>330,035</b>
<b>270,426</b>	<b>Total Reserves</b>		<b>360,503</b>

Cash Flow Statement for the Year Ended 31st March 2024			
31st March 2023			31st March 2024
£000		Note	£000
(822)	Net (surplus) or deficit on the provision of services	15.1	(25,969)
(4,158)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	15.1	(25,298)
30,754	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15.1	45,051
25,775	<b>Net cash flows from Operating Activities</b>	15.1	(6,217)
41,149	Purchase of property, plant and equipment, investment property and intangible assets		51,747
0	Purchase of short-term and long-term investments		0
0	Other payments for investing activities		0
(7,883)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(4,010)
(1,378)	Proceeds from short-term and long-term investments		(10,812)
(25,189)	Other receipts from investing activities		(37,784)
6,699	<b>Net Cash (Inflow)/Outflow from Investing Activities</b>		(859)
	<b>Financing Activities</b>		
9,780	Repayments of short and long-term borrowing		30,389
33	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		35
(33,778)	Cash receipts of short and long-term borrowing		(6,051)
0	Other receipts from financing activities		0
(23,965)	<b>Net Cash (Inflow)/Outflow from Financing Activities</b>		24,373
8,509	<b>Net (increase) / decrease in cash and cash equivalents</b>		17,297
32,428	Cash and cash equivalents at the beginning of the reporting period		23,921
23,921	<b>Cash and cash equivalents at the end of the reporting period</b>	15.3	<b>6,623</b>

**Notes to the Accounts  
for the Year Ended  
31st March 2024**

## 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 2022	Movement in Reserve	Balance at 31st March 2023	Movement in Reserve	Balance at 31st March 2024
		£000	£000	£000	£000	£000
<b>Usable Reserves:</b>						
Council Fund balance: Authority	10.3	10,528	577	11,105	(717)	10,388
Council Fund balance: LMS School Balances	10.5	6,955	(2,699)	4,256	(5,161)	(905)
Earmarked reserves	10.4	16,115	(4,565)	11,549	(2,190)	9,359
Capital Receipts Reserve	10.6	9,091	3,755	12,846	(2,626)	10,220
Usable Reserves: CCRCD		891	514	1,405	0	1,405
<b>Total Usable Reserves</b>		<b>43,579</b>	<b>(2,417)</b>	<b>41,161</b>	<b>(10,693)</b>	<b>30,468</b>
<b>Unusable Reserves:</b>						
Revaluation Reserve	10.7	46,036	31,336	77,372	9,671	87,043
Capital Adjustment Account	10.8	180,280	30,099	210,379	40,584	250,963
Financial Instruments Adjustment Account		(494)	23	(472)	23	(449)
Pension Reserve	10.9	(259,212)	202,636	(56,576)	50,596	(5,980)
Deferred Capital Receipts Reserve	10.11	3,612	(203)	3,409	(966)	2,443
Financial Instrument Revaluation Reserve		(14)	(405)	(419)	72	(347)
Accumulated Absences Adjustment Account	10.10	(3,976)	(377)	(4,353)	790	(3,563)
Unusable Reserves: CCRCD	16.6	(37)	(39)	(75)	0	(75)
<b>Total Unusable Reserves</b>		<b>(33,806)</b>	<b>263,071</b>	<b>229,265</b>	<b>100,770</b>	<b>330,035</b>
<b>Total Authority Reserves</b>		<b>9,773</b>	<b>260,653</b>	<b>270,426</b>	<b>90,077</b>	<b>360,503</b>

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

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

Movements in 2023/24:	Council Fund Balance £000	Usable Reserves £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation and impairment of Property, Plant and Equipment assets	20,812	-	(20,812)
Charges for impairment of Heritage Assets	121	-	(121)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	(3,195)	-	3,195
Revaluation movements on Assets Held for Sale (charged to SDPS)	538	-	(538)

Movements in the market value of Investment Properties	(10,214)	-	10,214
Amortisation and impairment of intangible assets	183	-	(183)
Capital grants and contributions applied	(40,829)	-	40,829
Revenue expenditure funded from capital under statute	4,929	-	(4,929)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,366	-	(2,366)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Statutory provision for the financing of capital investment (MRP)	(5,985)	-	5,985
Capital expenditure charged against the Council Fund	(363)	-	363
<b>Adjustments involving the Capital Receipts Reserve:</b>			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,253)	4,010	(1,758)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(6,636)	6,636
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(22)	-	22
<b>Adjustments involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	19,636	-	(19,636)
Employer's pensions contributions and direct payments to pensioners payable in the year	(18,971)	-	18,971
<b>Adjustment involving the Accumulated Absences Account:</b>			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(790)	-	790
<b>Adjustment between the Capital Adjustment Account and the Revaluation Reserve:</b>			
Depreciation of non-current asset revaluation gains	0	-	0
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(34,036)</b>	<b>(2,626)</b>	<b>36,661</b>

Movements in 2022/23:	Council Fund Balance £000	Usable Reserves £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation and impairment of Property, Plant and Equipment assets	18,233	-	(18,233)
Charges for impairment of Heritage Assets	179	-	(179)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	(13,697)	-	13,697
Revaluation movements on Assets Held for Sale (charged to SDPS)	0	-	0
Movements in the market value of Investment Properties	18	-	(18)
Amortisation and impairment of intangible assets	54	-	(54)
Capital grants and contributions applied	(27,539)	-	27,539

Revenue expenditure funded from capital under statute	3,840	-	(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	-	(4,140)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Statutory provision for the financing of capital investment (MRP)	(6,642)	-	6,642
Capital expenditure charged against the Council Fund	(393)	-	393
<b>Adjustments involving the Capital Receipts Reserve:</b>			
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
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(22)	-	22
<b>Adjustments involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	40,447	-	(40,447)
Employer's pensions contributions and direct payments to pensioners payable in the year	(17,326)	-	17,326
<b>Adjustment involving the Accumulated Absences Account:</b>			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	379	-	(379)
<b>Adjustment between the Capital Adjustment Account and the Revaluation Reserve:</b>			
Depreciation of non-current asset revaluation gains	-	-	-
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(5,799)</b>	<b>3,754</b>	<b>2,044</b>

### 10.3 Usable Reserves available for Revenue Purposes

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

Each of the Authority's Schools is directly governed by a Board of Governors, which is responsible for managing the school's finances. The balance on the Council Fund includes a deficit of £905,000 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 2022 £000	In Year Movement £000	At 31st March 2023 £000	In Year Movement £000	At 31st March 2024 £000
Amount of Council Fund Balance held by Schools under Local Management Schemes	6,955	(2,699)	4,256	(5,161)	(905)
Amount of Council Fund Balance generally available for new expenditure	10,528	577	11,105	(717)	10,388
Total Council Fund Balance	17,482	(2,122)	15,360	(5,877)	9,483
Earmarked Revenue Reserves	16,115	(4,565)	11,549	(2,190)	9,359
<b>Total Usable Reserves available for Revenue Purposes</b>	<b>33,597</b>	<b>(6,687)</b>	<b>26,910</b>	<b>(8,068)</b>	<b>18,842</b>

#### 10.4 Transfers to/from Earmarked Reserves

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

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

The transfers to and from Earmarked Reserves in 2023/24 can be summarised as follows:

	At 1st April 2022	Transfer to Reserves	Transfer from Reserves	At 31st March 2023	Transfer to Reserves	Transfer from Reserves	At 31st March 2024
	£000	£000	£000	£000	£000	£000	£000
Invest to Redesign	1,456	125	(154)	1,427	1,236	(1,427)	1,236
Priority Investment	1,905			1,905	27	(1,500)	432
Insurance and risk management	925			925			925
IT Transformation	931		(185)	746		(389)	357
Treasury equalisation	590			590	1,007		1,597
Capital Investment	627		(2)	625			625
Redundancy and Pensions	769			769			769
Pay Inflation Reserve	0	1,316		1,316		(1,316)	(0)
Capital Receipt Generation	365		(51)	314			314
<b>Service and partnership Reserves:</b>							
Elections	245	35	(155)	125	35		160
Museums acquisition	53		(17)	36			36
Solar Farm Maintenance & Community Fund	240	23	(105)	158	23		181
Castlegate Business Park	437		(312)	125		(40)	85
Newport Leisure Park	365		(188)	177		(177)	(0)
Sustainability - PV Inverter Replacement Reserve	65			65		(25)	40
Covid19 Reset Reserve: Social Care	1,400		(1,400)	0			0
Covid19 Reset Reserve: Homelessness	1,400		(1,400)	0			0
Covid19 Reset Reserve: Leisure Income	300		(300)	0			0
Covid19 Reset Reserve: Pay Inflation	900		(900)	0			0
Cost of Living Discretionary Payment Reserve	499		(499)	0			0
SCH Electric Vehicle & Driving Lessons Reserve	214		(214)	0			0
Covid19 Hardship Fund Equalisation Reserve	819		(819)	0			0
Ukrainian Support Reserve	0	1,341		1,341	131		1,472
Local Resilience Forum	154	2	(27)	129		(13)	116
Grass Routes Buses	166	5		171	5		176
Schools sickness & maternity cover	196	101		298	49		346
Youth Offending Team	150			150			150



Building Control	(4)	2		(2)		(9)	(11)
Rural Development Plan	693		(675)	19		(4)	15
Highways Plant & Equipment Replacement	188		(47)	141	65	(103)	103
Energy Efficiency Development Reserve	0			0	236		236
Homeless Prevention	68		(68)	0			0
<b>Total</b>	<b>16,115</b>	<b>2,950</b>	<b>(7,516)</b>	<b>11,549</b>	<b>2,813</b>	<b>(5,003)</b>	<b>9,359</b>

**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.

**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 £905,095 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 2022	In Year Movement	At 31st March 2023	In Year Movement	At 31st March 2024
	£	£	£	£	£
<b>Comprehensives</b>					
Caldicot	807,785	(580,286)	227,499	(579,936)	(352,437)
Chepstow	(124,934)	(227,517)	(352,451)	(500,587)	(853,038)
King Henry VIII	756,131	29,048	785,180	(785,180)	0
Monmouth	814,258	(215,066)	599,192	(369,535)	229,657
<b>Sub Total Comprehensives</b>	<b>2,253,240</b>	<b>(993,820)</b>	<b>1,259,420</b>	<b>(2,235,237)</b>	<b>(975,817)</b>

<b>Middle</b>					
King Henry VIII 3-19	0	0	0	(329,197)	(329,197)
<b>Sub Total Middle</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(329,197)</b>	<b>(329,197)</b>
<b>Primaries</b>					
Archbishop R Williams	171,322	(140,262)	31,060	(4,239)	26,821
Cantref	254,092	(57,742)	196,350	(85,933)	110,417
Castle Park	159,297	(54,000)	105,297	(30,251)	75,046
Cross Ash	79,755	21,699	101,453	(42,986)	58,467
Deri View	189,790	(163,465)	26,326	(26,326)	0
Dewstow	358,616	(83,558)	275,059	(217,499)	57,560
Durand	104,979	(49,781)	55,199	3,506	58,705
Gilwern	230,955	(79,190)	151,764	(174,688)	(22,923)
Goytre Fawr	117,735	(45,610)	72,125	(64,781)	7,344
Kymin View	133,714	(45,337)	88,378	(11,511)	76,867
Llandogo	214	(6,156)	(5,941)	23,596	17,655
Llanfoist	219,420	(47,985)	171,434	(45,949)	125,485
Llantilio Pertholey	109,698	(36,984)	72,714	(11,966)	60,748
Llanvihangel Crucorney	136,822	(17,602)	119,219	(22,353)	96,867
Magor Vol Aided	196,816	18,960	215,776	(54,257)	161,519
New Pembroke Primary	218,668	(15,360)	203,307	(32,231)	171,077
Osbaston Church in Wales	93,147	(80,396)	12,750	(86,238)	(73,487)
Our Lady's & St Michael's Catholic Primary	58,648	(75,726)	(17,078)	(4,177)	(21,255)
Overmonnow	162,470	(154,809)	7,662	(132,066)	(124,405)
Raglan	160,593	34,892	195,485	(20,104)	175,381
Rogiet	89,222	(67,784)	21,439	(86,860)	(65,422)
Shirenewton	239,291	(53,954)	185,338	(55,395)	129,943
St Mary's (Chepstow)	104,932	(9,908)	95,024	(25,021)	70,004
The Dell	146,839	(170,750)	(23,912)	(57,082)	(80,993)
Thornwell	110,622	(106,365)	4,257	(99,447)	(95,190)
Trellech	153,939	3,753	157,692	(57,639)	100,054
Undy	210,643	(43,618)	167,025	(25,516)	141,508
Usk CV	270,840	(2,545)	268,295	(176,876)	91,420
Ysgol Gymraeg Y Fenni	72,015	(51,227)	20,789	(191,254)	(170,466)
Ysgol Gymraeg Ffin	66,783	(14,105)	52,678	(69,341)	(16,663)
<b>Sub Total Primaries</b>	<b>4,621,878</b>	<b>(1,594,915)</b>	<b>3,026,963</b>	<b>(1,884,883)</b>	<b>1,142,080</b>
<b>Other</b>					
Pupil Referral Unit	79,466	(110,173)	(30,707)	(711,453)	(742,161)
<b>Sub Total Other</b>	<b>79,466</b>	<b>(110,173)</b>	<b>(30,707)</b>	<b>(711,453)</b>	<b>(742,161)</b>
<b>Total</b>	<b>6,954,584</b>	<b>(2,698,908)</b>	<b>4,255,676</b>	<b>(5,160,770)</b>	<b>(905,095)</b>

King Henry VIII and Deri View closed on 31/08/2023; the King Henry VIII 3-19 School is operating from these sites with effect from 01/09/2023, whilst the new build is being completed and is utilising the previous schools budget.

## 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.

2022/23 £000		2023/24 £000
9,091	Balance as at 1st April	12,846
7,680	Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,983
203	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	1,027
(4,128)	Less: use of the Capital Receipts Reserve to finance new capital expenditure	(6,636)
<b>12,846</b>	<b>Balance as at 31st March</b>	<b>10,220</b>

## 10.7 Revaluation Reserve

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

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

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

2022/23 £000		2023/24 £000
46,036	Balance at 1 April	77,372
34,572	Upward revaluation of assets	15,256
(94)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,481)
(3,143)	Difference between fair value depreciation and historical cost depreciation	(3,103)
0	Accumulated gains on assets sold or scrapped	0
<b>77,372</b>	<b>Balance at 31 March</b>	<b>87,043</b>

## 10.8 Capital Adjustment Account

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

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

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

2022/23 £000		2023/24 £000
180,280	Balance at 1 April	210,379

<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
(18,233)	Charges for depreciation and impairment of property, plant and equipment assets	(20,812)
(179)	Impairment of Heritage assets	(121)
13,697	Revaluation movements on Property, Plant and Equipment	3,195
0	Revaluation movements on Assets Held for Sale	(538)
(54)	Amortisation & impairment of intangible assets	(183)
(3,840)	Revenue expenditure funded from capital under statute	(4,929)
(4,140)	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	(2,366)
(211)	Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(792)
3,143	Adjusting amounts written out of the Revaluation Reserve	3,103
1,232	CCRCDA CAA	0
4,128	Use of the Capital Receipts Reserve to finance new capital expenditure	6,636
27,539	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	40,829
6,642	Statutory provision for the financing of capital investment charged against the Council Fund	5,984
393	Capital expenditure charged against the Council Fund	363
(18)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	10,214
<b>210,379</b>	<b>Balance at 31 March</b>	<b>250,963</b>

## **10.9 Pensions Reserve**

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

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
(259,212)	Balance at 1 April	(56,576)
225,757	Remeasurement gains or (losses) on pension assets and liabilities	51,261
(40,447)	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	(19,636)
17,326	Employer's pensions contributions and direct payments to pensioners payable in the year	18,971
<b>(56,576)</b>	<b>Balance at 31 March</b>	<b>(5,980)</b>

### 10.10 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year, for example, annual leave entitlement carried forward at 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.

