

MONMOUTHSHIRE COUNTY COUNCIL

DRAFT ANNUAL ACCOUNTS

2019/20



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1 NARRATIVE REPORT

1.1 Introduction

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

Key facts about Monmouthshire



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

The majority of the Council's administrative and political functions are located in the town of Usk.

Political and management structure

The Council uses a Leader and Cabinet (Executive) governance model, with the Cabinet comprised of elected members, who each have lead responsibility for an area of the Council's business, including the Leader. Council determines the Authority's policy framework and budget and other constitutional functions. Below Cabinet and Council level there are a number of committees and panels that fulfil various scrutiny, statutory oversight and regulatory functions.

There are 43 locally elected councillors representing 42 wards who sit on the various committees of the Council, the current political make-up (at 31st March 2020) of the Council is 25 Conservative, 10 Labour, 5 Independent and 3 Liberal Democrat Councillors.

The Cabinet and elected members are supported by the Council's Senior Leadership Team which is led by the Chief Executive. For management purposes the Council's operations are organised into Service Areas each of which is headed by a chief officer reporting to the Chief Executive. The Service Areas with a brief overview of their functions are:

Social Care, Health & Safeguarding

Adult services, Community care, Children's services, Partnerships, Resources & performance management, Commissioning and Public protection.

Children & Young People

Schools and Early Years provision, Standards and Resources.

Chief Executive's Unit

Monitoring (Legal & land charges) and Governance, Democracy & Support.

Resources

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

Enterprise

Business growth & enterprise, Tourism life & culture, Planning & housing and Operations (including waste, recycling, street cleansing, highways maintenance & street lighting).

Corporate

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

1.2 Non-Financial Performance for the Year

2019/20 Corporate plan performance summary (February 2020):

CORPORATE PLAN

WHAT HAS HAPPENED SO FAR?



GOAL A: BEST POSSIBLE START IN LIFE

Opening of a new **£40m** school in Monmouth providing a modern learning environment for pupils.

Focussing on raising standards in education for all pupils, although there is more to do. **1.6%** of Year 11 school leavers are not in education, training or employment.

Continuing to develop ways to assist the increasing number of children and families who require our support, which is putting pressure on our services. We currently have **201** Looked After children.

Attracting more foster carers to offer placements to Looked After Children. We have **71** foster carers, although we need more and active campaigns continue.



GOAL B: THRIVING AND WELL-CONNECTED COUNTY

Working on projects of regional significance as part of the Cardiff Capital Region City Deal. Within its first year, **46** highly skilled technicians and engineers have started work at the new Compound Semiconductor Foundry.

Supporting and advising **145** pre-start and existing businesses through Monmouthshire Business and Enterprise Team and via referrals to partners.

Attracting **£1.2 million** of Cabinet Office funding to develop solutions to loneliness and limited rural transport in our communities.

Revising our Local Development Plan, as we were not achieving key outcomes relating to housing provision. **215** affordable houses have been built in the last two years.

CORPORATE PLAN

WHAT HAS HAPPENED SO FAR?



GOAL C: MAXIMISE THE POTENTIAL OF THE NATURAL AND BUILT ENVIRONMENT

Introducing new waste and recycling collections to improve the service and minimise cost. Our annual recycling rate is **63%**, this is below Welsh Government targets.

Declaring a climate emergency and producing a strategy on how we will reduce our own emissions, while working with others to reduce emissions across the county as a whole. **19.3%** of the electricity we currently use comes from our own renewables including our solar farm.

Working with Riversimple to pilot **20** hydrogen powered cars in Monmouthshire.

Establishing a Green Infrastructure Strategy to enhance the environment across the **88,000 hectares** of Monmouthshire.



GOAL D: LIFELONG WELL-BEING

Progressing work to build a more sustainable care at home sector for the future. Our Adult social services supported **2,691** people last year.

Developing a Social Justice Strategy committed to addressing inequalities and improving outcomes for the county's people and communities. **10%** of people in Monmouthshire are in income deprivation although this can vary in different parts of the county.

Supporting volunteering opportunities available within the county; there are currently **1360** volunteers directly supporting the council.

Opening a new **£7million** Leisure Centre in Monmouth and launching MonLife: protecting and enhancing our Tourism, Culture, Leisure and Youth Services.



GOAL E: FUTURE-FOCUSED COUNCIL

Launching 'Monty' the Council's Chatbot, which helps people find out information on common queries, resolving an average of 460 queries per month.

Developing a Commercial strategy to enhance a commercial culture and approach. 2 commercial investments have been purchased to generate income to support Council services.

Planning how we spend our £154million budget on services and delivering with continuing financial challenges and pressures.

Developing a strategy to support apprenticeship, graduate jobs and internships across the local authority. There are 21 apprentices and graduate posts in the Council.

1.3 Financial Performance for the Year

Revenue Budget for 2019/20

The net revenue budget of £161.8m was financed from council tax, government grants, business rates & fees and supplemented by charges for services. The Council has a good track record of managing within approved budgets and has carefully managed its services during the year despite ongoing financial pressures. Following the application of two one-off mitigations to the revenue budget the non-schools outturn reports a surplus of £1.8m.

This surplus has been allocated to the general fund to support future service provision in light of ongoing revenue pressures outlined in section 1.4 below. Further details on the outturn position are provided in the June Cabinet report.

	Revised Budget £000	Actual £000	Variance £000
Net Expenditure:			
Net cost of services prior to one-off mitigations	155,398	160,238	4,840
<i>One-off mitigations taken to Net cost of services in year:</i>			
Capitalisation directive	0	(3,250)	(3,250)
One-off VAT receipt following Ealing judgement	0	(2,304)	(2,304)
Net cost of services (as per internal management reporting)	155,398	154,684	(714)
Attributable costs – Fixed Asset Disposal	47	47	0
Interest and Investment Income	(205)	(506)	(301)
Interest Payable and Similar Charges	4,195	4,095	(100)
Charges Required Under Regulation	5,705	5,677	(28)
Borrowing Cost Recoupment	(3,402)	(3,402)	0
Capital Expenditure Financing	11	11	0
Earmarked Contributions to/(from) Reserves	46	46	0
Net Revenue Budget	161,795	160,652	(1,143)
Financed by:			
General government grants	(62,548)	(62,548)	-
Non-domestic rates	(30,682)	(30,682)	-
Council tax	(75,124)	(75,628)	(504)
Council Tax Benefit Support (included in NCS)	6,559	6,410	(149)
Net Financing Budget	(161,795)	(162,448)	(653)

Council Fund (surplus)/deficit - Non-Schools	0	(1,796)	(1,796)
Council Fund (surplus)/deficit - Schools	1,481	203	(1,278)
Council Fund (surplus)/deficit - Total	1,481	(1,593)	(3,074)

The net cost of services in the table above of £154.68m is reported on a management accounting basis, i.e. the same basis as the budget reports to Cabinet during the year. The figure for the net cost of services in the Comprehensive Income and Expenditure (CIES) in Section 6 of £173.68m is different because it is prepared on a financial accounting basis, which is specified by accounting guidelines.

Note 11.1 to the accounts shows how the figures reconcile.

Level of general and specific reserves/balances

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

Reserves & balances	2017/18 £000	2018/19 £000	2019/20 £000
Council Fund Balance	7,110	7,110	8,906
School Balances	175	(232)	(435)
Earmarked Reserves	6,390	5,549	5,181
Service Reserves	147	403	402
Trading Accounts	837	661	800
Total Usable Reserves & balances available for Revenue Purposes	14,660	13,490	14,853

Capital expenditure & financing

In addition to revenue spending the Council also spent £23.4m on its assets which is detailed below along with the corresponding finance streams:

2018/19 £000		2019/20 £000
	Expenditure	
21,522	Schools modernisation programme	1,427
6,550	Infrastructure	7,316
34,360	Asset management schemes	6,225
519	Other	659
1,256	Inclusion schemes	908
560	ICT schemes	477
1,284	Regeneration schemes	5,573
4,261	Vehicles	831
70,311	Total Expenditure	23,416
	Financing	
(8,510)	Capital receipts	(5,910)
(44,625)	Borrowing and Finance Lease Commitments	(8,673)
(16,895)	Grants and Contributions	(8,547)
(281)	Revenue and Reserve Contributions	(286)
(70,311)	Total Financing	(23,416)

Significant capital receipts

The most significant capital receipts received in 2019/20 were £1.6m for holdings at New Trecastle Farm and £2.6m for Crick Road. All other receipts totalled £0.3m. The Council currently ring fences all capital receipts to support the Schools modernisation programme.

Revaluation and disposals of non-current assets

The Council has a policy of revaluing all Land & Building assets every five years on a rolling programme. During 2019/20 the valuations included Car Parks, Community Centres, Industrial Properties, Corporate Facilities and Chepstow & King Henry VIII Comprehensive Schools. The programme for subsequent years is as follows:

- 2020/21 – Leisure centres, Public conveniences, Hubs, Refuse tips, Residential homes & Sheltered housing
- 2021/22 – Community Centres, Recreational Spaces, Corporate Facilities and Cemeteries

In addition to this rolling asset revaluation programme, an annual review is also undertaken of our assets for any significant changes in their use. The Investment Property portfolio is assessed annually by the Authority's Estates section ensure the value is accurately reflected in the accounts.

During the year the value of our non-current assets has increased from £392.4m to £399.0m, arising from recognising the in-year asset enhancing spend of £15.9m; the rolling programme of revaluations increasing their held value by £3.8m; depreciation of £11.7m, the sale of assets valued at £1m and transfers to current assets of £0.2m

Borrowing arrangements and sources of funds

The Council's overall borrowing, on a principal valuation basis, totalled £187.7m as at 31st March 2020 (£179.4m as at 31st March 2019), comprising of the following:

31st March 2019 £000		31st March 2020 £000
86,483	Public Works Loan Board	89,627
13,815	Market Loans & Bank loans	13,816
4,683	Welsh Government	5,248
71,416	Local Government bodies	76,023
3,000	Special Purpose Vehicle	3,000
179,398	Total borrowing	187,714

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 2019/20 (including amounts raised for Police and Community Councils) was £1,629.72 (£1,538.93 in 2018/19) for properties in valuation Band D. We collected 97.7% in year of the total due (97.8% 2018/19). Our collection rate for Non-Domestic Rates was 97.7% in 2019/20 (97.7% in 2018/19). During the year £168,000 Council Tax and £200,000 Non-Domestic Rates' debts were written off (£207,000 and £284,000 in 2018/19).

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 2019/20 shows a net liability of £230,526,000 (£268,213,000 in 2018/19).

This figure will vary each year depending on the Actuary's assumptions, and over the year to 31 March 2020 there is a decrease in the combined net liability of the Greater Gwent pension funds. This has resulted from a fall in the value of scheme liabilities of £67m offset by a reduction in the value of scheme assets. The reduction in liabilities is due to changes in financial assumptions and there have been reductions for both the projected rate increases for salaries & pensions going forward and also life expectancies.

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

1.4 The Financial Outlook

Over the last five years, the Council has managed significant savings from its service budgets. Funding from Welsh Government has reduced over the period and the 2020/21 settlement was extremely disappointing and left a significant budget gap to be managed. At the same time pressures on the budget have been increasing in terms of demographic growth, demand for services and expectations.

2020/21: In setting its 2020/21 revenue budget the Council was required to make difficult choices regarding service delivery and Council Tax levels. As part of the process the Council approved an annual Council Tax increase of 4.95%, which increased the annual band D charge by £73.88 to £1,380.76 (excluding amounts raised for Police and Community Councils). It also approved £8.5m of savings measures to ensure that the approved budget is delivered.

In respect of the Council's forward capital programme this has been constructed to principally support the Schools modernisation programme, Disabled Facilities Grants, Asset management and Infrastructure, with some £84.5m (including contributions to the Cardiff Capital Region City Deal initiative) forecast to be spent from 2020/21 to 2023/24.

The Medium Term: The medium term prognosis is still of concern, there are no indicative settlement figures published which significantly impedes and impacts on forward planning of budgets over the medium term. Demand led cost pressures continue to increase in areas such as Children's services, Adult Social Care, Passenger Transport and Waste.

The recent flooding events bring their own financial challenges in terms of meeting the costs within both the response and recovery stages to the floods. Commitments from Welsh Government to meet the full cost of these events are still uncertain and therefore brings a significant financial risk especially in respect of the medium term recovery costs.

Covid19 Impact

For the majority of 2019/20 the Council operated in a 'business as usual' manner; however, in March 2020, as result of the Covid19 pandemic an emergency response necessitated the Council changing how it delivers its services.

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

The ongoing crisis presents its own additional financial challenges and uncertainty both in terms of additional cost and significant loss of income across services. Some of these impacts are difficult to model and will potentially only manifest themselves once a degree of normality returns to service delivery.

In terms of the financial impact of the Covid19 situation it has been recognised that it will have a significant impact upon ongoing operations and the finances associated with providing our services. The Council, through its partnering arrangements, continues to work with the Welsh Government, the Welsh Local Government Association (WLGGA) and other councils to ensure support is available to enable core services to be delivered.

It is important to recognise that when we move into the recovery phase the economy will be in recession and UK and global economies will have been hit hard by the pandemic which will considerably impact and shape future public spending. This will inevitably have a significant impact on our local Monmouthshire communities and will lead to both direct and indirect impacts to Authority and the finances required to respond.

There is currently uncertainty around Welsh Government funding to Local authorities as a result of the COVID19 impact, in terms of the full consequential funding being passed through; how that funding will be passed through (on a claims basis or allocation); and whether there will be further funding announced by UK Government which will allow Welsh Government to make further commitments.

Given the significant risk of a situation developing where funding is not sufficient to offset the losses, additional costs and other financial impacts on the Authority of the response to the COVID19 crisis, and given the fact there is limited reserve and capital receipt capacity to meet these demands, the Authority will look to undertake a detailed financial sustainability assessment and budget recovery plan which will re-evaluate financial commitments and funding forecasts.

The revenue surplus generated during 2019/20 of £1.8m was used to increase the Council fund balance to allow the Authority the maximum flexibility to respond to and mitigate the financial risks surrounding the ongoing COVID19 crisis.

Cardiff Capital Region City Deal (CCRC)

The Council continues to be an active member of the Cardiff Capital Region City Deal initiative, which will invest £1.2 billion into the wider area over a 20 year period. This investment comprises the £734 million METRO scheme managed by the Welsh Government and a wider £495 million Investment Fund, which comprises the ten constituent councils' commitment to borrow £120 million over the 20 years together with £375 million from the UK Government. This Council will make a 6.1% contribution to the £120 million with the percentage being based on its proportion of the regional population, and fund the annual costs of this investment. No capital contribution was required in 2019/20 (£0.75 million in 2018/19) as the forecasted spend did not materialise. The Investment Fund is the responsibility of the CCRC Regional Cabinet.

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 2020. The notes are sectioned to aid the user of the accounts to navigate the extensive supporting notes.

Peter Davies
Chief Officer - Resources (Acting S151 Officer)

Date

2 STATEMENT OF RESPONSIBILITIES

2.1 The Authority's Responsibilities

The Authority is required to:

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

2.2 The Section 151 Officer's Responsibilities

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

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

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

The Section 151 Officer has also:

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

APPROVAL OF STATEMENT OF ACCOUNTS

I certify that the accounts set out within sections 5 to 17 gives a true and fair view of the financial position of the Council as at the 31st March 2020 and its income and expenditure for the year ended 31st March 2020.

Peter Davies
Chief Officer - Resources (Acting S151 Officer)

Date

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

Cllr Peter Fox
Leader of the Council

Date

Monmouthshire CC

Annual Governance Statement 2019-20

May 2020

Executive Summary

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

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

Progress against the 2018/19 action plan is shown at Appendix 1.

- 1 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) and the Society of Local Authority Chief Executives and Senior Managers (S.O.L.A.C.E.), the 'Delivering Good Governance in Local Government Framework 2016' and Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.
- 2 The Statement itself demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving, but also recognise that there is further work to do. Progress against the 2018/19 action plan is shown at Appendix 1. The main areas for improvement in 2019/20 identified by the Council are shown in the action plan shown at Appendix 2.

Scope of Responsibility

- 3 Monmouthshire County Council (the Council) (MCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.
- 4 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- 5 The Council's financial management arrangements conform to the governance requirements of the 'CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)'.
- 6 The Code of Corporate Governance, which is consistent with the principles of the C.I.P.F.A. / S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government', was approved by Council in July 2011; the Code was revised and updated in May 2014; a further revision was undertaken in 2020. A copy of the Code is available from the Chief Internal Auditor. This statement explains how the Council has complied with the revised Framework and Guidance (2016) and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

The Purpose of the Governance Framework

- 7 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its population outcomes, priorities and objectives and to consider whether those objectives have met the outcomes and led to the delivery of appropriate, cost effective services.
- 8 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, outcomes and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 9 The governance framework has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

The Governance Framework

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

Overarching requirements for acting in the public interest:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement

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

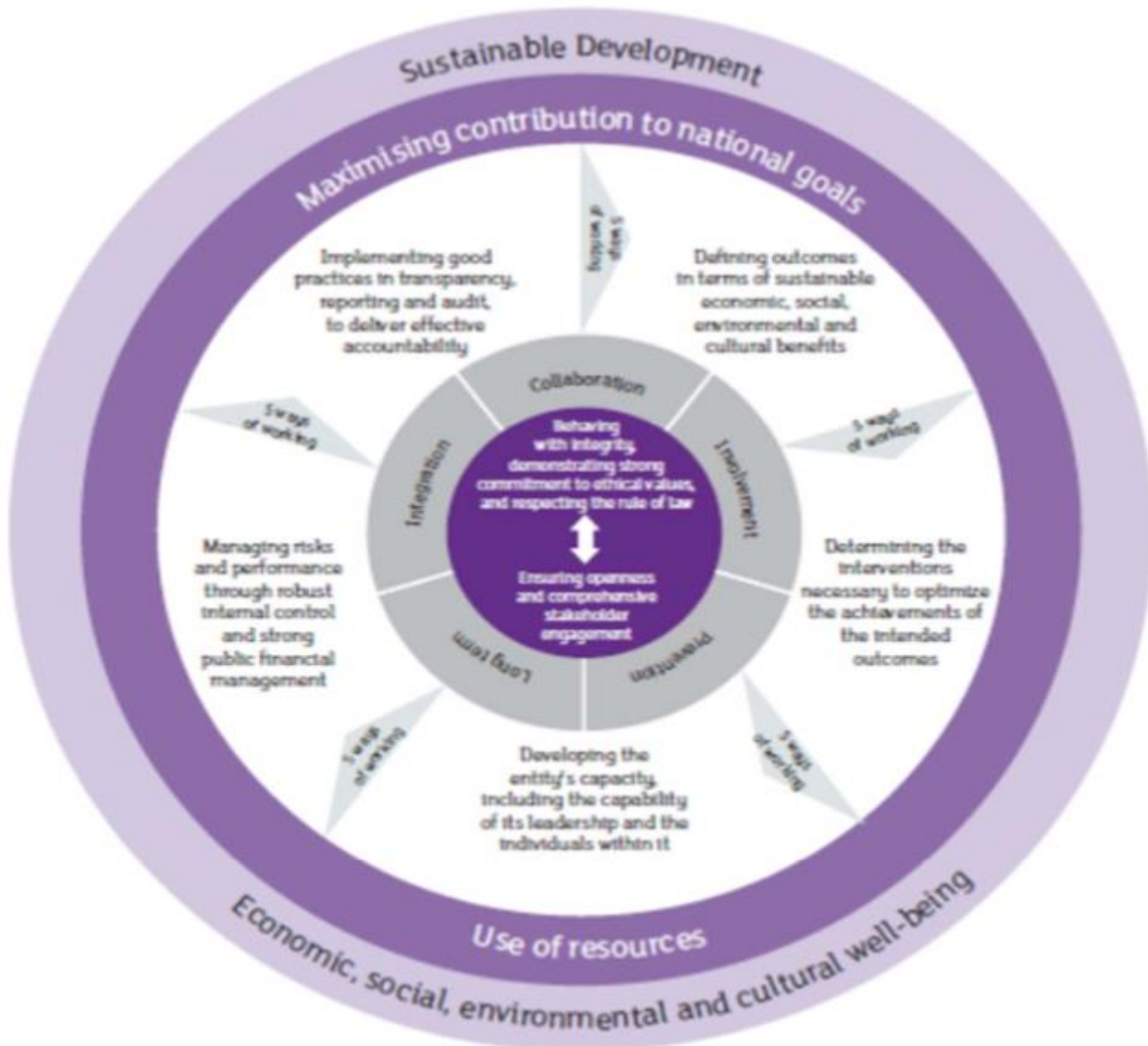
- C. Defining outcomes in terms of sustainable economic, social, environmental and cultural benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Wellbeing of Future Generations (Wales) Act 2015

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

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

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.



- 12 The key elements of the Council's governance arrangements are set out in its Corporate Plan 2017-2022, "A Monmouthshire that works for everyone" which was approved by Council in February 2018. A mid term refresh was presented to Cabinet (February 2020) to provide an overview of progress being made in 2018/19 to deliver the commitments set out in the Corporate Plan. In February 2019 Council adopted the goals contained in the Corporate Plan 2017-22, as the Council's Improvement Objectives for 2019-20 in order to comply with the requirements of the Local Government (Wales) Measure 2009. The Council's five priorities are:

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

- 13 As part of the requirements of the Well-being of Future Generations (Wales) Act 2015 the Public Service Board (PSB) is focused on improving social, economic, environmental and cultural wellbeing, in

accordance with the sustainable development principle. Public Service Boards have a planning responsibility to prepare and publish an assessment of local well-being, produce a local well-being plan and report annually on its progress.