2022/23 £000		2023/24 £000
(3,976)	Balance at 1 April	(4,353)
3,973	Settlement or cancellation of accrual made at the end of the preceding year	0
(4,352)	Amounts accrued at the end of the current year	790
1	Share of CCRC	0
<b>(4,353)</b>	<b>Balance at 31 March</b>	<b>(3,563)</b>

### 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 2024 is made up of £2.443m relating to the Old Abergavenny cattle market site disposed of under a finance lease.

2022/23 £000		2023/24 £000
3,612	Balance at 1 April	3,409
(203)	Transfer to the Capital Receipts Reserve upon receipt of cash	(1,027)
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	61
<b>3,409</b>	<b>Balance at 31 March</b>	<b>2,443</b>

## 11 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES

### 11.1 Expenditure and Funding Analysis

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

2022/23				2023/24		
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
60,658	(3,725)	56,933	Children & Young People	62,736	5,676	68,412
62,855	6,656	69,510	Social Care & Health	67,020	2,031	69,052
22,921	14,298	37,219	Communities & Place	25,637	10,535	36,172
4,476	2,806	7,282	Monlife	8,067	1,854	9,921
1,558	914	2,471	Chief Executives Unit	2,865	361	3,226
4,879	1,254	6,133	Law & Governance	2,775	(43)	2,733
8,385	10,246	18,631	Resources	8,448	10,483	18,931
24,512	(22,633)	1,879	Corporate	27,136	(24,219)	2,916
0	(20)	(20)	Cardiff Capital Region City Deal (CCRCD)	0	0	0
<b>190,244</b>	<b>9,796</b>	<b>200,039</b>	<b>Cost of Services</b>	<b>204,683</b>	<b>6,678</b>	<b>211,362</b>
<b>(190,821)</b>	<b>(10,040)</b>	<b>(200,861)</b>	<b>Other Income &amp; Expenditure</b>	<b>(203,967)</b>	<b>(33,363)</b>	<b>(237,330)</b>
<b>(577)</b>	<b>(244)</b>	<b>(822)</b>	<b>Surplus or Deficit</b>	<b>716</b>	<b>(26,685)</b>	<b>(25,969)</b>
(10,528)			Opening General Fund Balance	(11,104)		
(577)			Surplus or Deficit on General Fund	716		
<b>(11,104)</b>			<b>Closing General Fund Balance</b>	<b>(10,388)</b>		

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

2022/23					2023/24			
Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000		Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000
(6,287)	2,816	(254)	(3,725)	Children & Young People	6,394	(790)	72	5,676
2,481	4,878	(702)	6,656	Social Care & Health	2,750	(560)	(159)	2,031
7,291	4,657	2,351	14,298	Communities & Place	8,908	(558)	2,185	10,535
1,828	1,465	(487)	2,806	Monlife	2,551	(220)	(477)	1,854

491	571	(148)	914	Chief Executives Unit	216	(64)	210	361
278	715	260	1,254	Law & Governance	84	(40)	(86)	(43)
2,549	794	6,904	10,246	Resources	2,484	(102)	8,100	10,483
320	(322)	(22,630)	(22,633)	Corporate	0	359	(24,579)	(24,219)
0	0	(20)	(20)	Cardiff Capital Region City Deal (CCRCDC)	0	0	0	0
<b>8,950</b>	<b>15,573</b>	<b>(14,726)</b>	<b>9,796</b>	<b>Cost of Services</b>	<b>23,388</b>	<b>(1,976)</b>	<b>(14,734)</b>	<b>6,678</b>
<b>(34,440)</b>	<b>7,208</b>	<b>17,191</b>	<b>(10,040)</b>	<b>Other Income &amp; Expenditure</b>	<b>(46,699)</b>	<b>2,641</b>	<b>10,696</b>	<b>(33,363)</b>
<b>(25,490)</b>	<b>22,781</b>	<b>2,465</b>	<b>(245)</b>	<b>Adjustments between the Funding &amp; Accounting Basis</b>	<b>(23,312)</b>	<b>665</b>	<b>(4,038)</b>	<b>(26,685)</b>

## 11.2 Expenditure & Income analysed by nature

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

2022/23 £000 (Restated)		2023/24 £000
165,668	Employee benefits expenses	153,181
150,687	Other services expenses	159,475
15,700	Depreciation, amortisation and impairment	30,637
22,629	Precepts & levies	24,578
4,595	Interest payments	6,395
4,140	Gain/loss on disposal of non-current assets	2,334
<b>363,419</b>	<b>Total Expenditure</b>	<b>376,599</b>
(61,382)	Fees, charges & other service income	(66,292)
(4,059)	Interest and investment income	(14,125)
(122,988)	Income from council tax & NNDR	(125,107)
(168,343)	External grants and contributions	(194,824)
(7,469)	Gain/loss on disposal of non-current assets	(2,220)
<b>(364,241)</b>	<b>Total Income</b>	<b>(402,568)</b>
<b>(822)</b>	<b>Surplus or Deficit on the Provision of Services</b>	<b>(25,969)</b>

2022/23 figures are restated to reflect further refinement of the classification of income between Fees, charges & other service income, and External grants & contributions.

## 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 2023				Note	31st March 2024		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
4,587	0	4,587	Interest payable and similar charges	13.2	6,395	0	6,395
7,208	0	7,208	Pensions interest cost and expected return on pensions assets	14.3	2,641	0	2,641
0	(1,049)	(1,049)	Interest receivable and similar income	13.2	0	(1,762)	(1,762)

0	(96)	(96)	Interest receivable and similar income: CCRCD share	0	0	0
9,962	(15,168)	(5,206)	Income and expenditure in relation to investment properties and changes in their fair value	5,615	(18,123)	(12,508)
2,997	(2,502)	495	(Surpluses)/deficits on trading undertakings not included in the Net Cost of Services	2,535	(2,328)	207
0	(7)	(7)	Other investment income	0	(50)	(50)
<b>24,754</b>	<b>(18,823)</b>	<b>5,932</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>17,185</b>	<b>(22,263)</b>	<b>(5,078)</b>

#### 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 facilitate a CCRCD transaction which was matched by a corresponding receipt for the same amount. As this is a transaction 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 2022/23 (£000's)	Scheme	Purpose	Amount Received 2023/24 (£000's)
17	<b>NDR Relief grants</b>	Grants given to retail, leisure and hospitality businesses.	0
3,249	<b>Care Workers £1,498 Payments</b>	Bonus payment for individual care workers.	0
375	<b>Unpaid Carers</b>	Payment to Carers in receipt of Carers Allowance.	0
131	<b>Self Isolation Payments</b>	£500 & £750 payments for eligible individuals who have to self isolate.	0
1,374	<b>Winter Fuel Payments</b>	£200 Winter Fuel Support Scheme.	0
2,949	<b>Cost of Living Support Scheme - Main</b>	£150 support payment	0
127	<b>SSP Enhancement</b>	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.	0
115	<b>Ukraine £200</b>	Each Ukrainian person arriving in the UK is eligible for a £200 cash payment to support them with essentials before universal credit is awarded.	4
343	<b>Ukraine £350 Host Payments</b>	£350 payment by UK Government for guests that have been in the country for less than a year	104
0	<b>Ukraine £150 Host Top-up Payment</b>	£150 top up payment by Welsh Government for guests that have been in the country for less than a year	44
0	<b>Ukraine £500 Host Payments</b>	£500 payment by UK Government for guests that have been in the country for more than a year	240
0	<b>Ukraine £100 Host Top Up Payment</b>	£100 top up payment by Monmouthshire County Council	13
2,598	<b>Cardiff City Council</b>	Payment on behalf of Cardiff City Council to facilitate CCRCD transaction	3,164



11,278	Total		3,569
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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 £47,778.09 for 2023/24 (£47,372.80 for 2022/23).

This average basic amount for a Band D property, £1,959.94 (£1,847.25 in 2022/23), 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	526	3,429	7,119	9,402	7,561	8,020	5,499	1,792	663
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:

2022/23 £000		2023/24 £000
(88,235)	Council tax collectable	(93,882)
349	Provision for non-payment of council tax	442
(87,886)	<b>Total Council Tax proceeds</b>	<b>(93,440)</b>

### National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate, 0.535p per £ in 2023/24 (0.535p per £ in 2022/23) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The NNDR income after relief and provisions of £23,406,540 (£24,212,404 for 2022/23) was based on an average rateable value of £62,020,519 (£59,551,181 for 2022/23).

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 2023/24 was £31.22m (£34.75m in 2022/23).

A net debtor of £1,399,303 at 31st March 2024 (£2,408,884 debtor as at 31st March 2023) 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 2023/24:

2022/23 £000		2023/24 £000
3,593	WG General Capital Grant	2,495

1,086	Section 106 Developer Contributions	225
25,862	WG Grants	43,362
0	Other Contributions	0
<b>30,541</b>	<b>Total</b>	<b>46,082</b>
<b>Credited to the Comprehensive Income and Expenditure Statement:</b>		
(3,001)	Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute	(5,253)
(27,539)	Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income	(40,829)
<b>(30,541)</b>	<b>Total</b>	<b>(46,082)</b>

#### Capital Grants and Contributions Received in Advance

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

2022/23 £000		2023/24 £000
<b>Developer Contributions held in Advance:</b>		
4,612	S106 Developer contributions	5,388
<b>4,612</b>	<b>Total</b>	<b>5,388</b>

#### Revenue Grants and Contributions

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

2022/23 £000	Revenue Grants credited to services	2023/24 £000
<b>Central Government:</b>		
15,798	Housing Benefit Subsidy	15,819
<b>Welsh Government:</b>		
9,504	Education - General Grants - EIG/PDG/LAEG	10,068
4,101	Education - Post-16 Funding	4,199
2,812	Housing Support Grant (Supporting People)	2,814
1,782	Concessionary Fares, Transport Subsidy	2,265
6,821	Ukrainian Support Fund	1,957
1,445	Education - Children & Communities	1,745
951	Universal Free School Meals	1,745
0	Animal Licensing Wales	1,046
0	ENRAW – Gwent Green Grid Partnership	948
731	Families First	692
754	Homelessness - No one left out grant	647
527	Radical reform	499
484	Waste Management	483
569	Eliminate Agenda	478
783	INFUSE - Innovating Public Services	415
397	Floods and SUDS	364
120	WG 20mph Scheme (Monmouthshire)	359
300	WLGA - EV Charging Infrastructure Grant	0
757	Educational support for Ukrainians	0

131	Rural Development Plan	0
480	Welsh Government Covid-19 Funding	0
18	Welsh Government Covid-19 Hardship fund - Income loss Support	0
2,622	Welsh Government Covid-19 Hardship fund - Expenditure Support**	0
5,950	Other WG grants	4,876
	<b>Home Office:</b>	
1,646	Community Renewal Fund (Shared Prosperity Fund)	2,222
367	Support Afghan / Syrian / Unaccompanied Asylum Seekers	533
85	Police and Crime Commissioner	170
2,204	<b>Other Grants &amp; Contributions</b>	2,951
<b>62,140</b>	<b>Total Revenue Grants credited to services</b>	<b>57,292</b>
	<b>Non-Specific Grant Income</b>	
34,753	Non-Domestic Rates	31,224
77,524	Revenue Support Grant	91,451
<b>112,278</b>	<b>Total Non-Specific Grant Income</b>	<b>122,675</b>
**Excludes grant income received as part of the hardship funding but paid to MCC acting as the agent		

## 12 NON-CURRENT ASSET & CAPITAL FINANCING NOTES

### 12.1 Property, Plant and Equipment

The following tables summarise the movements in the Authority's property, plant and equipment portfolio by asset type for the years ending 31st March 2024 and 31st March 2023.

#### Movements in 2023/24:

	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
<b>Cost or Valuation:</b>							
At 1st April 2023	289,776	25,218	4,528	10	18,702	338,234	1,485
Additions	6,635	1,930	306		32,111	40,983	
Revaluation movements taken to Revaluation Reserve	6,745					6,745	44
Revaluation movements taken to Surplus/Deficit on Provision of Services	(2,779)					(2,779)	
Impairment movements taken to Surplus/Deficit on Provision of Services	(722)	(105)	(280)		(375)	(1,481)	
Impairment movements taken to RRA	(558)		(8)			(566)	
Reclassified (to)/from Held for Sale	(3,531)	(1,057)				(4,588)	
Disposals						0	
Other reclassifications	9,930				(12,184)	(2,254)	
Movement in CCRC Assets						0	
<b>At 31st March 2024</b>	<b>305,496</b>	<b>25,987</b>	<b>4,547</b>	<b>10</b>	<b>38,254</b>	<b>374,294</b>	<b>1,529</b>
<b>Accumulated Depreciation:</b>							
At 1st April 2023	(2,634)	(13,586)				(16,220)	0
Depreciation charge	(12,626)	(2,194)				(14,820)	
Depreciation written out on revaluation to Revaluation Reserve	7,130					7,130	(45)
Depreciation written out on revaluation to Surplus/Deficit on Provision of Services	5,974					5,974	45
Depreciation written out on impairment to Surplus/Deficit on Provision of Services						0	
Reclassified to/(from) Held for Sale		900				900	
Disposals						0	
Other reclassifications						0	
Movement in CCRC Assets						0	
<b>At 31st March 2024</b>	<b>(2,156)</b>	<b>(14,879)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(17,036)</b>	<b>0</b>
<b>Net Book Value:</b>	<b>303,339</b>	<b>11,108</b>	<b>4,547</b>	<b>10</b>	<b>38,254</b>	<b>357,258</b>	<b>1,528</b>

<b>Movements in 2022/23</b>							
	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>	<b>PFI Assets Included in Property, Plant and Equipment* £000</b>
<b>Cost or Valuation:</b>							
At 1st April 2022	243,729	23,034	4,528	10	4,228	275,529	1,245
Additions	9,071	3,113	48		17,135	29,367	
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	
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	
<b>At 31st March 2023</b>	<b>289,776</b>	<b>25,218</b>	<b>4,528</b>	<b>10</b>	<b>18,702</b>	<b>338,234</b>	<b>1,485</b>
<b>Accumulated Depreciation:</b>							
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	
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)	
<b>At 31st March 2023</b>	<b>(2,634)</b>	<b>(13,586)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,220)</b>	<b>0</b>
<b>Net Book Value:</b>	<b>287,142</b>	<b>11,633</b>	<b>4,528</b>	<b>10</b>	<b>18,702</b>	<b>322,014</b>	<b>1,485</b>

## 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.

2022/23 £000		2023/24 £000
77,363	<b>Net Book Value At 1 April</b>	81,758
8,917	Additions	12,782
0	Derecognition	0
(2,580)	Depreciation	(2,836)
(1,943)	Impairment	(1,676)
0	Other Movements in Costs	0
81,758	<b>Net Book Value At 31 March</b>	90,028

## 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 2023/24 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 2024. The valuations carried out during 2023/24 include Car Parks, Community Centres, Corporate Facilities, Museums and VC Schools.
- 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	10,834	4,547	10	38,167	53,558
<b>Valued at current value as at:</b>						
31st March 2024	26,605	-	-	-	-	26,605
31st March 2023	170,019	-	-	-	-	170,019
31st March 2022	91,427	-	-	-	-	91,427
31st March 2021	14,230	-	-	-	-	14,230
31st March 2020	1,059	-	-	-	-	1,059
CCRCDC Assets (Method unknown)	-	274	-	-	88	361
<b>Total Cost or Valuation</b>	<b>303,339</b>	<b>11,108</b>	<b>4,547</b>	<b>10</b>	<b>38,254</b>	<b>357,258</b>

### 12.3 Schools Non-Current Assets

The Authority currently owns and runs three secondary, one middle and twenty three primary schools. In addition to the twenty three 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 (£5,190,000 as at 31st March 2024) 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 (£2,383,800 as at 31st March 2024) 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 2024, shown in the Authority's balance sheet, is £213,850,791 (£205,950,442 as at 31st March 2023).