- 14 The Public Service Board has approved four well-being objectives that underpin a clear purpose of “building sustainable and resilient communities”; its objectives are:
- Provide children and young people with the best possible start in life
 - Respond to the challenges associated with demographic change
 - Protect and enhance the resilience of our natural environment whilst mitigating and adapting to the impact of climate change
 - Develop opportunities for communities and businesses to be part of an economically thriving and well-connected county.
- 15 An update on the emerging actions being developed to deliver the objectives contained in Monmouthshire’s Well-being Plan was signed off by the PSB in April 2018. The PSB published its first annual report reviewing progress in 2018/19, in July 2019.

Coronavirus (Covid-19) Pandemic

- 16 The Coronavirus pandemic (WEF March 2020) has caused significant organisational disruption including new emergency responsibilities, increased staff absence and a requirement for staff to work from home (where possible) while continuing to ensure statutory services are maintained as expected. This statement assesses the governance in place during 2019/20 with the majority of the year being unaffected by Coronavirus, however, during March 2020 some key operations were affected and will continue to be during 2020/21.
- 17 In accordance with the Council’s Corporate Emergency Management Plan (revised March 2019) an Emergency Response Team (ERT) was established along with a regional multi-agency Strategic Co-ordination Group (SCG) to deal with this pandemic. These groups met on a daily basis during March 2020 and meetings continued into April 2020 and beyond.
- 18 Once enacted, the Corporate Emergency Management Plan allowed for an emergency management structure and delegation of emergency powers to the ERT Gold Duty Officer in consultation with the Leader of the Council.
- 19 The pandemic has impacted on the Council’s delivery of services as some staff have been diverted to front line duties to ensure that critical services are prioritised. There have also been new areas of activity as part of the national response to Coronavirus for example providing emergency assistance to businesses in Monmouthshire.
- 20 There has been funding and logistical consequences of delivering the local government response. To ensure appropriate governance and accountability, these costs have been identified by staff and appropriately coded on the Council’s Main Accounting System.
- 21 In line with public health measures to mitigate the spread of Coronavirus and to enable the Council to focus on the delivery of critical services, all public meetings were suspended. This included Council meetings, meetings of full Cabinet and all committee and sub-committee meetings, including Select, Planning and Licensing.
- 22 Urgent decisions have continued to be made in accordance with the officer and Members’ schemes of delegation as detailed in the Council’s Constitution and urgent decision-making procedures.
- 23 At this stage of the pandemic, the longer term disruption and consequences arising from Coronavirus is currently unclear however, existing projects and programmes may have to be put on hold, new priorities and objectives will need to be introduced and new risks will have to be identified.

- 24** As much as possible, the systems of internal control have continued to operate during the pandemic. The Council's recent implementation of Office365 has allowed the majority of employees to successfully work from home without major disruption.
- 25** In the Chief Internal Auditor's opinion, adequate assurance was obtained over the course of 2019/20 to result in an overall 'Reasonable' audit opinion to be issued for the Council's activities. Internal Audit coverage was adversely affected during the latter part of 2019/20 and 76% of the approved audit plan was completed against the target of 82%. At the start of March 2020, indications were that the audit team would have completed 82% of the audit plan. Further detail regarding the Internal Audit team's performance is included within the Internal Audit Annual Report 2019/20.
- 26** In conclusion, during 2019/20 the Coronavirus pandemic did not lead to significant internal control or governance issues which impacted on the overall review of effectiveness. This will be monitored during 2020/21 and reviewed as part of future Annual Governance Statements.

Review of Effectiveness

- 27** The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team within the Authority which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 28** The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 29** The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:
- i) The Monitoring Officer is in the process of thoroughly reviewing the Council's Constitution and ethical governance arrangements; revised Constitution last approved by Council in December 2017;
 - ii) Periodic reviews of the financial controls including the financial procedure rules by the Chief Finance Officer (Head of Finance); financial procedure rules were approved by Council in September 2014; Contract Procedure Rules are currently being reviewed and updated;
 - iii) Whole Authority Strategic Risk Management Assessment and amendments to the Policy were approved by Cabinet in March 2020;
 - iv) Formal risk management and regular ongoing review of the processes involved reported through Audit Committee
 - v) The Audit Committee undertook a self evaluation exercise towards the end of 2019/20;
 - vi) the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems, establishments and major projects in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that agreed recommendations are implemented;
 - vii) the work of the Council's Select and other Committees, including its Audit and Standards committees;
 - viii) the opinions and recommendations of the Council's external auditors, following both financial audit work and per the Local Government Measure in regard to matters, including governance issues, which are considered for action and implementation and reported to Council, Cabinet and Audit Committee, as appropriate;
 - ix) The opinions and recommendations of other inspection, regulation and review agencies which are reported to Council, Cabinet and Audit Committee as appropriate. Audit Committee receives a regular report on the progress made with recommendations and proposals issued by Wales Audit Office
 - x) regular monitoring of performance against the Corporate Plan and service plans and of key targets, and reporting of this to senior management and members;
 - xi) Audit Committee annual report (Council July 2020);

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- xii) Corporate Safeguarding Policy taken through Council May 2018;
- xiii) Annual appraisal of the effectiveness of the authority's performance management arrangements reported annually to Audit Committee.
- xiv) Chief Officer for Children and Young People's Annual Report presented to Council May 2019; Chief Officer for Social Care, Safeguarding & Health's Annual Report presented to Council September 2019; Corporate Parenting Annual Report to Council October 2019.
- xv) Updated policies and strategies reported through Cabinet and Council

30 The following paragraphs review the effectiveness of the governance arrangements in Monmouthshire under the 7 principles.

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

31 The Code of Conduct for Members and a protocol on Member / Officer relations are set out in the Constitution. A new version of the code of conduct for members was adopted by Council in May 2016. The Council also has a local protocol for the self-regulation of member conduct.

32 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.

33 Public Service Ombudsman Wales Annual Report (2018/19) was presented to the Standards Committee in September 2019'

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

	2016-17	2017-18	2018/19
Not upheld	8	3	20
Referred to Standards Committee	0	0	0
Referred to Adjudication Panel	0	1	0
TOTAL COMPLAINTS CLOSED	8	4	20

34 Agreed arrangements enable the Council to comply with statutory requirements in respect of child protection and the protection of vulnerable adults. Recruitment procedures help ensure that Council employees and Members working with children or vulnerable adults are checked for their suitability to do so through independent DBS checks.

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

36 There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.

37 Policy and decision-making is facilitated through (i) the Cabinet, the meetings of which are open to the public and live streamed online except where exempt or confidential matters are being discussed, and (ii) a scheme of delegation to committees and officers as set out in the Constitution: Five select committees (including the statutory PSB Select Committee) and a separate Audit Committee review, scrutinise and hold to account the performance of the Cabinet, decision-making committees and officers.

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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.

- 38 A Scrutiny and Executive Protocol is in place which is aligned to the updated constitution of December 2017 and provides parameters for effective executive and scrutiny relationships.
- 39 The Constitution is updated periodically by the Monitoring Officer; the latest update approved by Council in December 2017; The Constitution is currently going through a more thorough review process. It can be found on the Council's website and sets out:
- how the Council operates and makes decisions,
 - the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders,
 - the key roles of all members and chief officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated chief officers,
 - a scheme of delegated powers for decision-taking
 - responsibilities for reviewing and agreeing the Council's corporate governance arrangements,
 - arrangements for ensuring it is regularly reviewed and updated
 - its related codes and protocols.
- 40 To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; to ensure sound financial management is a key factor in decisions, the Chief Officer Resources (Interim Head of Finance) attends SLT, Cabinet and Council meetings.
- 41 The ethical governance framework includes:
- codes of conduct for officers and members
 - a protocol governing Member/Officer relations
 - a whistle-blowing policy widely communicated within the Council
 - registers of personal and business interests for Members
 - an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied
 - equalities awareness training.
- 42 In accordance with the Local Government and Housing Act, 1989, the Monitoring Officer ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman Investigation resulting in a finding of maladministration
- 43 All exemptions of the Contract Procedure Rules are reported through Audit Committee six monthly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Procedure Rules and Financial Procedure Rules.
- 44 The Audit Committee has the opportunity to call in senior managers during the year and challenge them on why a procurement process went outside the Council's normal tendering processes. Following 2 consecutive **Limited** Assurance audit opinions, the Head of Strategic Projects was called into Audit Committee (March 2020) to justify the lack of improvement in internal controls re Fuel Cards. The Chief Officer Resources reported on progress following 2 consecutive **Limited** Assurance opinions regarding Anti Bribery, Fraud and Corruption.
- 45 29 Internal Audit opinions were issued in 2019/20; 9 audit jobs resulted in **Limited** assurance.
- 46 The overall opinion on the adequacy of the internal control environment for 2019/20 was **REASONABLE**. Management agreed to implement the recommendations made in audit reports in order to address the weaknesses identified. The Internal Audit opinions issued in 2019/20 were as follows:

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	2017-18	2018-19	2019-20
Substantial Assurance (Very Good)	2	2	2
Considerable Assurance (Good)	11	11	11
Reasonable Assurance	16	13	7
Limited Assurance (Unsatisfactory)	8	6	9
Total	37	32	29

- 47** Reasons why the outcome of the audit reviews which were deemed to provide Limited assurance have been, or will be, presented in a separate report to Audit Committee; assurances have been sought from respective operational managers that action will be taken to make the necessary improvements in control.
- 48** The Internal Audit team did not have a full complement of staff for the full year due to a maternity leave. 77% of the 2019/20 plan was achieved, which was slightly lower than the previous year (84%). The team was also impacted by the Covid-19 pandemic. The Chief Internal Auditor's overall audit opinion is based on the number of audits undertaken and their individual opinions; he was able to give an overall opinion on the adequacy of the control environment.
- 49** The Internal Audit team continued to ensure its compliance with the Public Sector Internal Audit Standards (PSIAS). This was validated through a peer review process at the end of 2017/18 undertaken by the Chief Internal Auditor for Neath Port Talbot Council; the outcome of which was that the team are generally compliant, the highest level of compliance.
- 50** An Improvement Framework is in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement. This is supported by a range of mechanisms including collaborative working initiatives and reviews undertaken both internally and by the external auditors and inspectors. This framework works in conjunction with the Local Government Wales Measure 2009. Performance is reported through Select Committees and Cabinet.
- 51** The strategies which support this Framework include the Asset Management Plan, People Strategy, Local Development Plan, Financial Plan, Digital Strategy, Economy & Enterprise Strategy which are delivered through service business plans and employee aims & objectives, evaluated and risk assessed.
- 52** Chief Officers and Heads of Service are accountable for ensuring that the Council Priorities are delivered and performance against key targets is regularly monitored via the performance management framework and is regularly reported to members via Select Committees.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- 53** The agendas are published in advance of all meetings on the Council's website.
- 54** The scrutiny /select reports on recommendations/outcomes from scrutiny activity are presented to Cabinet quarterly. The scrutiny function has a 'Scrutiny Service Business Plan'. The plan is built into the Council's improvement framework. . At Monmouthshire, scrutiny is undertaken by 5 select committees:
- Children and Young People's Select Committee
 - Adults Select Committee
 - Economy and Development Select Committee
 - Strong Communities Select Committee
 - Public Service Board Select Committee

- 55** The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles. The Scrutiny Handbook and a Scrutiny and Executive Protocol have been developed to support Members to carry out their responsibilities effectively provides a guide for Members, officers and the public on the role and value of scrutiny and the website displays the Scrutiny Forward Work Programme and invites public submissions. Development of Customer Insight to better understand our communities. Dissemination of ward meeting minutes.
- 56** Social media, Twitter, Facebook and You Tube for example, is increasingly being used to engage local people and communicate the corporate message. Scrutiny has a Twitter account to help engage more effectively with the public on democracy. Chief Officers, Members and the Communications team are very proactive in engaging with the public.
- 57** Public engagement events and You Tube continued in 2019/20 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 and is a key workstream of the Future Monmouthshire programme established by the Council in May 2016; the intention is to transform public service delivery. This links back to the principles of the Well-being of Future Generations Act which sets out five ways of working including involvement.
- 58** In May 2018, Monmouthshire Public Services Board, adopted their Well-being Plan in line with the requirements of the Well-being of Future Generations (Wales) Act. The plan was informed by the Monmouthshire Well-being Assessment which sought the views of Monmouthshire residents and draws together findings from data, academic research and policy papers and the views of local people. This Plan is challenged publicly through Public Service Board Select Committee.
- 59** In October 2019, Council agreed to change the title of the Public Service Board Select Committee to Public Services Select Committee to enable scrutiny of wider public service provision in collaboration or by external partners.
- 60** The "Our Monmouthshire" approach, which was essential to the Well-being Assessment is about all of us addressing the needs of the future as well as current generations. People in Monmouthshire were asked "*what's good about your community and what would make it better, now and in the future*". The well-being assessment was also used as evidence to inform the Council's Corporate Plan, making sure it addresses some of the really big challenges that Monmouthshire faces in coming years.
- 61** Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Audit Committee process before being endorsed by Council. All Council decisions, reports and questions asked by Members are available on the website. Financial information, Corporate Plan progress, Council activities, achievements, developments, updates and events were included on the Council's intranet and website, with all Council, Cabinet, Audit Committee and Select Committees now live streamed on You Tube. All public meetings of the Council are live streamed on YouTube and are available to view on the Council's YouTube channel at any time after the meeting, which provides greater transparency of the Council's business.
- 62** Individual Cabinet Members can make decisions under the scheme of delegation; agendas and decisions for all Cabinet Members are published on the Council's website.
- 63** The Council's website contains links to the following areas of open data in the interests of openness.

Data published by Monmouthshire County Council:

- [List of expenditure over £500](#)
- [Our spend data as a useful dashboard](#)
- [Food hygiene ratings](#)
- [Business Property Data Set](#)
- [List of Primary Schools in Monmouthshire](#)

• **List of Secondary Schools in Monmouthshire**

- 64 The Medium Term Financial Plan (MTFP) supports the vision for Monmouthshire and extensive public engagement continued in 2019/20 for the 2020/21 budget and Medium Term Financial Plan which engaged with the public in their own community; this included website, social media, drop in sessions YouTube and open meetings. These were key to providing people with the opportunity to become informed.
- 65 Public engagement and consultation is key to the WFG Act. One of the five ways of working is Involvement - *the importance of involving people with an interest in achieving the well-being goals, and ensuring that those people reflect the diversity of the area which the body serves*. This along with the other ways of working is now considered in all relevant decision making reports for Cabinet and Council through a Future Generations Evaluation which includes Equalities and Sustainability Impact Assessments. The progress of implementing the WFG Act was reported through the PSB and Cabinet in 2019/20.
- 66 Implementing Open Government standards which enable us to effectively engage with our citizens and open up our data for anyone who needs to use it. Making the most of digitisation and digital inclusion to enable us to engage with people across our County.

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

- 67 The Council's previous Improvement Plan and its improvement objectives were incorporated into the Corporate Plan for 2018/19. Building sustainable and resilient communities is the unifying purpose of the diverse range of services the Council delivers. This is shared with our partners on the PSBd, which is responsible for setting well-being objectives for the County.
- 68 Monmouthshire County Council is a member of the Monmouthshire PSB, where we work with other public services and the voluntary sector on the delivery of the local well-being plan. This includes countywide well-being objectives that are a focus for public services that are part of the PSB. Combining the ingenuity and initiative of all partners is key to finding new solutions to pressing, social, economic and environmental problems. This sense of 'power of the collective' is central to its core purpose, reflected in its values and embodied in its culture.
- 69 The Well-being Plan sets out the vision of the PSB. The four identified objectives are to:
- Provide children and young people with the best possible start in life
 - Respond to the challenges associated with demographic change
 - Protect and enhance the resilience of our natural environment whilst mitigating and adapting to the impact of climate change
 - Develop opportunities for communities and business to be part of an economically thriving and well connected county.
- 70 Under the Well-being of Future Generations (Wales) Act 2015 The Council has a responsibility to:
- Set and publish well-being objectives
 - Take all reasonable steps to meet those objectives
 - Publish a statement about well-being objectives
 - Detail arrangements to publish an annual report of progress
- 71 In March 2018 Council approved the Council's Corporate Plan 2017-2022, which incorporated the Council's well-being objectives, and endorsed the Area Plan. The well-being objectives bring together the latest evidence from the well-being assessment, policy and legislation and show how the Council will strive to deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs. The Well-being Objectives and Statement Annual Report (2017/18) was approved by Council in September 2018.

- 72** The Corporate Plan Objectives for 2017 to 2022 are supported by service business plans to operationally deliver these objectives. The Corporate Plan Annual Report (18/19) was taken to Council in September 2019. Service plans were updated for 2019/20 in all service areas and made available on the Council's Hub intranet site. These were quality assessed as part of the service planning process. All service plans were developed to align the delivery of the Council's Corporate Plan.
- 73** In February 2019 Council received the report to approve the continuation of the five objectives set in the Corporate Plan 2017-2022 as the Council's objectives for 2019-20 to comply with the Local Government (Wales) Measure 2009. In March 202 Council supported a mid term refresh of the Plan.
- 74** Wales Audit Office presented its Annual Improvement Report to Audit Committee in July 2019. WAO has carried out work with all councils on improvement assessment, the Wellbeing of Future Generations Act, the service user perspective and scrutiny as well as some local work. Wales Audit Office reported to Audit Committee on work completed from previous years at Monmouthshire. It concluded that the Council meets its statutory requirements for continuous improvement and there are no formal recommendations.
- 75** Reports were taken through the scrutiny process during the year which included links to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents are available through the Council's website.
- 76** Well-being and Future Generations continued to be a key theme and foundation through the reporting processes in 2019/20.
- 77** The Council is embracing the benefits of digital communications including social media use, for example "My Monmouthshire", which enables people to interact and transact with the Council using mobile devices. The Council's website includes more transactional functions. In 2018-19 the Council also launched a chatbot to further broaden the channels people can use to interact with their local authority. During 19/20 there was extensive use of Twitter, Facebook and You Tube to raise awareness of forthcoming events, to provide live streaming of Cabinet, Council and other political meetings, to promote the activities and services provided and to show support and encouragement for community groups.
- 78** Enhancing the digital services with economic (effective and efficient processes aiding business interaction), environmental (less travel and print consumables) and social (digital customer centric services) continued to be a key aspect of improving services throughout 2019/20. Outcomes are measured via the Digital Programme Office Service plan and performance planning process.
- 79** To ensure the best use is made of resources and that taxpayers and service users receive excellent value for money, there are a number of mechanisms within the Council to support this. The option appraisals for the 21st Century Schools considered cost and quality to determine the best outcome for the service; budget mandates were in place to monitor and capture the savings assessments; the IT Board reviewed business cases for future IT investment.
- 80** Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year, and the budget management actions of Cabinet and senior officers are scrutinized by 4 of the Select Committees quarterly. The budget monitoring reporting cycle periodically contains some output measures and unit cost data, so that economic comparison of costs with other Councils can be made. Previously the Council has compared very favourably to others.
- 81** The MTFP process for 2020/21 to 2023/24 was reviewed and approved by Cabinet in September 2019. The Draft Capital Budget Proposals 2020/21 to 2023/24 were taken to Cabinet in December 2019. Draft Revenue Budget Proposals 2020/21 also went to Cabinet in December 2019. Final Proposals went to Cabinet in February 2020. Ongoing scrutiny of the Council's budget position in line with the MTFP has provided members with a greater understanding of the budget setting process and the pressures within individual directorates.
- 82** An authority-wide performance measurement system for the Council, the "data hub", hosted on the Council's intranet site continues to be updated. This enables members and officers to track and monitor

data in key strategic plans through “dashboards”. This also allows performance to be compared against other council areas, where applicable. The “data hub” has been reviewed and streamlined to ensure information is up to date and focussed on the most pertinent performance data.

- 83** An Overview of Performance Management Arrangements was reported to Audit Committee in November 2019. This was an update on the current effectiveness of the Authority’s performance management arrangements. It provides an appraisal of the arrangements that make up the performance framework to ensure that Audit Committee are able to take an overview of their effectiveness. Each arrangement has been scored based on the council’s self-evaluation framework; the key elements were all scored *adequate* or *good*, no measure was scored *weak* or *unsatisfactory*.

- 84** The Equality Impact Assessment and Sustainable Development checklists were revised and combined to align with the Future Generations Act. The “Future Generations Evaluation “ ensures the decisions the Council makes are carefully considered to take equality and sustainable development into account, this includes legislation that Monmouthshire County Council is subject to the Equality Act 2010, Wellbeing of Future Generations Act and Welsh Language (Wales) Measure 2011. A range of these were undertaken during 2019/20 which have been published on the website accompanying decision making reports.

- 85** The Council has a long-standing commitment to equality and diversity and under the Equality Act 2010, has to produce a Strategic Equality Plan. The Council’s second Strategic Equality Plan 2016-2020 sets the council’s objectives to ensure we deliver better outcomes for people with protected characteristics. An annual monitoring report for 2018/19 has been produced and scrutinised by Strong Communities Select Committee in February 2020.

- 86** The Council has a Welsh Language Strategy for 2017 – 2022, which sets out a vision of how Welsh language will look in Monmouthshire in 5 years, and is accompanied by targets to help achieve that vision. Also the Welsh Language Monitoring Report 2018/19 was presented to Strong Communities Select in June 2019 to note compliance and progress made with the Welsh Language Standards allocated to Monmouthshire County Council.

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

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

- 88** Contract Procedure Rules exemptions are reported to the Audit Committee (July 2019); managers have been challenged in year to justify their procurement outside the Council agreed procedures.

- 89** Regular reporting into Cabinet, Scrutiny and Audit Committee enables the achievement of the Council’s objectives to be challenged and appropriate actions put in place to address any identified issues so that the intended outcomes can be achieved. The Strategic Risk Assessment 2019/20 was also reported to Audit Committee (February 2020) and signed off by Cabinet during the year.