### 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 2024 being £1,529,128 (£1,485,227 at 31st March 2023).

## 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:

2022/23 £000		2023/24 £000
(4,942)	Rental income from investment property	(5,912)
3,193	Direct operating expenses arising from investment property	3,618
<b>(1,749)</b>	<b>Net (gain)/loss</b>	<b>(2,294)</b>

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

2022/23 £000		2023/24 £000
68,620	Balance at start of the year	66,862
271	Additions	650
(4,140)	Disposals	0
(18)	Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure	10,214
0	Transfers (to)/from Property, Plant and Equipment	2,255
2,128	Movement in CCRCD balances	0
<b>66,862</b>	<b>Balance at end of the year</b>	<b>79,981</b>

No capital receipts were credited to the Capital receipts reserve during 2023/24 in relation to investment properties (£7,343,556 in 2022/23).

## Fair Value Hierarchy

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

2022/23				Type of Property	2023/24			
Quoted Prices in active markets for identical assets	Other Observable inputs	Significant Unobservable inputs	Total		active markets for identical assets	Other Observable inputs	Significant Unobservable inputs	Total
Level 1 £000	Level 2 £000	Level 3 £000	£000		Level 1 £000	Level 2 £000	Level 3 £000	£000
		111	111	Freehold Reversions			107	107
	27,646		27,646	Agricultural Properties		38,329		38,329
		1,356	1,356	Retail Units			883	883
		2,183	2,183	Industrial Properties			2,677	2,677
		5,485	5,485	Solar Farm			5,611	5,611
		3,907	3,907	Share of CCRCD Asset			3,907	3,907
		26,176	26,176	Properties acquired for rental income			28,467	28,467



0	27,646	39,216	66,862	0	38,329	41,652	79,981
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There have been no transfers between levels during the year. The authorities share in CCRC 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:

2022/23 £000		2023/24 £000
35,684	Balance at start of the year	39,216
0	Transfers (to)/from Level 3	2,255
0	Additions	348
0	Disposals	0
3,532	Net gains/(losses) from fair value adjustments included in Surplus or Deficit on the Provision of Services	(167)
<b>39,216</b>	<b>Balance at end of the year</b>	<b>41,652</b>

**Fair Value Measurement**

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

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

Investment Assets		Yield	7%	
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## 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 2024 are shown below:

2022/23 £000		2023/24 £000
1,000	Balance outstanding at start of year	1,000
0	Additions	0
0	Assets newly classified as held for sale: From Plant, Property & Equipment	3,687
0	Assets declassified as held for sale: To Plant, Property & Equipment	0
0	Revaluation gains	250
0	Revaluation losses charged to SDPS	(538)
0	Revaluation losses charged to RRA	(783)
0	Impairment losses	0
0	Assets sold	(2,366)
1,000	<b>Balance outstanding at year-end</b>	<b>1,250</b>

## 12.7 Heritage Assets

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

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

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

	Property Heritage Assets £000	Museum Exhibits £000	Civic Regalia, Artwork & Collect'n £000	Total £000
<b>Cost or Valuation:</b>				
1st April 2022	228	4,488	156	4,871
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
<b>31st March 2023</b>	<b>322</b>	<b>8,901</b>	<b>156</b>	<b>9,378</b>
<b>Cost or Valuation:</b>				
Additions	424	0	0	424
Revaluation increases/(decreases) recognised in the SDPS	0	0	0	0

Revaluation increases/ (decreases) taken to Revaluation Reserve	0	0	0	0
Impairment (losses)/reversals recognised in the SDPS	(121)	0	0	(121)
Reclassified from property, plant and equipment	0	0	0	0
<b>31st March 2024</b>	<b>625</b>	<b>8,901</b>	<b>156</b>	<b>9,682</b>

### Property Heritage Assets

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

- Caldicot Castle
- Angidy Ironworks, Tintern
- The Slaughterhouse - Arches, Monmouth
- 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 2022/23 and the estimated value 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.

<b>31st March 2023 £000</b>		<b>31st March 2024 £000</b>
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189,370	Opening Capital Financing Requirement	193,336
	<b>Capital investment:</b>	
	<b>Enhancing value:</b>	
32,020	Property, plant and equipment	45,351
0	Investment properties	4,088
2,364	Vehicles	1,304
94	Heritage assets	304
	<b>Not enhancing value:</b>	
3,899	Property, plant and equipment	3,306
271	Investment properties	302
0	Intangible assets	157
0	Vehicles	63
179	Heritage assets	120
6,841	Revenue Expenditure Funded from Capital under Statute	10,181
	<b>Sources of finance:</b>	
(4,128)	Capital receipts	(6,636)
(3,593)	General Capital Grant	(2,495)
(25,862)	Capital Grants and Contributions	(43,362)
(1,086)	S106 Contributions	(225)
(393)	Direct revenue contributions	(363)
	<b>Other:</b>	
(6,642)	Minimum revenue provision	(5,985)
<b>193,336</b>	<b>Closing Capital Financing Requirement</b>	<b>199,446</b>
	<b>Explanation of movements in year:</b>	
2,431	Increase in underlying need to borrowing - supported by Government financial assistance	2,430
8,177	Increase in underlying need to borrowing - unsupported by Government financial assistance	9,665
(6,642)	Less: Minimum revenue provision	(5,985)
<b>3,966</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>6,110</b>

## 12.9 Capital Commitments

At 31st March 2024, the Authority had entered into four major contracts (those individually £200,000 and more) for the construction of Property, Plant and Equipment in 2023/24 and later years, budgeted to cost a total of £36,309,000 (£18,857,436 at 31st March 2023). The major commitments are as follows and are not included in the financial statements within this document.

	£000
Trellech Primary Nursery Childcare Scheme	619
Welsh Medium School and Nursery	500
Property Acquisition for Children & Young People	200
King Henry VIII Future Schools	34,990
	<b>36,309</b>

## 12.10 Minimum Revenue Provision

2022/23		2023/24
£6,642,105	Minimum Revenue Provision Charged	£5,984,016

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.

The charge is equal to an amount calculated on a prudent basis according to the policy determined by the Council in accordance with statutory guidance. An annual MRP Statement is submitted to Council for approval in advance of each financial year and any variance to this policy must be approved by Council.

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

During the financial year the Authority varied its calculation method for MRP on its supported borrowing from equal instalments over a 50 year period, to a calculation based upon an annuity basis over the expected useful life of the asset. This was approved by Council on the 29th February 2024.

This has reduced the MRP chargeable now and over the medium term, however, MRP charges will increase over time to reflect a consistent charge over life of the assets when taking into account the time value of money.

## 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 £2,570,881 of minimum lease payments were receivable by the Authority (£2,932,638 in 2022/23).

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

2022/23 £000		2023/24 £000
2,280	Not later than one year	2,528
7,160	Later than one year and not later than five years	8,997
8,719	Later than five years	11,711
<b>18,159</b>		<b>23,237</b>

### Finance Leases

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

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

2022/23			2023/24	
Present Value of Minimum Lease Payments to the Authority £000	Gross Amount outstanding from Lessee		Present Value of Minimum Lease Payments to the Authority £000	Gross Amount outstanding from Lessee
156	160	Not later than one year	153	160
592	640	Later than one year and not later than five years	579	640
1,806	2,400	Later than five years	1,563	2,080
<b>2,554</b>	<b>3,200</b>		<b>2,295</b>	<b>2,880</b>

The present value of the minimum lease payments has reduced during 2023/24 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 £248,831 (£296,054 in 2022/23).

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

2022/23 £000		2023/24 £000
239	Not later than one year	213
460	Later than one year and not later than five years	417
100	Later than five years	40
<b>799</b>		<b>670</b>

## 13 FINANCIAL INSTRUMENTS, CURRENT ASSETS & LIABILITIES NOTES

### 13.1 Categories of Financial Instruments

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

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

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

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

Financial assets held at amortised cost 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 2024:

Long-Term 31st March 2023 £000	Short-Term 31st March 2023 £000		Note	Long-Term 31st March 2024 £000	Short-Term 31st March 2024 £000
<b>Financial Assets</b>					
<b>Investments at amortised Cost:</b>					
1,334	13,271	Principal invested	13.4	542	3,271
0	0	Accrued Interest		0	0
<b>Investments at fair value through other comprehensive income:</b>					
0	3,581	Equity Investments elected FVOCI		0	3,653
<b>Investments at fair value through profit &amp; loss:</b>					
(4)	0	Unquoted equity investments	13.4	20	0
<b>1,330</b>	<b>16,852</b>	<b>Total Investments</b>		<b>562</b>	<b>6,924</b>
<b>Cash &amp; Cash Equivalents at amortised cost:</b>					
	24,723	Principal	15.3	0	8,346
	0	Accrued Interest		0	0
<b>0</b>	<b>24,723</b>	<b>Total Cash &amp; Cash Equivalents</b>		<b>0</b>	<b>8,346</b>
<b>At amortised cost:</b>					

0	12,462	Trade Receivables		0	8,306
0	(689)	Loss allowance		0	(1,026)
2,347	105	Lease Receivables		2,240	107
199	(5)	Loans made for service purposes		193	(4)
<b>2,546</b>	<b>11,872</b>	<b>Included in Debtors</b>	<b>13.5</b>	<b>2,432</b>	<b>7,384</b>
<b>3,876</b>	<b>53,447</b>	<b>Sub-Total Financial Assets</b>		<b>2,994</b>	<b>22,653</b>
0	1,529	Current assets which are not Financial Instruments		0	1,865
1,012	46,418	Debtors which are not Financial Instruments	13.5	1,012	35,415
<b>4,888</b>	<b>101,394</b>	<b>Total Financial Assets</b>		<b>4,007</b>	<b>59,933</b>

Long-Term 31st March 2023 £000	Short-Term 31st March 2023 £000		Note	Long-Term 31st March 2024 £000	Short-Term 31st March 2024 £000
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All of the Council's financial liabilities are held at amortised cost including short and long term loans, bank overdraft, lease payables, PFI contracts and trade payables for goods and services.

The following categories of financial liabilities are carried in the Balance Sheet as at 31st March 2024:

Financial Liabilities					
<b>Loans at amortised Cost:</b>					
(133,046)	(65,654)	Principal sum borrowed		(99,605)	(49,675)
0	(1,502)	Accrued Interest		0	(2,002)
(26)	(1)	EIR adjustments		(24,607)	(1)
<b>(133,072)</b>	<b>(67,157)</b>	<b>Total Borrowings</b>	<b>13.4</b>	<b>(124,212)</b>	<b>(51,678)</b>
<b>Loans at amortised Cost:</b>					
0	(802)	Cash & cash equivalents	15.3	0	(1,723)
<b>0</b>	<b>(802)</b>	<b>Total Cash &amp; Cash Equivalents</b>		<b>0</b>	<b>(1,723)</b>
<b>Liabilities at amortised Cost:</b>					
(609)		PFI and finance lease liabilities		(574)	
(1,629)		Other Long Term Liabilities		(1,699)	
<b>(2,238)</b>	<b>0</b>	<b>Total Other Long Term Liabilities</b>		<b>(2,273)</b>	<b>0</b>
<b>Liabilities at amortised Cost:</b>					
	(4,854)	Trade Payables			(2,142)
<b>0</b>	<b>(4,854)</b>	<b>Included in Short Term Creditors</b>	<b>13.6</b>	<b>0</b>	<b>(2,142)</b>
<b>(135,310)</b>	<b>(72,813)</b>	<b>Total Financial Liabilities</b>		<b>(126,485)</b>	<b>(55,543)</b>
	(41,016)	Short term creditors which are not Financial Instruments	13.6		(41,868)
(66,360)	(404)	Other Current & long term liabilities which are not Financial Instruments:		(16,031)	(466)
<b>(201,670)</b>	<b>(114,233)</b>	<b>Total Balance Sheet Liabilities</b>		<b>(142,515)</b>	<b>(97,877)</b>

Equity instruments elected to fair value through OCI						
31st March 2023 £000	31st March 2023 £000	31st March 2023 £000		31st March 2024 £000	31st March 2024 £000	31st March 2024 £000
Fair value	OCI	Dividends		Fair value	OCI	Dividends
1,775	(249)	101	Kames Capital diversified monthly income fund	1,870	95	115
1,372	(71)	58	Investec Asset Management Ltd diversified income fund	1,366	(6)	62



433	(85)	19	CCLA LAMIT Property Fund	416	(17)	16
<b>3,581</b>	<b>(405)</b>	<b>178</b>	<b>Total Balance Sheet Asset</b>	<b>3,653</b>	<b>72</b>	<b>194</b>

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

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

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

31st March 2023					31st March 2024
£000					£000
	<b>Financial Liabilities measured at:</b>	<b>Fair value through P&amp;L</b>	<b>Fair value through OCI</b>	<b>Fair value through OCI - elected</b>	<b>Amortised cost</b>
16	Interest expense - finance lease /private finance initiative debtors	0	0	0	15
0	Losses on de-recognition	0	0	0	0
0	Losses from changes in fair value	0	0	0	0
0	Impairment losses	0	0	0	0
4,571	Other Interest expense	0	0	0	6,380
4,587	Subtotals	0	0	0	6,395
<b>4,587</b>	<b>Total Interest payable and similar charges</b>				<b>6,395</b>
	<b>Financial assets measured at:</b>	<b>Fair value through P&amp;L</b>	<b>Fair value through OCI</b>	<b>Fair value through OCI - elected</b>	<b>Amortised cost</b>
(57)	Interest income relating to finance lease debtors	0	0	0	(55)
0	Interest from deferred receipts	0	0	0	0
(179)	Dividend income (elected equity instruments)	0	0	(195)	0
0	Gains on derecognition	0	0	0	0
0	Gains from changes in fair value	0	0	0	0
0	Impairment loss reversals	0	0	0	0
(819)	Other Interest income	0	0	0	(1,561)
(1,056)	Subtotals	0	0	(195)	(1,617)
<b>(1,056)</b>	<b>Total Interest &amp; Investment income</b>				<b>(1,812)</b>
<b>3,532</b>	<b>Net impact on surplus/deficit on provision of services</b>				<b>4,583</b>
	<b>Impact on other comprehensive income:</b>	<b>Fair value through P&amp;L</b>	<b>Fair value through OCI</b>	<b>Fair value through OCI - elected</b>	<b>Amortised cost</b>
0	Gains on revaluation	0	0	0	0
405	Losses on revaluation	0	0	(72)	0
0	Amounts recycled to surplus/deficit on provision of services	0	0	0	0
405	Subtotals	0	0	(72)	0
<b>405</b>	<b>Impact on other comprehensive income</b>				<b>(72)</b>
<b>3,937</b>	<b>Net (gain)/loss for the year</b>				<b>4,511</b>