- 90** Dealing with customer complaints helps Monmouthshire to identify and deal with failures in service delivery. The Council’s complaint / compliment procedure is available on the web site. Out of 143 complaints received in 2018/19, 132 were resolved informally although 2 complaint was referred to the Ombudsman, who decided not to investigate. 14 formal complaints were received, 5 of which were escalated. 187 comments were received along with 180 compliments. (Standards Committee September 2019)

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

- 91 The Council's recruitment procedures provide equality of employment opportunities. The equality-assessed pay structure meets the requirements of the Single Status Agreement of 1997. The Single Status Collective Agreement was approved by Cabinet in September 2010. This is complemented by the People Strategy.
- 92 Developing the digital capabilities of people and systems to enable effectiveness, efficiency and enhanced customer services (measured via the Digital Programme Service Business Plan)
- 93 There is continued support for Members' development through briefing sessions and other learning opportunities. A comprehensive training programme was developed for the intake of new members following Council elections in May 2017 including:

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

- 94 There is also ongoing training and development which meets the needs of officers and Members through the corporate programme. Coaching and leadership skills training will be rolled out to all managers in due course. Check in, Check Out provides a value-based performance assessment approach between staff and line managers and aims to ensure employees have clear and effective understanding of their contribution to the objectives of their teams and subsequently the Council.
- 95 A Scrutiny Member Development Training Programme is in place which provides ongoing specific skills based training for Members and includes scrutiny induction; this is agreed by the Scrutiny Chairs' Group. The training programme forms part of the Scrutiny Service Plan.
- 96 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance.

Partnerships/collaboration working

- 97 There is Council policy on information sharing along with numerous information sharing protocols with our partners; this is included within the Data Protection Policy. Information sharing is key to joined-up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Monmouthshire signed up to this in January 2011. The Authority is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the General Data Protection Regulation 2018. The Information Sharing protocol has been developed to ensure information is only shared appropriately, safely and compliantly.
- 98 The Council ensures that it has appropriate governance arrangements around its collaborations with other public agencies and other third parties. These can take a range of forms, from informal arrangements to those where governance arrangements are determined through legislation. The governance arrangements form a key part of the decision making processes that the Cabinet or Council follow when deciding to enter a collaborative arrangement, transparent local accountability is a key area of focus.
- 99 As a key example of our commitment to effective governance, arrangements have been developed for the PSB Select Committee.
- 100 The Community & Partnership Development Team was developed in order to help build sustainable and resilient communities that support the wellbeing of current and future generations in Monmouthshire

which is a shared purpose with the public service board partners. The Team work with communities and partners to help bring about social change and improve the quality of life in the county. The team act as enablers, unlocking potential and supporting sustainability through collective impact; providing a resource and tangible link between local communities and a wide range of partners; enabling the delivery of measureable and sustainable programme of activities that will constantly look to the future. The team will ensure MCCs statutory duties are fulfilled across the partnerships landscape in relation to:

- Crime & Disorder Act & Community Safety
- VAWDASV & DHR's
- UNCRC & Youth Support Services
- Older Peoples Phase 3 Strategy
- Armed forces Community Covenant
- Delivery of PSB wellbeing objectives
- Working closely with partners and communities to deliver a joined up approach against our Social Justice Strategy

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

- 101** There are robust arrangements for effective internal financial control through the Council's accounting procedures and financial regulations. These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets. The Chief Finance Officer is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Procedures for tendering and contract letting are included in the Contract Procedure Rules and Financial Procedure Rules. The Council's Treasury Management arrangements follow professional practice, are subject to regular review and are contained in the Treasury Management Strategy approved by Council each year.
- 102** In July 2017 Wales Audit Office reported to Audit Committee that the "Council has a clear strategic approach for significant service changes, although better information would help Members when deciding the future shape of the Council".
- 103** In its Annual Improvement Report 2018/19, reported to Audit Committee July 2019, WAO concluded that the Council is meeting its statutory requirements in relation to continuous improvement and is likely to comply with the requirements of the Local Government Measure (2009) during 2019/20. No formal recommendations were made although there were a number of proposals for improvement.
- 104** The anti-fraud, bribery and corruption strategy was revised and updated during 2017/18. It was approved by Cabinet July 2017 and provides a deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention. The Council's Council Tax Reduction Anti-Fraud Policy was approved by Cabinet in June 2015. A training package has been developed and presented to Audit Committee (January 2020). This will be rolled out to all managers in order to raise awareness of anti-fraud, bribery and corruption issues.
- 105** The Audit Committee considers the effectiveness of the Council's arrangements for securing continuous improvement including risk management arrangements. The Audit Committee also considers corporate governance, monitors the work of auditors and inspectors, and monitors the relationships between auditors and staff and the responses to audit and inspection recommendations. It also has responsibility for reviewing the Annual Statement of Accounts and its associated reports (which include this statement) before approval by Council. The Audit Committee has an independent, non-political, Chairman who prepares an annual report of the work of the Audit Committee.
- 106** Internal Audit operate to the standards set out in the 'Public Sector Internal Auditing Standards' which have been developed from the Institute of Internal Auditors (IIA) International Internal Auditing Standards which came into effect in April 2013. The team's role and status is set out in the Council's Internal Audit Charter. The Chief Internal Auditor reports to the Audit Committee a summary of audit

findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's internal control environment.

- 107** The Chief Internal Auditor continues to ensure Internal Audit complies with the Public Sector Internal Audit Standards. A self assessment was undertaken during 2017/18 to assess compliance with the Standards which was validated in March 2018 by an external assessor, the Chief Internal Auditor of Neath Port Talbot Council.
- 108** The Council has an objective and professional relationship with its external auditors and statutory inspectors. It manages its information resource through strategies and policies to enable effective decision making which is managed via the Information Strategy and action plan.

Risk management

- 109** The Council's Strategic Risk Management Policy was updated and approved by Cabinet in March 2019; progress was reported into Audit Committee in February 2020. The policy requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing high level strategic risks to the Council's priorities, services and major projects. The risk controls necessary to manage them are identified and monitored to ensure risk mitigation.

- 110** Within the Council the purpose of risk management is to:

- preserve and protect the Council's assets, reputation and staff
- aid good management of risk and support whole authority governance
- aid delivery of its population outcomes internally and when working with partners
- improve business performance and anticipated risks in delivering improvements
- avoid unnecessary liabilities, costs and failures
- shape procedures and responsibilities for implementation.

The strategic risk assessment ensures that:

- Strategic risks are identified and monitored by the Authority
- Risk controls are appropriate and proportionate
- Senior managers and elected members systematically review the strategic risks facing the Authority.

The risk assessment is prepared by drawing on a wide range of evidence including service plans, performance measures, regulatory reports, progress on the previous risk assessment and the views of select committees. In order to mitigate the risks, proposed actions are recorded and also aligned back into the respective service business plan. The risk assessment is a living document and is updated over the course of the year as new information comes to light.

- 111** The Council's Strategic Risk Assessment for 2019/20 contains 16 risks. These were reviewed throughout the year with the latest version was presented to Audit Committee in February 2020. The majority were rated initially as medium risks; 13 medium risks, 1 medium / high risk and 2 high risks pre mitigation. Following mitigation there were 3 low risks, 6 medium to low risks, 4 remained as medium, 1 risk moved from medium to high to low and 2 remained as high risks.

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

- 112** The South East Wales Education Achievement Service (EAS) Business Plan 2019/20 was presented to Cabinet in April 2019. The plan sets out the priorities, programmes and outcomes to be achieved by the EAS on behalf of the South East Wales Consortium.
- 113** Other reports were taken through Cabinet during 2019/20 demonstrating transparency and accountability, for example:

- Schools Admissions Policy 2020/21
- Agency & Self Employed Workers Policy
- Sudbrook S.106 Papermill off site recreation funding
- Social Justice Strategy
- Monmouthshire Replacement LDP Issues, Vision and Objectives
- Investment Proposal for Caldicot Castle
- Establish Monmouthshire MedTech
- The Resources restructure
- Council Tax base 2019/20
- Code of Practice – Ethical employment in supply chains

- 114** The updated People Strategy was endorsed by Cabinet in July 2018; this is the overarching framework for People and Organisational Development which supports its role in ensuring the organisation is equipped with the collective capacity, capability and mindset to meet financial and improvement challenges and respond to opportunities that present
- 115** The Council's first Commercial Strategy was endorsed by Cabinet in July 2018; The purpose of this report was to present for approval the Council's first Commercial Strategy and accompanying action plan. The strategy builds upon aspects of the Procurement, Digital and Asset Management Strategies and is a key means through which the Council can play a role in the self-determination of its future viability and sustainability.
- 116** In September 2019, the updated Digital Infrastructure Action Plan was approved by Cabinet. It recommended:
- a) encouraging broadband providers to install full fibre infrastructure in the County
 - b) establishing a strategic broadband working group
 - c) addressing digital deprivation issues
 - d) to consider opportunities for funding install of 5G
- 117** There have been significant developments in technology in the last 4 years, and the experience, data and evidence we have collected from our customers about the way they wish to engage and transact with us has informed this new strategy. Our workforce needs to have the digital knowledge and skills to build in end to-end automated customer services and business processes. We need to reduce demand through self-service facilities and provision of accurate, relevant data and information that people can use with confidence to make decisions.
- 118** In July 2018, the Council's latest iteration of its Procurement Strategy was approved by Cabinet. The Strategy builds upon workshop sessions undertaken with the Economy and Development Select Committee and the aims, aspirations and priorities for procurement, identified throughout the participative process.
- 119** Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Audit Committee process before being endorsed by Council. All public meetings of the Council, including Council, Cabinet, Select, Audit Committee, Planning Committee are live streamed on YouTube and are available to view on the Council's YouTube channel at any time after the meeting, which provides greater transparency of the Council's business.
- 120** The Council's enabling strategies have been revised to align to the delivery of the corporate plan, these include the Digital Strategy, People Strategy and Asset Management Strategy as well as linking in with MCC's Service Business Plans.
- 121** The Audit Committee continues to support the Internal Audit team and endorses its annual report and plan. The plan details the work and service areas the team will cover based on a risk assessment in order to provide assurance on the adequacy of the internal controls, governance arrangements and risk management process. The Audit Committee presents its Annual report to Council.

122 The Whole Authority Report complaints, comments and compliments 2018/19 was presented to Standards Committee in September 2019 which identified the number and types of feedback received and dealt with from 1 April 2018 until 31 March 2019.

Information Governance

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

124 To provide tools to do the job, MCC have a dedicated GDPR website with templates (e.g. for privacy notices), charts (e.g. for establishing individual rights) and general advice/ updates on the regulation.