### 13.3 Fair Values of Financial Instruments

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2024, 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 2024, 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 2024.
- 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	Fair Value		Balance sheet position	Fair Value Level	Balance Sheet	Fair Value	
31st March 2023	31st March 2023				31st March 2024	31st March 2024	
£000	£000				£000	£000	
		<b>Financial liabilities held at amortised cost:</b>					
(200,229)	(175,141)	Borrowings	Borrowing (ST & LT)	2	(175,890)	(145,413)	
(609)	(460)	PFI and finance lease liabilities	Other LT Borrowing	3	(574)	(444)	
<b>(200,838)</b>	<b>(175,601)</b>	<b>Subtotal</b>				<b>(176,464)</b>	<b>(145,857)</b>
		<b>Financial liabilities held at amortised costs for which fair value is not disclosed:</b>					
(802)		Cash & Cash equivalent	C & C E		(1,723)		
(4,854)		Trade payables	Short term creditors		(2,142)		

(1,629)		Net agency creditor and lease deposits	Other LT Borrowing		(1,699)	
(208,123)		<b>Total financial liabilities</b>			<b>(182,028)</b>	

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 2023 £000	Fair Value 31st March 2023 £000		Fair Value Level	Balance Sheet 31st March 2024 £000	Fair Value 31st March 2024 £000	
<b>Financial assets held at fair value:</b>						
3,581	3,581	Equity investments elected FV through OCI	ST Investments	2	3,653	3,653
(4)	(4)	Unquoted equity investments held at FVP&L	LT Investments	3	20	20
<b>3,577</b>	<b>3,577</b>	<b>Subtotal</b>			<b>3,672</b>	<b>3,672</b>
<b>Financial assets held at amortised cost:</b>						
2,452	1,954	Lease receivables	LT debtors	3	2,347	1,934
0	0	Trade receivables - deferred receipt	LT debtors			
<b>6,028</b>	<b>5,530</b>	<b>Subtotal</b>			<b>6,019</b>	<b>5,606</b>
<b>Financial assets held at amortised cost for which fair value is not disclosed:</b>						
24,723		Cash & Cash equivalent	C&CE		8,346	
16,852		Short term investments	ST Investments		6,924	
12,462		Trade Receivables	Short term debtors		8,306	
199		Loans made for service purposes	Long term debtors		193	
<b>60,264</b>		<b>Total financial assets</b>			<b>29,788</b>	

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

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

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	Balance Short-term	Counterparty Group	Investment Vehicle	Average rating	Country	Balance Long-term	Balance Short-term
31st March 2023	31st March 2023					31st March 2024	31st March 2024
£'000	£'000					£'000	£'000
	13,000	UK Government	Term Deposit with DMADF	AA+	United Kingdom	0	3,000
		Local Authority	Term Deposit	AA+	United Kingdom	0	0
	21,564	Bank	Term Deposit	A+	United Kingdom	0	5,187
		<b>Credit risk Not applicable:</b>					
	3,581	Pooled funds			United Kingdom	0	3,653
788		Unquoted Equity			United Kingdom	19	0
542	3,431	CCRCD				542	3,431
<b>1,330</b>	<b>41,575</b>	<b>Total Investments</b>				<b>562</b>	<b>15,270</b>

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 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 2024, £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 2024 the carrying value was £2,880,000. The fair value was £1,934,000 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 50% of the Council's net total borrowing.

The maturity analysis of financial instruments is as follows:

31st March 2023				31st March 2024		
£000	£000	£000		£000	£000	£000
Borrowing	Investment	Net		Borrowing	Investment	Net
			<b>The Loans Mature as follows:-</b>			
4	(4,390)	(4,385)	No defined maturity	4	(4,485)	(4,481)
67,156	(13,000)	54,156	Less than one year	51,678	(3,000)	48,678
7,012	0	7,012	Between one and two years	5,086	0	5,086
12,867	0	12,867	Between two and five years	16,594	0	16,594
27,237	(792)	26,445	Between five and ten years	27,714	0	27,714
23,653	0	23,653	Between ten and twenty years	16,634	0	16,634
62,298	0	62,298	More than twenty years	58,179	0	58,179
<b>200,229</b>	<b>(18,182)</b>	<b>182,047</b>	<b>Total</b>	<b>175,890</b>	<b>(7,485)</b>	<b>168,405</b>

The Counterparty analysis of Borrowing is shown below:

31st March 2023		31st March 2024
£000		£000
120,792	Public Works Loan Board	126,236
13,811	Market Loans & Bank loans	3,081
5,251	Welsh Government	4,739
57,370	Local Government bodies	38,830
3,000	Special Purpose Vehicle	3,000
4	Other - CCRCD	4
<b>200,228</b>	<b>Total</b>	<b>175,890</b>

The financial liabilities due to Welsh Government at the 31st March 2024 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 2023/24 treasury strategy includes a limit on the Authority's exposure to interest rate risk. This limit of 50% applies to the percentage of net variable rate debt to total net debt, where net debt is debt net of investments.

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

The interest payable and interest receivable during 2023/24, on borrowings and investments held at the 31st March 2024, 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 2023	Effect of a 1% increase in interest rates	31st March 2024
£000		£000
437	Increase in interest payable on borrowings	51
(128)	Increase in interest receivable on investments	29
0	Decrease in fair value of investments held at FVP&L	0
<b>310</b>	<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>80</b>
(11,043)	Decrease in fair value of fixed rate borrowing *	(12,077)

\* 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 bond 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 2024, 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 2023					31st March 2024			
Long Term	Short Term	Impairment	Net		Long Term	Short Term	Impairment	Net
£000	£000	£000	£000		£000	£000	£000	£000
				<b>Central Government Bodies:</b>				
	26,683		26,683	Welsh Government		13,291		13,291
	2,330		2,330	HM Customs & Excise		2,964		2,964
	3,099		3,099	NNDR Debtor		1,945		1,945
	0		0	Council Tax and Housing Benefit Subsidy				0
			0	Other				0
				<b>Other entities and individuals:</b>				
	7,111	(7)	7,104	Other Local Authorities		4,462	(3)	4,459
			0	Deferred Capital receipts				0
2,347			2,347	Finance Lease	2,240			2,240
	4,713	(71)	4,642	Revenue debtors		5,060	(85)	4,975
	5,213	(2,494)	2,718	Council tax arrears		6,210	(2,935)	3,275
	3,064	(174)	2,890	Corporate sundry debtors		1,584	(178)	1,406

	1,288	(748)	540	Housing benefit overpayments		1,195	(745)	450
	5,958	0	5,958	NHS Bodies		2,567	0	2,567
	1,437	(205)	1,232	Social Services debtors		2,175	(467)	1,708
	489	(304)	185	Rent arrears		558	(378)	180
	229		229	Capital debtors		4,901		4,901
191			191	Housing Advances	184			184
1,020	678		1,698	Other	1,020	678		1,698
<b>3,558</b>	<b>62,291</b>	<b>(4,001)</b>	<b>61,848</b>	<b>Total Debtors</b>	<b>3,445</b>	<b>47,590</b>	<b>(4,791)</b>	<b>46,244</b>

The aged analysis of short term debtors outstanding as at 31st March 2024 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 Months to 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
<b>Central Government Bodies:</b>						
Welsh Government	13,150	141	0	0	0	<b>13,291</b>
HM Customs & Excise	2,964	0	0	0	0	<b>2,964</b>
NNDR Debtor	1,359	0	105	112	369	<b>1,945</b>
Council Tax and Housing Benefit Subsidy	0	0	0	0	0	<b>0</b>
Other	0	0	0	0	0	<b>0</b>
<b>Other entities and individuals:</b>						
Other Local Authorities	2,538	1,800	108	16	0	<b>4,462</b>
Deferred Capital receipts	0	0	0	0	0	<b>0</b>
Finance Leases	0	0	0	0	0	<b>0</b>
Revenue debtors	4,910	0	43	39	68	<b>5,060</b>
Council tax arrears	0	0	1,291	1,204	3,715	<b>6,210</b>
Corporate sundry debtors	161	1,089	184	40	110	<b>1,584</b>
Housing benefit overpayments	0	0	265	138	792	<b>1,195</b>
NHS Bodies	1,447	1,137	6	-23	0	<b>2,567</b>
Social Services sundry debtors	332	318	857	404	264	<b>2,175</b>
Rent arrears	129	26	68	76	259	<b>558</b>
Capital debtors	4,901	0	0	0	0	<b>4,901</b>
Housing Advances	0	0	0	0	0	<b>0</b>
Other	678	0	0	0	0	<b>678</b>
<b>Total</b>	<b>32,569</b>	<b>4,511</b>	<b>2,927</b>	<b>2,006</b>	<b>5,577</b>	<b>47,590</b>

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2024 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 to 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
Other Local Authorities	0	0	3	0	0	<b>3</b>
Revenue debtors	0	0	21	20	44	<b>85</b>
Council Tax Arrears	0	0	610	569	1,756	<b>2,935</b>
Corporate sundry debtors	0	8	54	39	77	<b>178</b>
Housing benefit overpayments	0	0	42	29	674	<b>745</b>
NHS Bodies	0	0	0	0	0	<b>0</b>



Social Services sundry debtors	11	38	231	95	92	467
Rent arrears	0	5	38	76	259	378
<b>Total</b>	<b>11</b>	<b>52</b>	<b>999</b>	<b>828</b>	<b>2,900</b>	<b>4,791</b>

### 13.6 Creditors

It is the Authority's policy to pay creditors promptly, without undue delay and within mutually agreed terms. 95.9% of payments were paid within a 30 day target settlement date (97.3% in 2022/23).

The nature and value of payments due to be made by the Council in the year but not actually made as at 31st March 2024 is summarised below:

31st March 2023		31st March 2024
£000		£000
3,980	Central Government Bodies	6,819
5,944	Other Local Authorities	4,459
1,071	NHS Bodies	65
4,853	Capital Creditors	6,951
25,670	Other entities & individuals	19,819
4,352	Accumulating Compensated Absences	5,898
<b>45,870</b>	<b>Total</b>	<b>44,010</b>

### 13.7 Provisions and Contingent Liabilities

The value of provisions as at 31st March 2024, together with their movement for the year, is summarised below:

	Note	As at 1st April 2023	New or increased Provisions	Used or reduced Provisions	As at 31st March 2024
		£000	£000	£000	£000
Insurance Claims	13.7a	809	564	(449)	924
CCRCD Consolidation		170	0	0	170
<b>Total</b>		<b>979</b>	<b>564</b>	<b>(449)</b>	<b>1,094</b>

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

Current	Long Term		Current	Long Term
31st March 2023	31st March 2023		31st March 2024	31st March 2024
£000	£000		£000	£000
404	404	Insurance Claims	466	457
0	170	CCRCD Consolidation	0	170
<b>404</b>	<b>574</b>	<b>Total</b>	<b>466</b>	<b>627</b>

#### a) Insurance Claims

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

To satisfy IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a full actuarial assessment of open insurance claims was carried out 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 2024. 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 2024 was £923,592 (£808,577 at 31st March 2023) and the balance on the insurance and risk management reserve as at 31st March 2024 was £924,997 (£924,997 as at 31st March 2023). 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 2023 £000		31st March 2024 £000
723	Public Liability	892
0	Motor Liability	9
86	Employer's Liability	22
<b>809</b>	<b>Total</b>	<b>924</b>

## 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.

In 2023/24, the Council paid £7,093,236 to the TPA in respect of teachers' retirement benefits, (£6,474,000 in 2022/23) representing 23.6% of pensionable pay (23.6% in 2022/23). In 2024/25 the expected contributions for the plan are £7.4 million.

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 £598,688 of contributions remaining payable to the scheme at the year end (£559,992 at 31st March 2023). The Council is not responsible for any other employers' obligations under this pension plan.

#### *Greater Gwent Pension Fund*

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

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

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

14.2 Pension Fund Stakeholders

14.3 Entries in the comprehensive income and expenditure statement

14.4 Expected future pension contributions

14.5 Actuarial Assumptions

- 14.6 Sensitivity analysis
- 14.7 Investments held by the pension fund
- 14.8 The movement in the authority's share of the assets and liabilities within the Fund
- 14.9 A summary explanation of the movement in assets and liabilities

## 14.2 Pension Fund Stakeholders

The total defined benefit obligation for the Authority's share of the Greater Gwent Pension fund (excluding unfunded liabilities) as at the 31st March 2024 is split as follows, along with the weighted average duration of each group:

2022/23			2023/24		Average Age (Years)
£000's	%		£000's	%	
212,099	42%	Active	226,322	44%	52
74,158	15%	Deferred	73,223	14%	52
214,342	43%	Pensioners	209,944	41%	69
<b>500,599</b>	<b>100%</b>	<b>Total</b>	<b>509,489</b>	<b>100%</b>	

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

## 14.3 Entries in the comprehensive income and expenditure statement

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

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 2024 IAS19 balance sheet figures.

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

Local Government Pension Scheme	Teachers' Unfunded Discretionary Benefits		Local Government Pension Scheme	Teachers' Unfunded Discretionary Benefits
2022/23 £000's	2022/23 £000's		2023/24 £000's	2023/24 £000's
		<b>Comprehensive Income and Expenditure Account</b>		
		<b>Net Cost of Services:</b>		
33,015	0	current service cost	15,839	0
224	0	past service cost / (gain) including curtailments	1,156	0
0	0	settlement gain	0	0
<b>33,239</b>	<b>0</b>	<b>Total Net Cost of Services</b>	<b>16,995</b>	<b>0</b>
		<b>Financing and Investment Income and Expenditure:</b>		
19,396	89	interest cost on pension liabilities	23,974	122
(12,277)	0	interest income on plan assets	(21,455)	0
0	0	Impact of asset ceiling on net interest	0	0

40,358	89	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>19,514</b>	<b>122</b>
		<b>Other Comprehensive Income and Expenditure:</b>		
(225,290)	(466)	(Gains) and losses on remeasurement	(51,548)	288
0	0	Effect of business combinations and disposals	0	0
<b>(225,290)</b>	<b>(466)</b>	<b>Total Other Comprehensive Income and Expenditure</b>	<b>(51,548)</b>	<b>288</b>
<b>(184,932)</b>	<b>(377)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(32,034)</b>	<b>410</b>
		<b>Movement in Reserves Statement</b>		
(40,358)	(89)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(19,514)	(122)
		<b>Actual amount charged against the Council Fund for pensions in the year:</b>		
16,984	343	Employers' contributions payable to scheme	18,591	381

#### 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 2025 are £18,134,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2025 are £395,000.

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 2024	31st March 2023	31st March 2022
Rate of increase in salaries	3.3%	3.5%	3.5%
Rate of increase in pensions (inline with CPI)	2.8%	3.0%	3.2%
Rate for discounting scheme liabilities	4.9%	4.8%	2.7%
<b>Life Expectancy:</b>			
Current male pensioner aged 65 (years)	20.9	21.0	20.5
Current female pensioner aged 65 (years)	23.9	24.1	23.2
Future male pensioner aged 65 in 20 years' time (years)	21.8	21.9	21.8
Future female pensioner aged 65 in 20 years' time (years)	25.4	25.7	25.1

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

## 14.6 Sensitivity Analysis

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

Change in assumption at 31st March 2024	Approximate % increase to Employer	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	9,469
0.5% increase in the Salary Increase Rate	4%	20,609
0.1% increase in the Salary Increase Rate	0%	1,059
0.1% increase in the Pension Increase Rate	2%	8,580

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 2023		Category	Quoted in Active markets	31st March 2024	
£000	%			£000	%
0	0.0%	Equities	Yes	0	0.0%
<b>Investment funds &amp; Unit Trusts</b>					
332,012	73.8%	Equities	No	374,836	73.6%
59,913	13.3%	Bonds	No	62,428	12.3%
46,374	10.3%	Other	No	45,555	8.9%
9,108	2.0%	Property	No	8,696	1.7%
2,334	0.5%	Cash accounts	No	17,738	3.5%
0	0.0%	Alternatives	No	0	0.0%
<b>449,740</b>	<b>100.0%</b>	<b>Total</b>		<b>509,253</b>	<b>100.0%</b>

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

### The Movement in Fund Assets

Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits		Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits
2022/23 £000	2022/23 £000		2023/24 £000	2023/24 £000
452,486	0	As at 1st April	449,740	0
0	0	Settlement costs	0	0

12,277	0	Interest on plan assets	21,455	0
16,984	343	Employers contributions	18,591	381
4,320	0	Contributions by scheme participants	4,659	0
(20,156)	0	Gains / (losses) on remeasurement of assets	34,137	0
0	0	Administration expenses of plan assets	0	0
(16,171)	(343)	Benefits paid	(19,329)	(381)
<b>449,740</b>	<b>0</b>	<b>As at 31st March</b>	<b>509,253</b>	<b>0</b>

#### The Movement in Fund Liability

<b>(708,219)</b>	<b>(3,479)</b>	<b>As at 1st April</b>	<b>(503,557)</b>	<b>(2,759)</b>
(33,015)	0	Current service cost	(15,839)	0
(224)	0	Past service (cost) / gain (including curtailments)	(1,156)	0
0	0	Settlement gains	0	0
0	0	Curtailment costs	0	0
(19,396)	(89)	Interest on pension liabilities	(23,974)	(122)
(4,320)	0	Contributions by scheme participants	(4,659)	0
245,446	466	Gains / (losses) on remeasurement of liabs	17,411	(288)
16,171	343	Benefits paid	19,329	381
0	0	Effect of business combinations & disposals	0	0
<b>(503,557)</b>	<b>(2,759)</b>	<b>As at 31st March</b>	<b>(512,445)</b>	<b>(2,788)</b>

There were £1,872,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2023 £1,749,000 was payable) and £14,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£14,000 at 31 March 2023).

Within the £512,445,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2024 (£503,557,000 31 March 2023), there are £2,766,000 of unfunded liabilities (£3,908,000 as at 31st March 2023).

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

Over the five years ending the 31 March 2024, the fund's actuaries have estimated that the Authority had the following assets and liabilities:

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Local Government Pension Scheme</b>					
Present value of scheme liabilities	(549,563)	(727,091)	(708,219)	(503,557)	(512,445)
Fair value of scheme assets	322,980	424,338	452,486	449,740	509,253
<b>Surplus / (deficit) in the scheme</b>	<b>(226,583)</b>	<b>(302,753)</b>	<b>(255,733)</b>	<b>(53,817)</b>	<b>(3,192)</b>
<b>Teachers Unfunded Discretionary Benefits</b>					
Present value of scheme liabilities	(3,943)	(3,951)	(3,479)	(2,759)	(2,788)
Fair value of scheme assets	0	0	0	0	0
<b>Surplus / (deficit) in the scheme</b>	<b>(3,943)</b>	<b>(3,951)</b>	<b>(3,479)</b>	<b>(2,759)</b>	<b>(2,788)</b>
<b>Total</b>					
Present value of scheme liabilities	(553,506)	(731,042)	(711,698)	(506,316)	(515,233)
Fair value of scheme assets	322,980	424,338	452,486	449,740	509,253
<b>Surplus / (deficit) in the scheme</b>	<b>(230,526)</b>	<b>(306,704)</b>	<b>(259,212)</b>	<b>(56,576)</b>	<b>(5,980)</b>
<b>Year on year increase in net liability (or deficit)</b>		<b>(76,178)</b>	<b>47,492</b>	<b>202,636</b>	<b>50,596</b>

There is a decrease in the combined net liability of the Greater Gwent pension funds of £50,596,000 from 1 April 2023 to 31 March 2024. This has resulted from an increase of £59.5m in the value of scheme assets offset by an increase in the value of scheme liabilities of £8.88m. The performance of underlying assets have improved with equities, bonds and infrastructure investments all increasing in value.



## 15 NOTES TO THE CASH FLOW STATEMENT

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

2022/23 £000		2023/24 £000
(822)	Net (surplus) or deficit on the provision of services	(25,969)
	<b>Non-cash transactions:</b>	
(14,600)	Depreciation of non-current assets	(17,656)
9,798	Impairment and downward valuations	(778)
(54)	Amortisation of intangible non-current assets	(26)
(497)	Increase/(decrease) in impairment for provision for bad debts	(884)
(135)	Increase/(decrease) in inventories	85
16,012	Increase/(decrease) in debtors	(14,491)
11,120	(Increase)/decrease in creditors	1,595
229	(Increase)/decrease in provisions	(115)
(23,121)	Pension liability	(665)
3,032	CCRCD: Capital & Revenue Grants recognised	0
(4,140)	Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised	(2,366)
(166)	Movement in the value of investment properties	10,214
(1,636)	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(213)
	<b>Items classified in another classification in the cash flow statement</b>	
63	Other payments for investing activities	3,248
25,189	Other receipts from investing activities	37,784
(33)	Other payments for financing activities	(35)
(2,451)	Other receipts for financing activities	0
7,986	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,054
<b>25,775</b>	<b>Net cash flows from Operating Activities</b>	<b>(6,217)</b>

### 15.2 Returns on Investments and Servicing of Finance

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

2022/23 £000		2023/24 £000
	<b>Returns on Investments received:</b>	
(965)	Interest received	(1,799)
(7)	Other interest and investment income	(50)
	<b>Servicing of Finance paid:</b>	
3,979	Interest paid	6,106
0	Interest element of finance lease rental payments	0
<b>3,006</b>		<b>4,257</b>

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

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

	At 31st March 2023	In Year Movement	At 31st March 2024
	£000	£000	£000
<b>Current Assets</b>			
Cash held by the Authority	149	1	149
Bank current accounts	0	172	172
Short-term call account deposits	24,574	(16,550)	8,024
<b>Current Liabilities</b>			
Bank current account overdrafts	(802)	(920)	(1,723)
<b>Total</b>	<b>23,921</b>	<b>(17,298)</b>	<b>6,623</b>

## 16 OTHER NOTES TO THE ACCOUNTS

### 16.1 Members Allowances

Information on members' allowances is available on request from the Payroll Manager, Payroll Section, Monmouthshire County Council, 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:

2022/23 £000		2023/24 £000
772	Basic allowance	806
226	Special responsibility allowance	244
8	Travel allowance	10
9	Subsistence allowance	3
0	ICT Costs	0
<b>1,015</b>	<b>Total</b>	<b>1,063</b>

The increase from 2022/23 is due to the Members pay award following recommendations by the Independent Remuneration Panel and an increase in the number of Co-Opted members (increasing from 2 to 9).

Increased expenses are due to more face to face meetings taking place.

### 16.2 Audit Costs

The Authority has incurred the following costs during 2023/24 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:

2022/23 £000		2023/24 £000
210	Fees payable to the appointed auditor with regard to external audit services - financial audit	223
112	Fees payable to the appointed auditor with regard to external audit services - Local Government Measure	119
49	Fees payable to the appointed auditor for certification of grant claims & returns	52
<b>371</b>	<b>Total</b>	<b>394</b>

### 16.3 S31 and S33 Pooled Budget Arrangements

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

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

#### a) Mardy Park Rehabilitation Scheme

The Authority had previously entered into a pooled budget arrangement with the Aneurin Bevan 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 2024 was:

2022/23 £000		2023/24 £000
-----------------	--	-----------------

	<b>Funding</b>	
(298)	Monmouthshire County Council	(367)
(225)	Monmouthshire Local Health Board	(276)
<b>(523)</b>	<b>Total Funding</b>	<b>(643)</b>
	<b>Expenditure</b>	
372	Employee related	419
96	Premises related	147
0	Transport related	0
27	Supplies & Services	35
22	Agency & Contracted	31
<b>517</b>	<b>Total Expenditure</b>	<b>632</b>
<b>(6)</b>	<b>Net (Under)/over spend</b>	<b>(11)</b>

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

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

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

Torfaen County Borough Council is the host for the Partnership, who recorded gross expenditure of £4,457,000 (£3,940,000 for 2022/23) and gross income of £4,457,000 (£3,940,000 for 2022/23) for the financial year ended 31st March 2024. Monmouthshire County Council's contribution for the year was £406,000 (£322,000 for 2022/23).

#### **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 £4,667,000 (£4,272,000 for 2022/23) and gross income of £4,172,000 (£3,845,000 for 2022/23) for the financial year ended 31st March 2024. Monmouthshire County Council's total contribution for the year was £1,447,000 (£1,328,000 for 2022/23).

#### **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 £17,166,000 (£16,447,000 for 2022/23) and gross income of £17,232,000 (£16,521,000 for 2022/23) for the financial year ended 31st March 2024. Monmouthshire County Council's total contribution for the year was £1,626,000 (£1,469,000 for 2022/23).

### 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 £137,951,490 (£118,709,313 for 2022/23) and funding of £137,951,490 (£118,709,313 for 2022/23) for the financial year ended 31st March 2024. Monmouthshire County Council's total contribution for the year was £12,680,547 (£10,828,264 for 2022/23).

## 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 2023/24 is shown in note 16.1. Under the Code of Conduct, incorporated in the Council's constitution, Members are required to record in the Register of Members' Interests any financial and other personal interests, together with any gift, hospitality, material benefit or advantage. The Register is open to inspection by the public and is available on an individual Member basis on the Council's website. Members who declare an interest do not take part in any discussion or decision relating to grants made or works or services commissioned. Details of all interests declared are recorded in the minutes of relevant meetings.

Members of the Council are nominated to serve on numerous outside bodies, some of which either receive funding from the Council or issue levies and precepts to be paid by the Council. When sitting on these bodies Members are expected to act independently and not to represent the views of the County Council. Where works or services have been commissioned or where grants were made during the financial year in which Members had an interest, Members have a duty to declare such an interest. The Council must ensure that contracts entered into were in full compliance with standing orders and that grants were made with proper consideration of declarations of such interests.

The following transactions related to elected members took place during the year 2023/24, with associated balances due to or from the Council at the year ended 31 March 2024.

Related Party, relationship and transaction details	Amounts Paid out by Authority	Amounts Received by Authority	Balance Outstanding - Debtors	Balance Outstanding - Creditors
	£	£	£	£
<b>Education Achievement Service</b> - One Councillor was a board member of the service during the financial year	528,636.00	(166,663.20)	0.00	0.00

<b>Caldicot Town Council</b> - One Councillor was a Town Councillor during the financial year	385,930.00	(61,334.80)	0.00	0.00
<b>Abergavenny Town Council</b> - One Councillor was a Town Councillor during the financial year	481,680.00	(226,443.82)	0.00	0.00
<b>Abergavenny Community Orchard and Gardens CIC</b> - A councillor was an active member of this Community interest company	0.00	(108.00)	0.00	0.00
<b>HH Business Finance Ltd.</b> - A Councillor is related to a Board Member of this company.	0.00	(3,000.00)	0.00	0.00
<b>Magor with Undy Town Council</b> - One Councillor was a Town Councillor during the financial year	298,574.00	(4,990.12)	0.00	0.00
<b>Gateway Credit Union Ltd</b> - A Councillor is a Volunteer director of this credit union	59,477.65	(610.33)	0.00	0.00
<b>Basecamp Charity, Chepstow</b> - A Councillor is a Clinical Lead of this charity	8,447.00	0.00	0.00	0.00
<b>Skenfrith Community Council</b> - One Councillor was a Community Councillor during the financial year	5,194.00	0.00	0.00	0.00
<b>Housing Rental Expenditure</b> - One Councillor rented a property to MCC for housing purposes	5,310.00	0.00	0.00	0.00

### 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 2023/24 and held the following position during the year:

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

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

- **Cadwyn Housing Association (Chair)**

The 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 2023/24 (£3,850 and £3,290 respectively in 2022/23) 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 2024:

2022/23					2023/24			
Income £000	Expend £000	Assets £000	Liabs £000		Income £000	Expend £000	Assets £000	Liabs £000
(212)	692	5,406	(204)	<b>Welsh Church Act Fund</b>	(303)	294	5,484	(5,475)

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.

(3)	5	132	(66)	<b>Llanelly Hill Social Welfare Centre</b>	tbc	tbc	tbc	tbc
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The primary objective of the fund is the provision of a Social welfare centre to the residents of Llanelly hill. The Trust's fixed assets comprise the social welfare centre premises and land upon which it is situated.

(0)	0	0	0	<b>Chairman's Charity</b>	(1)	0	1	0
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The Chairman's Charity supports and raises funds for the Chairman's nominated Charity of the year.

				<b>Funds for which Monmouthshire County Council acts as custodian trustee:</b>				
(27)	89	625	(2)	<b>Monmouthshire Farm School Endowment</b>	tbc	tbc	tbc	tbc
(1,744)	1,519	1,326	(1,102)	<b>Appointeeship - Personal Monies</b>	(1,560)	1,519	1,368	(1,326)

## 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:

### 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 2023/24 included in the Council's Accounts totalled £2.374m (£2.279m in 2022/23).

The Authority owed £384,362 to SRS Public at the 31st March 2024 (£209,859 owed as at 31st March 2023).

#### 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 2023.

The company is exempt from audit under section 477 of the companies act 2006 for the financial year ending September 2023.

30th Sep 2022		30th Sep 2023
£000		£000
Final		Draft
322	Total Assets/(Liabilities)	299
3	Profit/(Loss) before Taxation	(25)
3	Profit/(Loss) after Taxation	(25)
0	Dividends	0

There were no transactions between Monmouthshire County Council and Y Prentis during 2023/24 (nil in 2022/23).

#### 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 2024.

31st March 2023		31st March 2024
£000		£000
Final		Draft
369	Total Assets/(Liabilities)	473
105	Profit/(Loss) before Taxation	125
105	Profit/(Loss) after Taxation	125
0	Dividends	0

Payments of £498,143 were made to the EAS during 2023/24 (£528,636 during 2022/23). Income received from EAS was £166,663. Outstanding income of £121 was owed by the EAS to MCC at 31st March 2024 (£Nil at 31st March 2023).

#### 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 2024.



31st March 2023		31st March 2024
£000 Final		£000 Draft
239	Total Assets/(Liabilities)	255
25	Profit/(Loss) before Taxation	16
25	Profit/(Loss) after Taxation	16
0	Dividends	0

Payments of £213,302 were made to Gwent Archives during 2023/24 (£196,353 during 2022/23). There were no balances owing to/from Gwent Archives at 31st March 2024 (nil at 31st March 2023).

#### 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 2024.

31st March 2023		31st March 2024
£000 Final		£000 Draft
2,314	Total Assets/(Liabilities)	2,110
236	Profit/(Loss) before Taxation	(350)
236	Profit/(Loss) after Taxation	(350)
0	Dividends	0

A dividend payment of £48,294 was received from Gwent Crematorium for the 2022/23 financial year (£83,045 during 2022/23). The dividend was outstanding as at 31st March 2024 (nil at 31st March 2023).

#### 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 2024.

31st March 2023		31st March 2024
£000 Final		£000 Draft
268	Total Assets/(Liabilities)	237
(28)	Profit/(Loss) before Taxation	(30)
(28)	Profit/(Loss) after Taxation	(30)
0	Dividends	0

A payment of £27,000 was made to Project Gwyrdd during 2023/24 (£27,000 for 2022/23) There was £Nil owing to Project Gwyrdd at 31st March 2024 (£Nil at 31st March 2023).