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

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

Main areas for Improvement

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

- continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;
- Revise and update the Code of Corporate Governance and get it formally approved by Cabinet

Action Plan 2018/19

128 Appendix 1 shows how the 2018/19 Action plan areas for improvement have been addressed during 2019/20.

Monitoring & Evaluation

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

ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Signed:2020

Councillor Peter Fox Leader

Signed:2020

Paul Matthews Chief Executive

Progress against the Action Plan 2018/19

Governance Principle	Area for Improvement	Progress
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;	Internal Audit have continued to deliver training sessions within schools and on the manager's induction programme.
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	The Code of Corporate Governance was last approved by Council in July 2011. This will need to be updated and approved in line with Delivering Good Governance in Local Government Framework 2016'	Outstanding. The Code of Corporate Governance has been updated and will be presented to Audit Committee by the end of Q2 before being taken to Cabinet.
Principle F: Managing risks and performance through robust internal control and strong public financial management	The Council will work through the WAO Proposals for improvement in the following areas: <ul style="list-style-type: none"> ▪ Scrutiny: Fit for the Future? ▪ Review of Asset Management ▪ Information Management ▪ Whole Authority review of children's safeguarding 	A corporate plan has been developed that sets out a clear direction for the Council up to 2022. The role and purpose of service planning has been reviewed and a revised process established aligned to the corporate plan. Council's enabling strategies have been revised to align to the delivery of the corporate plan, these include the Digital Strategy, People Strategy and Asset Management Strategy The Council's Strategic Risk Management Policy was updated

DRAFT

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Monmouthshire County Council for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2020 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

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

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

24 Cathedral Road
Cardiff
CF11 9LJ

Movement In Reserves Statement for the Year Ended 31st March 2020

	Note	Council Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Joint Arrangement - CCRC £000	Total Reserves £000
Balance at 1st April 2018		7,285	7,374	3,554	18,214	(2,630)	1,582	17,166
<i>Movement in reserves during 2018/19</i>								
Total Comprehensive Income and Expenditure		(12,875)	-	-	(12,875)	(42,280)	911	(54,244)
Adjustments between accounting basis & funding basis under regulations	10.2	11,706	-	1,027	12,733	(12,733)		-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(1,169)	-	1,027	(142)	(55,013)	911	(54,244)
Transfers to/(from) Earmarked Reserves	10.4	761	(761)	-	-			-
Increase/(Decrease) in 2018/19		(408)	(761)	1,027	(142)	(55,013)	911	(54,244)
Balance at 31st March 2019 carried forward		6,877	6,613	4,582	18,071	(57,643)	2,493	(37,077)
<i>Movement in reserves during 2019/20</i>								
Total Comprehensive Income and Expenditure		(22,365)	-	-	(22,365)	60,554	142	38,332
Adjustments between accounting basis & funding basis under regulations	10.2	23,728	-	(1,374)	22,355	(22,355)		(0)
Net Increase/(Decrease) before Transfers to Earmarked Reserves		1,363	-	(1,374)	(11)	38,200	142	38,332
Transfers to/(from) Earmarked Reserves	10.4	230	(230)	-	-	-	-	0
Increase/(Decrease) in 2019/20		1,593	(230)	(1,374)	(11)	38,200	142	38,332
Balance at 31st March 2020 carried forward		8,471	6,383	3,208	18,061	(19,443)	2,636	1,255

Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2020							
2018/19					2019/20		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
72,914	(10,963)	61,951	Children & Young People		72,739	(13,167)	59,572
65,623	(16,231)	49,392	Social Care & Health		71,825	(17,388)	54,438
58,005	(23,534)	34,471	Enterprise		66,154	(29,451)	36,703
5,035	(521)	4,515	Chief Executives Unit		6,647	(860)	5,787
39,303	(21,696)	17,608	Resources		42,551	(22,656)	19,894
2,493	(691)	1,803	Corporate		3,591	(6,150)	(2,559)
77	(259)	(182)	Cardiff Capital Region City Deal (CCRCD)	16.6	150	(308)	(158)
243,451	(73,893)	169,557	Cost of Services	11.1	263,657	(89,980)	173,677
			Other operating expenditure:				
			<i>Precepts & Levies:</i>				
10,960	0	10,960	Gwent Police Authority		11,779	0	11,779
4,351	0	4,351	South Wales Fire & Rescue Authority		4,383	0	4,383
2,676	0	2,676	Community and Town Councils		2,699	0	2,699
100	0	100	National Parks		106	0	106
94	0	94	Internal Drainage Boards		94	0	94
115	(593)	(478)	Gains/losses on the disposal of non-current assets		300	(229)	71
		17,703	Total Other operating expenditure				19,131
28,547	(22,894)	5,653	Financing and investment income and expenditure	11.3	16,746	(9,850)	6,896
			Taxation & non-specific grant income:				
0	(70,741)	(70,741)	Council Tax	11.5	0	(75,628)	(75,628)
0	(30,177)	(30,177)	Non-domestic rates redistribution	11.5	0	(30,682)	(30,682)
0	(79,309)	(79,309)	General government grants	11.6	0	(71,205)	(71,205)
0	(756)	(756)	Recognised Capital Grants & Contributions: CCRCD		0	0	0
34		34	Tax Expenses: CCRCD		33		33
		11,964	(Surplus) or Deficit on Provision of Services				22,223
			Other Comprehensive Income and Expenditure:				
		5,857	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	12.1			(4,139)
		(46)	Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income				401
		36,469	(Gains)/losses on remeasurement of pension assets / liabilities	14.3			(56,816)
		42,280	Total Other Comprehensive Income and Expenditure				(60,554)
		54,244	Total Comprehensive Income and Expenditure				(38,332)

Balance Sheet as at 31st March 2020

31st March 2019 £000s		Note	31st March 2020 £000s
238,607	Other land and buildings	12.1	241,221
10,403	Vehicles, plant, furniture and equipment	12.1	10,470
66,086	Infrastructure	12.1	71,151
4,319	Community assets	12.1	4,459
3,019	Assets under construction	12.1	2,844
110	Surplus assets not held for sale	12.1	0
4,743	Heritage Assets	12.7	4,792
64,682	Investment Property	12.5	63,871
383	Intangible Assets		220
60	Long-Term Investments	13.1	91
5,847	Long Term Debtors	13.5	2,938
398,258	Long term assets		402,059
11,101	Short Term Investments	13.1	5,658
430	Inventories		482
26,693	Short Term Debtors	13.5	28,566
13,362	Cash and Cash Equivalents	15.3	22,377
2,100	Assets Held for Sale	12.6	2,060
53,687	Current Assets		59,143
(103)	Cash and Cash Equivalents	15.3	(1,475)
(73,588)	Short Term Borrowing	13.1	(95,123)
(27,811)	Short Term Creditors	13.6	(24,768)
(3,561)	Provisions	13.7	(4,095)
(105,064)	Current Liabilities		(125,461)
(268,213)	Liability related to defined benefit pension scheme	10.9	(230,526)
(592)	Provisions	13.7	(413)
(105,810)	Long Term Borrowing	13.1	(92,591)
(1,870)	Long Term Creditors: CCRCD		(2,734)
(2,350)	Other Long Term Liabilities	13.1	(2,352)
(3,170)	Capital Grants Receipts in Advance	11.6	(3,852)
(1,954)	Revenue Grants Receipts in Advance		(2,018)
(383,959)	Long Term Liabilities		(334,487)
(37,077)	Net Assets		1,255
6,877	Council Fund Balance	10.3	8,471
6,613	Earmarked Reserves	10.4	6,383
4,581	Capital Receipts Reserve	10.6	3,208
250	Usable Reserves: CCRCD		392
18,322	Usable Reserves		18,454
38,948	Revaluation Reserve	10.7	41,523
(268,213)	Pensions Reserve	10.9	(230,526)
166,977	Capital Adjustment Account	10.8	167,978
8,168	Deferred Capital Receipts Reserve	10.11	5,479
(631)	Financial Instrument Adjustment Account		(517)
46	Financial Instrument Revaluation Reserve		(355)
(2,939)	Accumulating Absence Adjustment Account	10.10	(3,025)
2,243	Unusable Reserves: CCRCD		2,243
(55,400)	Unusable Reserves		(17,200)
(37,077)	Total Reserves		1,255

Cash Flow Statement for the Year Ended 31st March 2020

31st March 2019			31st March 2020
£000		Note	£000
11,964	Net (surplus) or deficit on the provision of services	15.1	22,223
(36,426)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	15.1	(34,983)
18,933	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15.1	14,723
(5,529)	Net cash flows from Operating Activities	15.1	1,963
70,287	Purchase of property, plant and equipment, investment property and intangible assets		21,405
11,096	Purchase of short-term and long-term investments		11,607
0	Other payments for investing activities		0
(9,321)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(4,537)
(4,871)	Proceeds from short-term and long-term investments		(19,310)
(17,295)	Other receipts from investing activities		(10,487)
49,895	Net Cash (Inflow)/Outflow from Investing Activities		(1,321)
	Financing Activities		
2,065	Repayments of short and long-term borrowing		546
32	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		31
(51,592)	Cash receipts of short and long-term borrowing		(8,863)
0	Other receipts from financing activities		0
(49,496)	Net Cash (Inflow)/Outflow from Financing Activities		(8,285)
(5,130)	Net (increase) / decrease in cash and cash equivalents		(7,644)
8,128	Cash and cash equivalents at the beginning of the reporting period		13,259
13,258	Cash and cash equivalents at the end of the reporting period	15.3	20,902

**Notes to the Accounts
for the Year Ended
31st March 2020**

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 2018 £000	Movement in Reserve £000	Balance at 31st March 2019 £000	Movement in Reserve £000	Balance at 31st March 2020 £000
Usable Reserves:						
Council Fund balance: Authority	10.3	7,110	(0)	7,110	1,796	8,906
Council Fund balance: LMS School Balances	10.5	175	(408)	(232)	(203)	(435)
Earmarked reserves	10.4	7,374	(761)	6,613	(230)	6,383
Capital Receipts Reserve	10.6	3,554	1,027	4,581	(1,373)	3,208
Usable Reserves: CCRCD		95	155	250	142	392
Total Usable Reserves		18,309	13	18,322	133	18,454
Unusable Reserves:						
Revaluation Reserve	10.7	46,299	(7,351)	38,948	2,575	41,523
Capital Adjustment Account	10.8	170,061	(3,084)	166,977	1,000	167,978
Financial Instruments Adjustment Account		(744)	114	(631)	0	(517)
Pension Reserve	10.9	(217,645)	(50,568)	(268,213)	37,687	(230,526)
Deferred Capital Receipts Reserve	10.11	3,000	5,168	8,168	0	5,479
Financial Instrument Revaluation Reserve		0	46	46	(401)	(355)
Accumulated Absences Adjustment Account	10.10	(3,601)	662	(2,939)	(86)	(3,025)
Unusable Reserves: CCRCD	16.6	1,487	756	2,243	0	2,244
Total Unusable Reserves		(1,143)	(54,256)	(55,400)	40,776	(17,199)
Total Authority Reserves		17,165	(54,243)	(37,077)	40,909	1,255

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 2019/20:	Council Fund Balance £000	Usable Reserves £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of Property, Plant and Equipment assets	14,523	0	(14,523)
Charges for impairment of Heritage Assets	189	0	(189)
Revaluation movements on Heritage Assets	(0)	0	0
Revaluation movements on Property Plant and Equipment (charged to SDPS)	518	0	(518)
Revaluation movements on Assets Held for Sale (charged to SDPS)	0	0	0
Movements in the market value of Investment Properties	116	0	(117)