#### Cardiff Capital Region City Deal (CCRCD)

A Joint Working Agreement established the Cardiff Capital Region Joint Committee as a Joint Committee, with delegated functions, from 1 March 2017 as a partnership between the 10 councils in South-East Wales, including Monmouthshire County Council. From the 18 March 2024 the city region became a Corporate Joint Committee. The public body will be known as Cardiff Capital Region (CCR), but legal name will be the South-East Wales Corporate Joint Committee.

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 latest available financial information incorporated are the draft figures as at 31st March 2023.

The revenue contribution required during the year was £78,568 (£74,826 in 2022/23).

In respect of capital spending, no contribution was required in 2023/24 (no contribution in 2022/23) as the forecasted spend did not materialise. There were no balances owing to/from the joint committee at 31st March 2024 (nil at 31st March 2023).

### CSC Foundry

During 2023/24 MCC had 'Significant Influence' over CSC Foundry Ltd which is a subsidiary of CCRCD. As at 31st March 2024 CSC Foundry had £3.0m invested with the Authority which is classified within Short term borrowing in the Balance sheet (£3.0m in 2022/23).

## 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 2024							
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	128,008	0	0	<b>128,008</b>	28,493	<b>156,501</b>	
Chief Officer - Resources and Deputy Chief Executive	100,965	0	0	<b>100,965</b>	24,333	<b>125,298</b>	
Chief Officer - Children and Young People	94,538	0	0	<b>94,538</b>	22,784	<b>117,322</b>	
Chief Officer - Communities and Place	94,538	0	0	<b>94,538</b>	22,784	<b>117,322</b>	
Chief Officer - People and Governance and Monitoring Officer (April to July)	31,084	0	0	<b>31,084</b>	7,008	<b>38,092</b>	
Chief Officer - Law and Governance (November to March) replaced post above	38,320	0	0	<b>38,320</b>	9,235	<b>47,555</b>	
Chief Officer - Social Care, Safeguarding & Health	91,967	0	0	<b>91,967</b>	22,164	<b>114,131</b>	
Chief Officer - MonLife and Customer, Culture & Wellbeing	82,970	0	0	<b>82,970</b>	19,996	<b>102,966</b>	
Chief Officer - People, Performance & Partnerships (previously known as Head of Policy, Performance & Scrutiny)	78,043	0	0	<b>78,043</b>	18,808	<b>96,851</b>	
<b>Total</b>	<b>740,433</b>	<b>0</b>	<b>0</b>	<b>740,433</b>	<b>175,604</b>	<b>916,037</b>	

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	<b>123,679</b>	29,807	<b>153,486</b>	

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

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

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

Employers' pension contributions were paid at a rate of 24.1% of pensionable pay for staff within the Local Government Pension Scheme (24.1% for 2022/23). Expense allowances are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2023/24 (Nil in 2022/23).

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 £27,334. This equates to spinal point 14 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5:1.

In 2022/23, the median employee position was calculated as £24,948, equating to spinal point 13 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5:1.

For the purposes of reporting remuneration, voluntary aided schools' employees have been included in the remuneration notes 16.7 to 16.9, where appropriate, as if they were employees of the council even though their contract of employment is with their respective governing body.

## 16.8 Officers' Emoluments

The number of employees whose remuneration was £60,000 or more in bands of £5,000, during the year ended 31st March 2024, was:

2022/23		Remuneration Band	2023/24	
Number of employees	(Of which are teaching staff)		Number of employees	(Of which are teaching staff)
0	0	£130,000 - £134,999	1	1
0	0	£125,000 - £129,999	1	0
3	1	£120,000 - £124,999	1	0
0	0	£115,000 - £119,999	2	2
0	0	£110,000 - £114,999	3	1
0	0	£105,000 - £109,999	0	0
1	1	£100,000 - £104,999	2	1
1	0	£95,000 - £99,999	1	0
4	0	£90,000 - £94,999	8	5
3	1	£85,000 - £89,999	1	0
7	2	£80,000 - £84,999	11	2

4	2	£75,000 - £79,999	19	13
15	11	£70,000 - £74,999	16	16
12	11	£65,000 - £69,999	20	12
29	19	£60,000 - £64,999	39	22
<b>79</b>	<b>48</b>	<b>Total</b>	<b>125</b>	<b>75</b>

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

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

Employers' pension contributions were paid at a rate of 24.1% of pensionable pay for staff within the Local Government Pension Scheme (24.1% for 2022/23) and 23.68% of pensionable pay for staff within the Teachers' Pension Scheme (23.68% in 2022/23).

## 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.

2022/23			Exit package Cost band	2023/24		
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
13	4	171	£0 - £20,000	31	8	364
11	0	304	£20,001 - £40,000	10	2	346
2	0	110	£40,001 - £60,000	5	3	389
0	0	0	£60,001 - £80,000	1	2	206
1	0	92	£80,001 - £100,000	1	0	89
0	0	0	£100,001 - £150,000	1	0	136
1	0	157	£150,001 - £200,000	0	0	0
<b>28</b>	<b>4</b>	<b>834</b>	<b>Total</b>	<b>49</b>	<b>15</b>	<b>1,530</b>

## 16.10 Events after the Balance Sheet date

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

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

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

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

## 17 STATEMENT OF ACCOUNTING POLICIES

### 17.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year-end of 31st March 2024.

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 2023/24, supported by International Financial Reporting Standards (IFRS), and the Service Reporting Code of Practice 2023/24 (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

There are no new relevant standards or amendments to existing standards that have been published but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) that will have an impact on the Statement of Accounts.

However the following details are provided for information purposes:-

**IFRS 16 Leases.** The Standard removes the previous lease classifications of operating and finance leases and requires local authorities that are lessees to recognise all leases on their balance sheet as right use of assets, with a corresponding lease liability representing the lessees obligation to make lease payments for the assets. The Authority intends to adopt the new standard on 1st April 2024, in line with CIPFA/LASAAC's date for compulsory implementation.

**Infrastructure Assets - Temporary Relief.** CIPFA/LASAAC issued a code update in November 2022 that included specifications for future codes on the disclosure of gross cost and accumulated depreciation for infrastructure assets. The Code has been updated to include a temporary relief from the Code's core requirement to disclose gross cost and accumulated depreciation of infrastructure assets until 31st March 2025.

### 17.3 Accruals of Income and Expenditure

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

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- A discretionary de minimus level of £1,000 is applied to accruals of both income and expenditure with the exception of automatically system generated accruals or those required where it is necessary to ensure accuracy for grant claims or agency work.

#### **17.4 Cash and Cash Equivalents**

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

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

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

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

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

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

#### **17.6 Critical Judgements in Applying Accounting Policies**

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

- The Council is deemed to control the services provided under its PFI arrangements and also to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

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

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

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

The items in the Authority's Balance Sheet at 31st March 2024 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	<p>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.</p> <p>Traditionally the Council undertakes a rolling five-year valuation schedule to review and update the value of the assets held in the balance sheet.</p> <p>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.</p> <p>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.</p>	<p>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.</p>
Property, Plant and Equipment	<p>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.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p>



Pensions Liability	<p>Pensions Liability – Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions.</p> <p>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.</p> <p>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 2024 IAS19 balance sheet figures. The final impact on the pension scheme will not be known until the required changes in legislation have been made.</p>	The assumptions interact in complex ways. Further information is provided in note 14 concerning the risks and sensitivity of changes in the pension assets and liabilities.
Provisions	The Council has included provisions for known insurance claims as at 31st March 2024. 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 2024 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	<p>At 31st March 2024, the Authority had an outstanding balance of short term debtors totalling £47.59m. Against this debtors balance, there is an impairment allowance of £4.79m.</p> <p>It is not absolutely certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. The economic impact of high inflation and cost of living crisis has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.</p>	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection.

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

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

### **17.19 Leases**

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



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

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

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

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

Lease payments are apportioned between:

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

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

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

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

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

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

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

Lease rentals receivable are apportioned between:



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

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

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

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

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

## **17.20 Overheads and Support Services**

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

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

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

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

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

### *Measurement*

Assets are initially measured at cost, comprising:

- The purchase price.

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

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

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

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

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

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

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

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

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.

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**

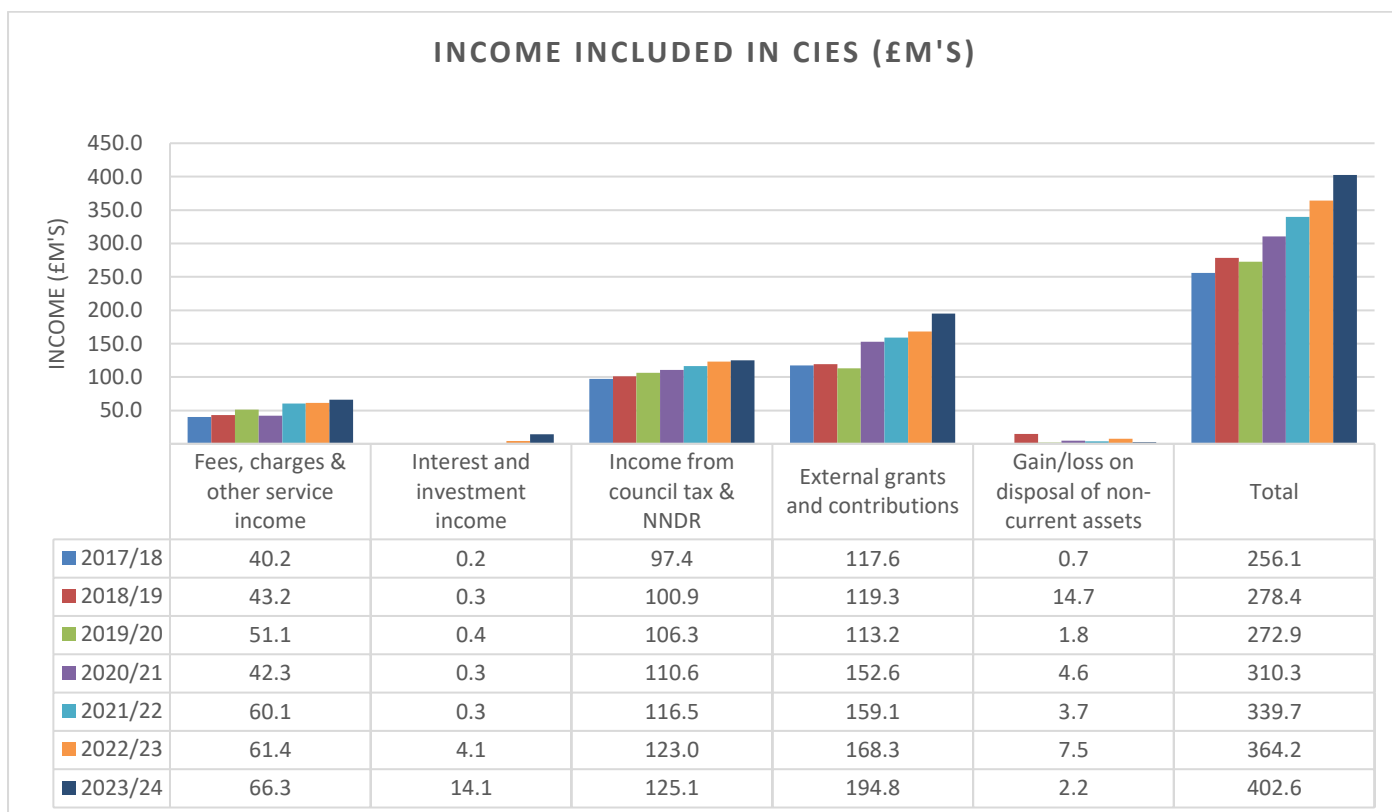
The Comprehensive Income and Expenditure Account excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's Income and Expenditure account.

## Appendix 2 – Summary of 2023/24 primary financial statements

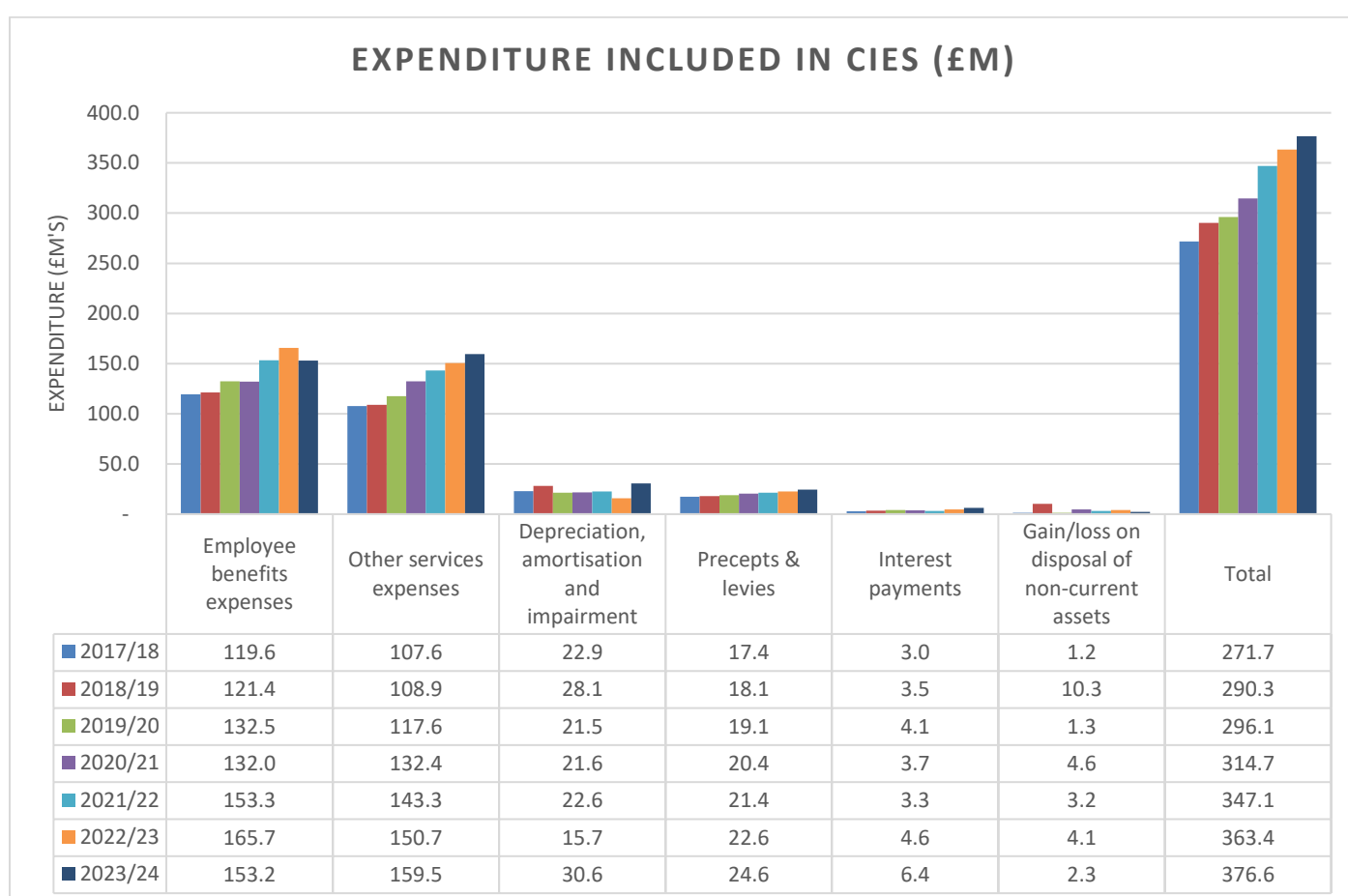
### Comprehensive Income & Expenditure Statement (CIES) (Sections 6 & 11)

- The CIES shows the **accounting cost** of providing services in accordance with generally accepted accounting conventions. This will be considerably different to the budget monitoring reports received by Cabinet during the year which are solely based on expenditure which is to be funded from Council income. The CIES consequently includes the following additional items to arrive at an accounting cost:
  - Capital charges** for depreciation, amortisation, impairment, revaluation movements and capital grants applied;
  - Pension service costs** - the CIES reflects the fair value of the future pension liabilities relating to past employee service, and the extent to which assets have been set aside to fund them, rather than the actual payments and contributions made by the Council in the year;
  - Accumulated absences** – the CIES includes an adjustment for accrued employee holiday benefits so that the cost is charged to revenue in the financial year in which the holiday absence physically occurs;
  - Other** – regulations stipulate the format of the CIES and consequently some items of income or expenditure are shown within different classifications to the monitoring reports
- The following charts illustrate the movement in the “accounting” income and expenditure which make up the Surplus/deficit on the provision of services (SDPS) within the CIES. Further information can be found in notes 11.1 & 11.2 of the accounts.

### Income & Expenditure analysed by nature (note 11.2)



- 3 **Fees, charges & other service income** has increased by £4.9m (8.0%) year on year (YOY) which is largely in line with expectations as charges for Council services have increased in line with cost and inflationary pressures experienced. This will include charges for services such as Waste, Social Care, rents, and Car parking for example.
- 4 The increase in **investment income** of £10.1m partly reflects the increased interest rate environment experienced over the period, which has generated £1m more interest YOY. However, by far the largest element of the increase relates to the increase in the valuation of the Council's investment properties, and whilst this is shown as income in the CIES, this is simply an accounting adjustment that has no impact on Council's funding position.
- 5 The increase in **external grants** of £26.5m (15.7%) YOY is mainly due to the increase in capital grants applied during the year, reflective of expected variances in specific grant awards for capital schemes such as the new King Henry school scheme.



- 6 **Employee benefit expenses** have reduced by £12.5m (7.5%) YOY. Standard employee costs have increased YOY by £9.3m which is reflective of staff pay awards and service operating levels. However this has been more than offset by a reduction of £22m in the accounting cost of providing for pension related costs under accounting conventions. Increased investment returns on pension fund assets, and reductions in projected liabilities have combined to reduce future liabilities and consequently the annual cost share reported in the CIES.
- 7 The increase in **other service expenses** of £8.8m (5.8%) YOY principally reflects the additional demand pressures and inflationary environment that services have experienced in premises, supplies and third-party contracts during 2023/24.



8 **Depreciation, amortisation & impairment** has increased significantly YOY which is principally due to an increase in impairment charges. Volatility can be expected in this area dependent upon the assets included in the cycle of valuations, and capital expenditure carried out in any one year.

### Movement in Reserves (Sections 5 & 10)

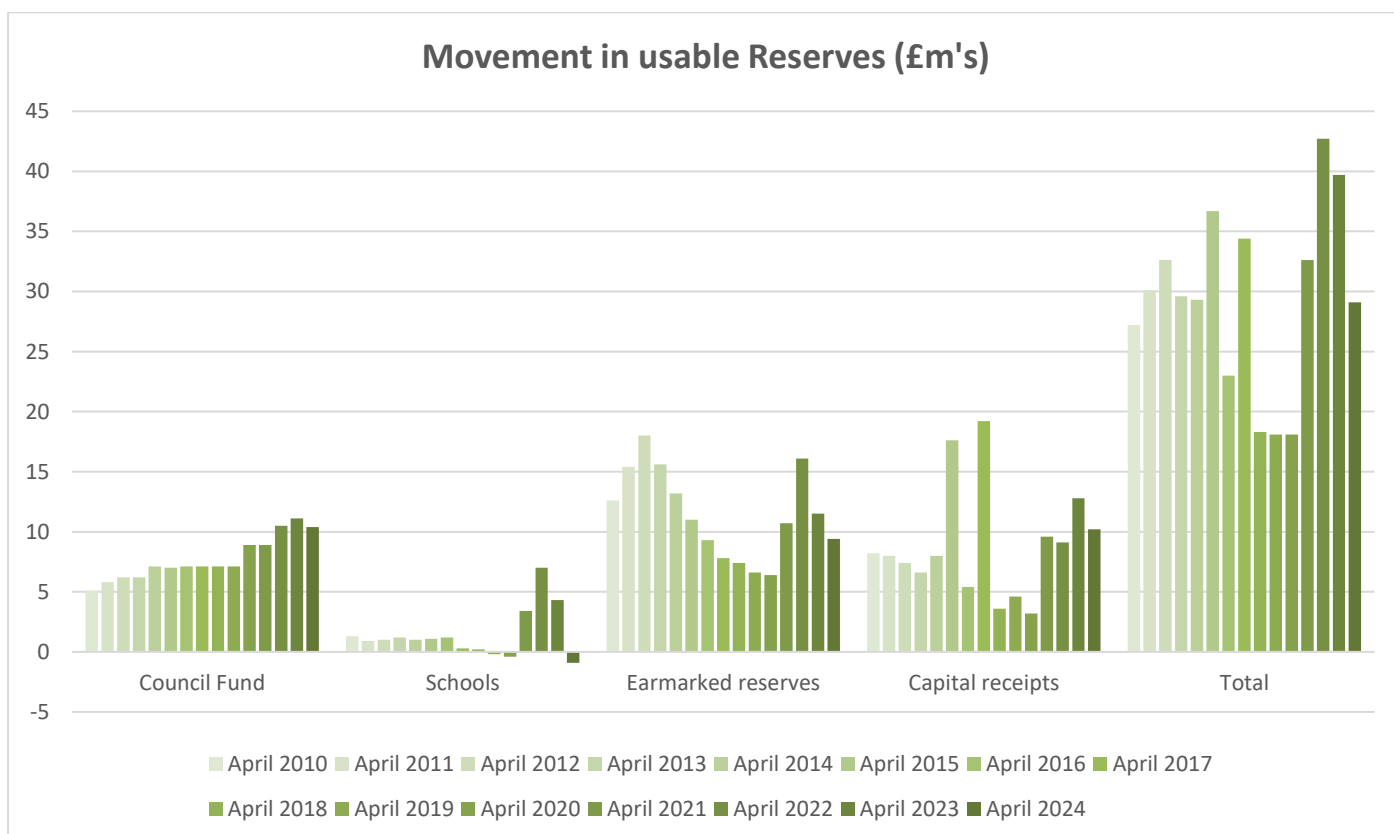
9 This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable' and 'non-usable' reserves.

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

- Council fund balance
- School's balances
- Earmarked reserves
- Capital receipts reserve

11 **Unusable reserves** are not available to use to support service delivery at the reporting date. It includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences.

12 The below chart shows the movement in **Usable reserves** over time. The capital receipts reserve is by far the most variable usable reserve which can be expected given varying levels of receipts received over time, and that it has supported significant investment in the Authority's capital programme over the period.



- 13 **Earmarked reserves** saw a sustained period of decline from 2013 as reserves were used to invest in redesign and modernisation of services during a period of funding pressures and wider financial challenges for Local Government.
- 14 This trend was significantly reversed over the pandemic period by additional funding received from Welsh Government that was intended to provide Councils with suitable resources to be able to manage the post-pandemic impact upon demand for services and a period of economic recovery. 2023/24 has culminated in a draw of £2.1m of earmarked reserves to support the demand and inflationary pressures that were prevalent during the year.
- 15 The **Council fund** sits at £10.4m at 1<sup>st</sup> April 2024 and represents 5% of the Council's net revenue budget for 2024/25. This level is in line with the minimum sustainable level of cover as outlined in the Council's Medium term financial strategy.
- 16 The 2023/24 financial year has culminated in a £5.1m draw on **school's balances**, resulting in the return to a cumulative deficit balance of £905,000 and with thirteen of thirty-three schools now holding deficit balances.
- 17 Schools continue to face significant budget pressures, particularly in respect of attendance, behaviours and increased additional learning needs. This has required increased staff and specialist resources to tackle the issues presenting and increased the overall costs of provision. Higher than budgeted pay awards have also impacted upon budgets.
- 18 The Authority continues to work closely with those schools of concern to aid in the return to a more sustainable budget plan over the medium term without impacting on educational standards.

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

31st March 2023		31st March 2024	Change	Change
£m		£m	£m	%
	<b>What we own and are owed (Assets):</b>			
480.1	Non-current assets	537.0	56.9	11.9%
18.2	Investments	7.5	(10.7)	-58.8%
24.7	Cash & Cash equivalents	8.3	(16.4)	-66.4%
61.8	Debtors	46.2	(15.6)	-25.2%
1.0	Assets held for sale	1.3	0.3	30.0%
0.5	Inventories & other assets	0.6	0.1	20.0%
<b>586.3</b>	<b>Total Assets</b>	<b>600.9</b>	<b>14.6</b>	<b>2.5%</b>
	<b>What we owe (Liabilities):</b>			
(133.1)	Long term Borrowing – to finance capital expenditure	(124.2)	8.9	-6.7%
(67.2)	Short term borrowing – to support day to day cash flow & finance capital expenditure	(51.7)	15.5	-23.1%
(49.5)	Creditors & provisions	(47.8)	1.7	-3.4%
(56.6)	Liability for meeting future pension costs	(6.0)	50.6	-89.4%
(9.5)	Other liabilities	(10.7)	(1.2)	12.6%
<b>(315.9)</b>	<b>Total Liabilities</b>	<b>(240.4)</b>	<b>75.5</b>	<b>-23.9%</b>
<b>270.4</b>	<b>Total Worth (Assets less Liabilities)</b>	<b>360.5</b>	<b>90.1</b>	
	<b>Usable Reserves (available to support service delivery)</b>			
11.1	General Fund Balance	10.4	(0.7)	-6.3%
4.3	Schools Balances	(0.9)	(5.2)	-120.9%
11.5	Earmarked Reserves	9.4	(2.1)	-18.3%
12.8	Capital Receipts Reserve	10.2	(2.6)	-20.3%

1.4	Joint Arrangements	1.4	0.0	0.0%
41.1	<b>Total Usable Reserves</b>	<b>30.5</b>	<b>(10.6)</b>	<b>-25.8%</b>
	<b>Unusable Reserves (not available to support service delivery)</b>			
77.4	Revaluation Reserve	87.0	9.6	12.4%
(56.6)	Pensions Reserve	(6.0)	50.6	-89.4%
210.4	Capital Adjustment Account	251.0	40.6	19.3%
3.4	Deferred Capital Receipts Reserve	2.4	(1.0)	-29.4%
(0.5)	Financial Instrument Adjustment Account	(0.5)	0.0	0.0%
(0.4)	Financial Instrument Revaluation Reserve	(0.3)	0.1	0.0%
(4.4)	Accumulating Absence Adjustment Account	(3.6)	0.8	-18.2%
229.3	<b>Total Unusable Reserves</b>	<b>330.0</b>	<b>100.7</b>	<b>43.9%</b>
270.4	<b>Total Reserves</b>	<b>360.5</b>	<b>90.1</b>	

- 19 The Balance Sheet shows the value 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.
- 20 There is a difference of £360.5m between the Council's assets (things we own e.g. property, investments, stocks and debtors) and its liabilities (what we owe to others). This difference represents the surplus of assets over liabilities and is a measure of *Total Worth* – i.e. a theoretical value of what the council would be worth if purchased / acquired by another party.
- 21 This position has improved markedly YOY primarily as a result of the movement in the forecast liability for meeting future pension costs. This is explained further below.

## Debtors

- 22 The YOY reduction in debtor balances is significant at £15.6m or 25.2% and reflects positively on the action of the Council to recover amounts owed to it. Note 13.5 to the accounts analyses the amounts owing to the Council by debt type and shows that this movement is predominantly due to public sector debt (Welsh Government, other Councils, or NHS bodies).
- 23 68% of debt was not overdue at the balance sheet date, with a further 10% overdue by less than 3 months.

## Investments and Cash & cash equivalents

- 24 There is an overall reduction of £27.1m YOY in these balances which is reflective of the Council's treasury management strategy of utilising its internal resources before physically taking on additional loan funding to fund capital expenditure financed from borrowing.

## Non-current assets (Land, buildings, infrastructure, vehicles & plant)

- 25 Revaluations were carried out on approximately 20% of our non-current assets during the year in line with the 5-year rolling programme of revaluation. This has resulted in an overall increase in value of £56.9m or 11.9% to £537m.
- 26 The audit sector nationally has raised concerns in recent years of the impact of significant increases in build costs which as a consequence may mean that it is no longer appropriate

for audited bodies to rely on valuations of assets carried out in previous financial years (i.e. the 80% of assets we didn't revalue in 2023/24) to demonstrate that carrying values remain materially consistent with current values at 31 March 2024.

- 27 To overcome this issue, the Council agreed an approach with Audit Wales that indexation of assets most impacted by this issue is carried out using sector wide building cost information. Valuations have subsequently been adjusted to reflect the current trend in building cost data, and this accounts for the significant increase seen in overall values of non-current assets.

### **Pension liability**

- 28 The main driver in the change of total worth during 2023/24 comes from the significant accounting re-measurement of net future pension fund liabilities which has decreased by £50.6m (89.4%).
- 29 This has resulted from an increase of £59.5m in the value of scheme assets, offset by an increase in the value of scheme liabilities of £8.9m. The increase in scheme assets is due to the improvement of investments with equities, bonds and infrastructure investments all increasing in value. The increase in liabilities is due to changes in financial assumptions (e.g. inflation, discount rate, longevity/age presumptions).
- 30 It should be noted that the fund is there for the long-term funding of pensions, and annual variations in actuarial assumptions can regularly skew the presentation of the overall balance sheet figures quite significantly in any one year. Any estimated deficit on the pension scheme and its impact on the Council's overall reserves is also a long-term consideration. Notably, the deficit and liability would not arise in any one single year, and the deficit is being addressed through higher employee and employer contributions, as well as the pension scheme benefits being calculated differently, such as moving to career average salaries as opposed to final salary.

### **Borrowing**

- 31 The Council has maintained its treasury management strategy of utilising its own internal resources before physically taking on additional loan funding to fund capital expenditure financed from borrowing. Consequently borrowing levels have reduced over the year by £24.4m (12.2%).
- 32 The proportion of short term borrowing (<12 months to maturity) has reduced from 33% to 29% over the year. This is reflective of the approach to secure some further certainty in borrowing costs over the medium term in reducing interest rate exposure.
- 33 Further information can be found in the 2023/24 treasury outturn report for the Authority.

### **Creditors & Provisions**

- 34 Creditors & provisions have reduced YOY by £1.7m or 3.4%. Note 13.6 to the accounts provides additional detail on the composition of this balance.
- 35 Amounts owing to non-public sector bodies have reduced by £3.7m YOY with 95.9% of payments during the year made within the 30 day target (97.3% in 2022/23).

# understanding local authority financial statements

2016

# \ introduction

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

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

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

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

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

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

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

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

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

# comparisons with budgets

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

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

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

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

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

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

The Expenditure and Funding Analysis:

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

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

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

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

## Expenditure and Funding Analysis (extract)

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

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

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



# comprehensive income and expenditure statement

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

## Comprehensive Income and Expenditure Statement (extract)

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation [or rents]. Authorities raise taxation [and rents] to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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

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

Operational costs of providing the services of the authority.