Amortisation and impairment of intangible assets	186	0	(186)
Capital grants and contributions applied	(8,658)	0	8,658
Revenue expenditure funded from capital under statute	4,161	0	(4,161)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,290	0	(1,290)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment (MRP)	(5,564)	0	5,564
Capital expenditure charged against the Council Fund	(286)	0	286
Adjustments involving the Capital Receipts Reserve:			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(1,847)	4,537	(2,689)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(5,910)	5,910
Adjustments involving the Financial Instruments Adjustment Account:			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(113)	0	113
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the CIES	32,284	0	(32,284)
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,155)	0	13,155
Adjustment involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	86	0	(86)
Adjustment between the Capital Adjustment Account and the Revaluation Reserve:			
Depreciation of non-current asset revaluation gains	0	0	0
Total adjustments between accounting basis & funding basis under regulations	23,728	(1,374)	(22,355)

Movements in 2018/19:	Council Fund Balance £000	Usable Reserves £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of Property, Plant and Equipment assets	7,617	-	(7,617)
Charges for impairment of Heritage Assets	0	-	0
Revaluation movements on Heritage Assets	0	-	0
Revaluation movements on Property Plant and Equipment (charged to SDPS)	12,830	-	(12,830)
Revaluation movements on Assets Held for Sale (charged to SDPS)	62	-	(62)
Movements in the market value of Investment Properties	1,525	-	(1,525)
Amortisation and impairment of intangible assets	159	-	(159)
Capital grants and contributions applied	(16,218)	-	16,218
Revenue expenditure funded from capital under statute	1,479	-	(1,479)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	10,334	-	(10,334)

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

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 £(435,000) 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 2018 £000	In Year Movement £000	At 31st March 2019 £000	In Year Movement £000	At 31st March 2020 £000
Amount of Council Fund Balance held by Schools under Local Management Schemes	175	(408)	(232)	(203)	(435)
Amount of Council Fund Balance generally available for new expenditure	7,110	(0)	7,110	1,795	8,906
Total Council Fund Balance	7,286	(408)	6,877	1,592	8,471
Earmarked Revenue Reserves	7,374	(761)	6,613	(230)	6,383
Total Usable Reserves available for Revenue Purposes	14,660	(1,169)	13,490	1,362	14,853

10.4 Transfers to/from Earmarked Reserves

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

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

The transfers to and from Earmarked Reserves in 2019/20 can be summarised as follows:

	At 1st April 2018 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2019 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2020 £000
Invest to Redesign	1,302	68	(288)	1,083	278	(194)	1,168
Priority Investment	687		(282)	405			405
Insurance and risk management	1,046		(28)	1,019		(83)	935
IT Transformation	735		(256)	479		(225)	254
Treasury equalisation	990			990			990
Capital Investment	648		(5)	643		(16)	627
Redundancy and Pensions	497		(164)	333		(88)	245
Capital Receipt Generation	347	50	(118)	279		(98)	181
Other reserves							
Elections	58	25		83	35		118
Museums acquisition	56		(3)	53			53
Solar Farm Maintenance & Community Fund	23	18		41	23		64
Castlegate	0	80		80			80
Newport Leisure Park	0	62		62			62
Service Reserves:							
Local Resilience Forum	0	115		115	84	(2)	198
Grass Routes Buses	146	5		151	5		156
Schools sickness & maternity cover	1	136		136		(88)	48
Trading Accounts:							
Youth Offending Team	249		(99)	150			150
Outdoor education centres	129		(129)	0			0
Building Control	22		(8)	14		(13)	1
Rural Development Plan	278	136		413	116		530
Highways Plant & Equipment Replacement	150		(116)	34	75	(39)	69
Homeless Prevention	10	40		50			50
Total	7,374	734	(1,495)	6,613	617	(847)	6,383

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

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

Capital Investment Reserve - To finance future capital expenditure.

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

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

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

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

Capital Receipt Generation Reserve - Securing capital receipts is a vital element of the Authority's capital investment strategy. Improving the final disposal value by investment, either in the fabric of the asset or by proper disposal expertise ensures the Council obtains the best possible value for surplus assets.

Current accounting regulations are such that investing in disposal must be taken against the revenue account and these costs cannot be fully offset against the ultimate capital receipt. The reserve has been established to finance such expenditure.

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

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

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

10.5 School Balances

The balance on the Council Fund includes £(435,128) 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 2018 £	In Year Movement £	At 31st March 2019 £	In Year Movement £	At 31st March 2020 £
Comprehensives					
Caldicot	(100,637)	35,624	(65,012)	(114,680)	(179,693)
Chepstow	158,456	(107,795)	50,662	(114,232)	(63,570)
King Henry VIII	(162,460)	79,663	(82,798)	(142,902)	(225,700)
Monmouth	(423,950)	(114,375)	(538,325)	75,795	(462,530)
Sub Total Comprehensives	(528,591)	(106,882)	(635,473)	(296,019)	(931,493)
Primaries					
Archbishop R Williams	79,455	(6,049)	73,405	10,311	83,716
Cantref	65,965	22,426	88,391	16,802	105,193
Castle Park	(43,659)	19,887	(23,773)	25,926	2,153
Cross Ash	59,356	(5,206)	54,151	10,007	64,157
Deri View	40,000	40,000	80,001	(6,044)	73,956
Dewstow	105,626	3,016	108,642	27,813	136,455
Durand	71,664	(42,578)	29,087	(16,396)	12,691
Gilwern	52,253	2,998	55,251	9,298	64,549
Goytre Fawr	10,803	(8,066)	2,738	32,156	34,893
Kymin View	34,657	(29,050)	5,607	32,348	37,955
Llandogo	(12,449)	(71,067)	(83,516)	(93,019)	(176,535)
Llanfair Kilgeddin CV	0	0	0	0	0
Llanfoist	49,579	(35,238)	14,341	10,530	24,871
Llantilio Pertholey	4,439	(14,082)	(9,643)	(11,373)	(21,016)

Llanvihangel Crucorney	511	33,830	34,342	15,343	49,684
Magor Vol Aided	(19,226)	(35,424)	(54,651)	35,866	(18,785)
New Pembroke Primary	181	(13,420)	(13,239)	14,444	1,205
Osbaston Church in Wales	635	(629)	6	(11,256)	(11,250)
Our Lady's & St Michael's Catholic Primary	(7,085)	(7,086)	(14,170)	30,030	15,859
Overmonnow	28,389	(46,862)	(18,473)	(15,456)	(33,928)
Raglan	(147,743)	39,292	(108,452)	75,340	(33,112)
Rogiet	26,145	(6,130)	20,014	(24,418)	(4,404)
Shirenewton	118,600	13,494	132,093	(3,203)	128,890
St Mary's (Chepstow)	6,055	(69,648)	(63,592)	17,074	(46,518)
The Dell	22,165	(5,776)	16,389	(13,357)	3,032
Thornwell	(9,566)	(44,157)	(53,722)	6,572	(47,150)
Trellech	87,650	(15,667)	71,983	(21,035)	50,948
Undy	(28,221)	(101,313)	(129,534)	(16,391)	(145,925)
Usk CV	62,920	(53,009)	9,910	36,032	45,942
Ysgol Gymraeg Y Fenni	58,965	(7,659)	51,306	(55,714)	(4,408)
Ysgol Gymraeg Ffin	(37,617)	4,637	(32,980)	(12,903)	(45,883)
Sub Total Primaries	680,449	(438,537)	241,912	105,324	347,236
Other					
Mounton House	(33,584)	175,089	141,505	30,555	172,060
Pupil Referral Unit	56,952	(37,299)	19,653	(42,584)	(22,931)
Sub Total Other	23,367	137,790	161,158	(12,029)	149,129
Total	175,225	(407,629)	(232,404)	(202,724)	(435,128)

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.

2018/19 £000		2019/20 £000
3,554	Balance as at 1st April	4,581
9,522	Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,605
14	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(68)
(8,510)	Less: use of the Capital Receipts Reserve to finance new capital expenditure	(5,910)
4,581	Balance as at 31st March	3,208

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.

2018/19 £000		2019/20 £000
46,299	Balance at 1 April	38,948
1,288	Upward revaluation of assets	5,411
(7,145)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,272)
(1,494)	Difference between fair value depreciation and historical cost depreciation	(1,564)
38,948	Balance at 31 March	41,523

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.

2018/19 £000		2019/20 £000
170,061	Balance at 1 April	166,977
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(7,617)	Charges for depreciation and impairment of property, plant and equipment assets	(14,523)
0	Revaluation movements on heritage assets	0
0	Charges for impairment of heritage assets	(189)
(12,830)	Revaluation movements on Property, Plant and Equipment	(518)
(62)	Revaluation movements on Assets Held for Sale	0
(159)	Amortisation & impairment of intangible assets	(186)
(1,479)	Revenue expenditure funded from capital under statute	(4,161)
(10,334)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,290)
1,494	Adjusting amounts written out of the Revaluation Reserve	1,564
8,510	Use of the Capital Receipts Reserve to finance new capital expenditure	5,910
16,218	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,658
4,421	Statutory provision for the financing of capital investment charged against the Council Fund	5,564
281	Capital expenditure charged against the Council Fund	286
(1,525)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(117)
166,977	Balance at 31 March	167,978

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.

2018/19 £000		2019/20 £000
(217,645)	Balance at 1 April	(268,213)
(36,469)	Remeasurement gains or (losses) on pension assets and liabilities	56,816
(26,143)	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	(32,284)
12,044	Employer's pensions contributions and direct payments to pensioners payable in the year	13,155
(268,213)	Balance at 31 March	(230,526)

10.10 Accumulated Absences Account

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

2018/19 £000		2019/20 £000
(3,601)	Balance at 1 April	(2,939)
3,601	Settlement or cancellation of accrual made at the end of the preceding year	2,939
(2,939)	Amounts accrued at the end of the current year	(3,025)
(2,939)	Balance at 31 March	(3,025)

10.11 Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of Land but for which full cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

The balance at the 31st March 2020 is made up of £2,849,000 relating to the Old Abergavenny cattle market site disposed of under a finance lease and £2,630,000 relating to the phased receipts agreed for the disposal of land at Crick Road.

2018/19 £000		2019/20 £000
3,000	Balance at 1 April	8,168
5,262	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(94)	Transfer to the Capital Receipts Reserve upon receipt of cash	(2,689)
8,168	Balance at 31 March	5,479

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).