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

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

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

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

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

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

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

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

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

# movement in reserves statement

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

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

The Movement in Reserves Statement shows how:

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

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

## Movement in Reserves Statement (extract)

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

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

\* Capital Fund Scotland

\*\* Applicable in England Only

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

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

# balance sheet

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

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

## Balance sheet (extract)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves represents those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

# \ reserves

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

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

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

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

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

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

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

# cash flows

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

## Cash Flow Statement (extract)

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

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

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



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

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

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

## Checklist

13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support an authority's financial plans in the immediate future and over the medium term?

## Balance Sheet

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

## Cash Flow Statement

23	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
24	Are the council's cash balances reflected adequately in the council's treasury management strategies?

# reminders and questions raised on the IFRS-based code

## **IFRS – what is it?**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# further reading

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

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

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

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

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



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**GOVERNANCE & AUDIT COMMITTEE WORK PROGRAMME 2024-25**

**29TH APRIL 2024**

**Reports to be with Peter by – 15th April 2024**

**Reports to be with Wendy Barnard/Chair prior to pre-meeting – 17th April 2024**

**Pre-meeting – 19th April 2024**

**Finalised reports to committee section – 19th April 2024**

**Despatch by committee section – 19th April 2024**

Report Title	Report Author	Terms of reference category				
		Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
Audit Wales Work Programme: Council Progress Update	Richard Jones		ü			
Effectiveness of Strategic Risk Management Framework	Richard Jones		ü			
Internal Audit Plan 24/25	Jan Furtek				ü	
Implementation of Internal Audit agreed recommendations	Jan Furtek				ü	
Proposed future delivery model for the Internal Audit Service	Peter Davies				ü	
Audit Wales Performance Data Review	Charlotte Owen					ü

**6TH JUNE 2024**

**Reports to be with Peter by – 17th May 2024**

<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting – 21st May 2024</b>						
<b>Pre-meeting – 23rd May 2024</b>						
<b>Finalised reports to committee section – 28th May 2024</b>						
<b>Despatch by committee section – 29th May 2024</b>						
<b>Report Title</b>	<b>Report Author</b>	<b>Terms of reference category</b>				
		<b>Financial Affairs</b>	<b>Risk, Internal Control, Performance &amp; Corporate Governance</b>	<b>Complaints</b>	<b>Internal Audit</b>	<b>External Audit</b>
Draft Freedom of Information (FOI) & Data Protection Act (DPA) Breaches & Data Subject Access Request (DSARs)	Sian Hayward		ü			
CPR Exemptions - 6 monthly update to 31st March 2024	Jan Furtek				ü	
Internal Audit Annual Report 2023/24	Jan Furtek				ü	
2023/4 Treasury Outturn report	Jonathan Davies	ü				
Draft Financial Strategy	Jon Davies/Peter Davies	ü				
People Strategy	Matt Gatehouse		ü			
Annual Audit Plan 24-25	Audit Wales					ü
Audit Wales Capital Programme Management Review	Audit Wales					ü
Audit Wales MCC Annual Audit Summary 2023	Audit Wales					ü
Audit Wales Work Programme and Timetable quarterly update - March 2024	Audit Wales					ü



<b>10TH JULY 2024</b>						
<b>Reports to be with Peter by – 21st June 2024</b>						
<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting – 25th June 2024</b>						
<b>Pre-meeting – 27th June 2024</b>						
<b>Finalised reports to committee section – 1st July 2024</b>						
<b>Despatch by committee section – 2nd July 2024</b>						
		<b>Terms of reference category</b>				
<b>Report Title</b>	<b>Report Author</b>	<b>Financial Affairs</b>	<b>Risk, Internal Control, Performance &amp; Corporate Governance</b>	<b>Complaints</b>	<b>Internal Audit</b>	<b>External Audit</b>
Financial Strategy	Jon Davies/Peter Davies	x				
Draft Annual Governance Statement 2023/24	Jan Furtek				x	
Internal Audit Plan and Annual Report for Shared Resource Service (SRS)	TCBC IA Team				x	
Governance & Audit Committee Annual report 2023/4	Chair – Andrew Blackmore		x			
Audit Wales Digital Review	Charlotte Owen					x
<b>31st July 2024</b>						
<b>Reports to be with Peter by – 9th July 2024</b>						
<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting – 11th July 2024</b>						
<b>Pre-meeting – 15th July 2024</b>						
<b>Finalised reports to committee section – 22nd July 2024</b>						
<b>Despatch by committee section – 23rd July 2024</b>						

Report Title	Report Author	Terms of reference category				
		Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
2024/5 Q1 - Treasury report	Jon Davies	x				
2023/4 Draft WCF/Mon Farm Statement of Accounts	Jon Davies	x				
2023/24 MCC Draft Statement of Accounts	Jon Davies	x				
<b>5TH SEPTEMBER 2024</b>						
<b>Reports to be with Peter by – 2nd August 2024</b>						
<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting – 6th August 2024</b>						
<b>Pre-meeting – 8th August 2024</b>						
<b>Finalised reports to committee section – 27th August 2024</b>						
<b>Despatch by committee section – 28th August 2024</b>						
Report Title	Report Author	Terms of reference category				
		Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
Initial assessment of corporate risk control arrangements	Richard Jones		x			
Internal Audit Quarterly progress report (Q1)	Jan Furtek				x	
Draft Self Assessment Report	Richard Jones		x			

<b>17TH OCTOBER 2024</b>						
<b>Reports to be with Peter by – 1st October 2024</b>						
<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting – 3rd October 2024</b>						
<b>Pre-meeting – 7th October 2024</b>						
<b>Finalised reports to committee section – 8th October 2024</b>						
<b>Despatch by committee section – 9th October 2024</b>						
		<b>Terms of reference category</b>				
<b>Report Title</b>	<b>Report Author</b>	<b>Financial Affairs</b>	<b>Risk, Internal Control, Performance &amp; Corporate Governance</b>	<b>Complaints</b>	<b>Internal Audit</b>	<b>External Audit</b>
Anti Bribery Risk Assessment	Peter Davies		x			
The Ombudsmans's Annual Letter - 2022/23	Annette Evans			x		
Audit Wales Work Programme and timetable quarter 1 update	Audit Wales					x
Audit Wales Work Programme: Council Progress update	Richard Jones		x			
Audit Grants report	Audit Wales - Rachel Freitag					x
Audit Wales Financial Sustainability Review	Audit Wales					x
Annual Audit Plan 22-23 Welsh Church Funds	Rachel Freitag					x
Internal Audit quarterly progress report (Q2)	Jan Furtek				x	

<b>28TH NOVEMBER 2024</b>						
<b>Reports to be with Peter by –</b>						
<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting –</b>						
<b>Pre-meeting – 18th November 2024</b>						
<b>Finalised reports to committee section –</b>						
<b>Despatch by committee section –</b>						
<b>Report Title</b>	<b>Report Author</b>	<b>Terms of reference category</b>				
		<b>Financial Affairs</b>	<b>Risk, Internal Control, Performance &amp; Corporate Governance</b>	<b>Complaints</b>	<b>Internal Audit</b>	<b>External Audit</b>
24/25 Q2 Treasury report	Jon Davies	x				
2023/24 MCC Statement of Accounts Final	Jon Davies	x				
ISA260 response to accounts	Rachel Freitag/Jon Davies					x
Effectiveness of Strategic Risk Management Framework and summary of wider arrangements	Richard Jones		x			
CPR Exemptions - 6 monthly update to 30th September 2024	Jan Furtek				x	
Whole Authority annual complaints report	Annette Evans			x		
<b>16TH JANUARY 2025</b>						

<b>Reports to be with Peter by –</b>						
<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting –</b>						
<b>Pre-meeting – 6th January 2024</b>						
<b>Finalised reports to committee section –</b>						
<b>Despatch by committee section –</b>						
		<b>Terms of reference category</b>				
<b>Report Title</b>	<b>Report Author</b>	<b>Financial Affairs</b>	<b>Risk, Internal Control, Performance &amp; Corporate Governance</b>	<b>Complaints</b>	<b>Internal Audit</b>	<b>External Audit</b>
2023/4 WCF/Mon Farm Statement of Accounts Final	Jon Davies	x				
ISA260 for trust funds	Rachel Freitag/Jon Davies					x
<b>20TH FEBRUARY 2025</b>						
<b>Reports to be with Peter by –</b>						
<b>Reports to be with Wendy Barnard/Chair prior to pre-meeting –</b>						
<b>Pre-meeting – 10th February 2024</b>						
<b>Finalised reports to committee section –</b>						
<b>Despatch by committee section –</b>						
		<b>Terms of reference category</b>				

Report Title	Report Author	Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
2024/25 Q3 Treasury report	Jon Davies	x				
Statement on the robustness of the budget process and the adequacy of reserves	Peter Davies	x				
2025/26 Capital Strategy and Treasury Strategy	Jon Davies	x				
Cyber Security	Sian Hayward		x			
Self Assessment of Performance Management arrangements	Richard Jones		x			
Internal Audit Quarterly Progress report (Q3)	Jan Furtek					x
<b>13TH MARCH 2025</b>						
Reports to be with Peter by –						
Reports to be with Wendy Barnard/Chair prior to pre-meeting –						
Pre-meeting –						
Finalised reports to committee section –						
Despatch by committee section –						
		<b>Terms of reference category</b>				
Report Title	Report Author	Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit

Draft Internal Audit Plan 2025/26	Jan Furtek				x	
<b>TO BE PUT ON A FUTURE MEETING AGENDA BUT DATES NOT YET CONFIRMED</b>						
Presentation on Global Internal Audit Standards/Update of Public Sector Internal Audit Standards						
Review of MCC Internal Audit Charter						
MCC Fraud Risk Assessment and NFI Self Assessment						

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# Public Document Pack Agenda Item 9

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held  
at Council Chamber, County Hall, The Rhadyr USK on Wednesday, 10th July, 2024 at  
2.00 pm

**PRESENT:** Andrew Blackmore (Chairman)  
County Councillor Tony Easson, (Vice Chairman, In the Chair)

Lay Members: Colin Prosser, Martin Veale, Rhodri Guest

County Councillors: Sara Burch, John Crook, Phil Murphy and Peter Strong

### OFFICERS IN ATTENDANCE:

Peter Davies	Deputy Chief Executive and Chief Officer, Resources
Jan Furtek	Acting Chief Internal Auditor
Wendy Barnard	Democratic Services Officer
Charlotte Owen	Audit Wales Officer
Richard Jones	Performance and Data Insight Manager
Jonathan Davies	Head of Finance
Mike Corcoran	Group Auditor
Jason Williams	Senior Auditor

### APOLOGIES:

County Councillor David Jones

#### 1. Declarations of Interest

No declarations of interest were made.

#### 2. Public Open Forum

No members of the public were in attendance.

#### 3. To note the Action List from the previous meeting.

The action list from the previous meeting was noted.

[https://www.youtube.com/live/LwieRlowWwU?si=jFaJUo\\_59GlwxMgQ&t=69](https://www.youtube.com/live/LwieRlowWwU?si=jFaJUo_59GlwxMgQ&t=69)

1. Update on the 3 ISA260 recommendations: OPEN

#### 4. MEDIUM TERM FINANCIAL STRATEGY 2024-2029

The Cabinet Member for Resources introduced the Medium-Term Financial Strategy 2024-2029. Following presentation of the report Members were invited to comment and ask questions. The Cabinet Member and Deputy Chief Executive and Chief Officer for Resources provided responses:

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Governance and Audit Committee held at Council Chamber, County Hall, The Rhadyr USK on Wednesday, 10th July, 2024 at 2.00 pm

[https://www.youtube.com/live/LwieRlowWwU?si=wd\\_MjdEHwtT-nrd7&t=2804](https://www.youtube.com/live/LwieRlowWwU?si=wd_MjdEHwtT-nrd7&t=2804)

As contained in the report recommendations, the Governance and Audit Committee:

- i. scrutinised the Council's proposed draft medium term financial strategy;
- ii. provided feedback and to allow for further comments to be considered and as necessary reflected in the final draft subsequently presented to Council for approval.

In scrutinising the strategy specific regard was given to the Committee's terms of reference that relate to the review and assessment of risk management, internal control, and corporate governance arrangements of the authority.

#### **5. Draft Annual Governance Statement**

The Acting Chief Internal Auditor introduced the draft Annual Governance Statement. Following presentation of the report, Members were invited to ask questions and responses were provided by the Deputy Chief Executive and Chief Officer for Resources and Acting Chief Internal Auditor:

<https://www.youtube.com/live/LwieRlowWwU?si=RE5P7mO4saHTybV-&t=4404>

As per the report recommendations:

1. The Governance & Audit Committee contributed to the appropriateness and content of the draft Annual Governance Statement (2023/24).
2. Considered the review of effectiveness and the assessment made against each of the governance principles.
3. The Committee endorsed the Annual Governance Statement for inclusion within the Draft Statement of Accounts 2023/24.

#### **6. Internal Audit Plan and Annual Report for Shared Resource Service (SRS)**

The Head of Torfaen County Borough Council Internal Audit presented the Internal Audit Plan and Annual Report for the Shared Resource Service (SRS). Following presentation of the report, Members commented and asked questions:

<https://www.youtube.com/live/LwieRlowWwU?si=oVXrIGmluezumOd4&t=82>

Aligned to the report recommendations the Committee noted the overall opinion provided by the Torfaen Head of Internal Audit.

#### **7. Governance and Audit Committee Annual Report 2023/24**

The Vice Chair introduced the Governance and Audit Committee Annual Report 2023/24 and invited questions from Committee Members:

<https://www.youtube.com/live/LwieRlowWwU?si=eHLWvBiA9Li2R0dx&t=5317>

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Governance and Audit Committee held at Council Chamber, County Hall, The Rhadyr USK on Wednesday, 10th July, 2024 at 2.00 pm

As contained in the report recommendations, the Committee concluded that it had discharged its responsibilities during the 2023/24 period and as a consequence the Council can be reasonably assured over its work, outputs and conclusion that the Authority's overall governance, risk and control arrangements are broadly effective. Notwithstanding this conclusion, these arrangements will likely need to continue evolving to reflect developments in its financial position and consequential changes to how the Council re-shapes its service delivery.

During the year, the Committee considered all material elements of the Council's governance, risk, financial control, and internal and external auditing arrangements. Given the critical importance of independent control assurance and effective financial management, the Committee has taken a keen interest in ensuring that the proposed target operating models (TOM) for the Council's Internal Audit and Central Finance functions were appropriate, and are being implemented promptly. It is the Committee's expectation that the TOM for these functions will have been substantively implemented by the Autumn.

In discharging its responsibilities the Committee has legitimately challenged officers over the design and operating effectiveness of its risk and control infrastructure with officers generally responding positively to these challenges.

The Committee endorsed the Annual Report for onward consideration by full Council.

#### **8. Audit Wales Digital Review**

Audit Wales Officers introduced the Audit Wales Digital Review and the Performance and Data Insight Manager presented the Management Response. Following presentation of the report, Members were invited to ask questions:

[https://www.youtube.com/live/LwieRlowWwU?si=T\\_49nRPKab93Lmrx&t=617](https://www.youtube.com/live/LwieRlowWwU?si=T_49nRPKab93Lmrx&t=617)

#### **9. Governance and Audit Committee Forward Work Plan**

The Governance and Audit Committee Forward Work Plan was noted.

<https://www.youtube.com/live/LwieRlowWwU?si=T7rK9q5zjgoTO91B&t=5342>

#### **10. To approve the minutes of the previous meeting**

The minutes of the previous meeting were confirmed as an accurate record.

<https://www.youtube.com/live/LwieRlowWwU?si=MaJJIKiWH4UI2leY&t=5389>

#### **11. Date of Next Meeting: 31st July 2024**

Meeting ended at 3.31 pm

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