2018/19				2019/20		
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
50,674	11,277	61,951	Children & Young People	51,883	7,689	59,572
46,269	3,123	49,392	Social Care & Health	50,087	4,350	54,438
21,888	12,583	34,471	Enterprise	24,376	12,327	36,703
4,270	245	4,515	Chief Executives Unit	4,735	1,052	5,787
6,928	10,680	17,608	Resources	7,191	12,704	19,894
20,362	(18,559)	1,803	Corporate	16,412	(18,971)	(2,559)
0	(182)	(182)	Cardiff Capital Region City Deal (CCRCD)	0	(158)	(158)
150,391	19,166	169,557	Cost of Services	154,685	18,993	173,678
(150,391)	(7,202)	(157,593)	Other Income & Expenditure	(156,481)	5,026	(151,455)
0	11,964	11,964	Surplus or Deficit	(1,796)	24,019	22,223
(7,111)			Opening General Fund Balance	(7,111)		
0			Surplus or Deficit on General Fund	(1,796)		
(7,111)			Closing General Fund Balance	(8,907)		

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

2018/19 (Restated)					2019/20			
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
11,093	1,620	(1,436)	11,277	Children & Young People	6,623	2,284	(1,218)	7,689
1,190	2,744	(811)	3,123	Social Care & Health	1,317	3,739	(705)	4,350
8,860	2,888	835	12,583	Enterprise	6,662	4,205	1,460	12,327
209	453	(417)	245	Chief Executives Unit	398	592	62	1,052
782	792	9,106	10,680	Resources	2,061	1,001	9,641	12,704
0	(379)	(18,181)	(18,559)	Corporate	2,768	723	(22,462)	(18,971)
0	0	(182)	(182)	Cardiff Capital Region City Deal (CCRCD)	0	0	(158)	(158)
22,133	8,118	(11,085)	19,166	Cost of Services	19,829	12,543	(13,380)	18,993
(21,189)	5,981	8,006	(7,202)	Other Income & Expenditure	(14,302)	6,586	12,742	5,026
944	14,099	(3,079)	11,964	Adjustments between the Funding & Accounting Basis	5,527	19,129	(638)	24,019

11.2 Expenditure & Income analysed by nature

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

2018/19 £000		2019/20 £000
121,415	Employee benefits expenses	131,961
108,904	Other services expenses	122,371
28,093	Depreciation, amortisation and impairment	20,459
18,071	Precepts & levies	19,070
3,524	Interest payments	4,088
10,320	Gain/loss on disposal of non-current assets	1,847
290,327	Total Expenditure	299,796
(43,169)	Fees, charges & other service income	(58,060)
(268)	Interest and investment income	(440)
(100,917)	Income from council tax & NNDR	(106,310)
(119,317)	External grants and contributions	(110,916)
(14,691)	Gain/loss on disposal of non-current assets	(1,847)
(278,363)	Total Income	(277,573)
11,964	Surplus or Deficit on the Provision of Services	22,223

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 2019				Note	31st March 2020		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,523	0	3,523	Interest payable and similar charges	13.2	4,088	-	4,088
5,981	-	5,981	Pensions interest cost and expected return on pensions assets	14.3	6,586	-	6,586
-	(228)	(228)	Interest receivable and similar income	13.2	-	(473)	(473)
-	(7)	(7)	Interest receivable and similar income: CCRC share		-	(17)	(17)
16,758	(20,289)	(3,531)	Income and expenditure in relation to investment properties and changes in their fair value		3,705	(7,025)	(3,320)
2,283	(2,355)	(72)	(Surpluses)/deficits on trading undertakings not included in the Net Cost of Services	11.4	2,367	(2,301)	66
0	(14)	(14)	Other investment income		-	(33)	(33)
28,546	(22,893)	5,653	Total Financing and Investment Income and Expenditure		16,746	(9,850)	6,896

11.4 Significant Trading Operations

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

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

2018/19			Trading Unit	2019/20		
£000 Expenditure	£000 Turnover	£000 (Surplus) / Deficit		£000 Expenditure	£000 Turnover	£000 (Surplus) / Deficit
901	(946)	(45)	Grounds Maintenance	952	(999)	(47)
564	(400)	164	Building Control	570	(403)	167
411	(373)	38	Markets	405	(245)	160
85	(180)	(95)	Industrial Units	102	(179)	(77)
322	(456)	(134)	Trade Refuse	338	(475)	(137)
2,283	(2,355)	(72)	Total	2,367	(2,301)	66

11.5 Council Tax & National Non-Domestic Rates

Council Tax

Council tax derives from charges raised according to the value of residential properties. Each dwelling has been classified into one of nine valuation bands according to its capital value at 1 April 2003 for this specific purpose. Charges are calculated by taking the amount of income required for the Authority, Office of Police and Crime Commissioner for Gwent and Town and Community Councils for the forthcoming year and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent, totalled across all bands and adjusted for discounts. The tax base was £46,096.27 for 2019/20 (£45,888 for 2018/19).

This average basic amount for a Band D property, £1,629.72 (£1,538.93 in 2018/19), is multiplied by the proportion specified for the particular band to give the individual amount due.

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

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	1.0	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	509	3,292	6,963	8,824	7,169	7,607	5,334	1,746	671
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:

2018/19 £000		2019/20 £000
(70,687)	Council tax collectable	(75,619)
(53)	Provision for non-payment of council tax	(10)
(70,741)	Total Council Tax proceeds	(75,628)

National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate, 0.526p per £ in 2019/20 (0.514p per £ in 2018/19) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The NNDR income after relief and provisions of £25,064,453 (£24,653,304 for 2018/19) was based on an average rateable value of £61,980,991 (£62,145,272 for 2018/19).

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 2019/20 was £30.7m (£30.2m in 2018/19).

A net creditor of £1,341,174 at 31st March 2020 (£11,075 Debtor as at 31st March 2019) is included in the balance sheet which represents the amount by which the cash received from Welsh Government exceeds the amount collected from ratepayers.

11.6 Grant Income

Capital Grants and Contributions

The Authority has credited the following capital grants & contributions to the Comprehensive Income and Expenditure Statement in 2019/20:

2018/19 £000		2019/20 £000
1,462	WAG General Capital Grant	2,275
723	Section 106 Developer Contributions	952
12,913	WAG Grants	5,310
0	Other Contributions	0
15,099	Total	8,537
	Credited to the Comprehensive Income and Expenditure Statement:	
(1,173)	Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute	(901)
(13,926)	Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income	(7,636)
(15,099)	Total	(8,537)

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:

2018/19 £000		2019/20 £000
	Capital Grants Receipts in Advance:	
0	Welsh Government	0
	Developer Contributions held in Advance:	
3,170	S106 Developer contributions	3,852
3,170	Total	3,852

Revenue Grants and Contributions

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

2018/19 £000		2019/20 £000
	Revenue Grants credited to services	
	Central Government:	
20,168	Housing Benefit Subsidy	18,182
	Welsh Assembly Government:	
3,875	Education Improvement Grant (PDG)	3,886
3,109	Sixth Form Funding (DCELLS)	3,298
2,053	Supporting People	2,039
1,146	Children & Communities	1,146
0	Teachers Pension Grant	1,010
1,104	Waste Management	522
673	Concessionary Fares (PTSG)	970
679	Families First	650

494	Rural Development Plan	473
4,266	Other WAG grants	7,036
	Home Office:	
106	Afghan / Syrian Relocation Programme (Main Project)	186
118	Police and Crime Commissioner	111
2,040	Other Grants & Contributions	2,676
39,830	Total Revenue Grants credited to services	42,186
	Non-Specific Grant Income	
30,177	Non-Domestic Rates	30,682
63,091	Revenue Support Grant	62,548
93,268	Total Non-Specific Grant Income	93,229

12 NON-CURRENT ASSET & CAPITAL FINANCING NOTES

It should be noted that all valuations presented in this section are reported on the basis of 'material valuation uncertainty' - that is less certainty, and a higher degree of caution should be attached to the valuations than would normally be the case due to the Covid19 pandemic. Section 17.7 to the accounts provides further detail.

12.1 In-Year Movements in Property, Plant and Equipment

The following tables summarise the movements in the Authority's property, plant and equipment portfolio by asset type for the years ending 31st March 2020 and 31st March 2019.

Movements in 2019/20:	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
Cost or Valuation:								
At 1st April 2019	250,654	20,632	91,831	4,319	110	3,019	370,564	1,378
Additions	6,493	2,885	7,308	143	-	2,009	18,839	-
Revaluation movements taken to Revaluation Reserve	(239)	(52)	-	0	-	-	(292)	(119)
Revaluation movements taken to Surplus/Deficit on Provision of Services	(4,796)	-	-	-	-	0	(4,796)	-
Impairment movements taken to Surplus/Deficit on Provision of Services	(2,423)	(376)	(223)	(3)	0	-	(3,025)	-
Reclassified (to)/from Held for Sale	0	(1,259)	-	-	(110)	-	(1,369)	-
Disposals	-	-	(3,174)	(0)	-	-	(3,174)	-
Other reclassifications	(99)	-	-	-	0	-	(99)	-
CCRCDC Assets	2,169	-	-	-	-	(2,183)	(14)	-
At 31st March 2020	251,758	21,830	95,742	4,459	0	2,844	376,633	1,259
Accumulated Depreciation:								
At 1st April 2019	(12,046)	(10,229)	(25,746)	0	0	0	(48,022)	(44)
Depreciation charge	(7,158)	(2,319)	(2,021)	-	-	-	(11,498)	(53)
Depreciation written out on revaluation to Revaluation Reserve	4,380	52	-	-	0	-	4,431	-
Depreciation written out on revaluation to Surplus/Deficit on Provision of Services	4,278	-	-	-	0	-	4,278	98
Depreciation written out on impairment to Surplus/Deficit on Provision of Services	-	-	-	-	-	-	0	-
Reclassified to/(from) Held for Sale	-	1,137	-	-	-	-	1,137	-
Disposals	-	-	3,174	-	-	-	3,174	-
Other reclassifications	11	-	-	-	0	-	11	-
At 31st March 2020	(10,536)	(11,359)	(24,592)	0	0	0	(46,487)	1
Net Book Value:	241,222	10,470	71,150	4,459	0	2,844	330,146	1,259

Movements in 2018/19	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
Cost or Valuation:								
At 1st April 2018	217,288	14,607	88,699	4,235	910	34,366	360,105	1,411
Additions	4,472	6,345	5,482	84	-	21,002	37,385	-
Revaluation movements taken to Revaluation Reserve	(10,612)	-	-	0	-	-	(10,612)	(33)
Revaluation movements taken to Surplus/Deficit on Provision of Services	(16,376)	-	-	-	-	0	(16,376)	-
Impairment movements taken to Surplus/Deficit on Provision of Services	3,307	-	(181)	-	0	-	3,126	-
Reclassified (to)/from Held for Sale	0	(319)	-	-	(800)	-	(1,119)	-
Disposals			(2,190)				(2,190)	
Other reclassifications	52,575	-	20	-	0	(52,349)	246	-
At 31st March 2019	250,654	20,632	91,831	4,319	110	3,019	370,564	1,378
Accumulated Depreciation:								
At 1st April 2018	(12,689)	(9,361)	(26,038)	-	-	-	(48,088)	(37)
Depreciation charge	(7,658)	(1,187)	(1,898)	-	-	-	(10,744)	(54)
Depreciation written out on revaluation to Revaluation Reserve	4,755	-	-	-	0	-	4,755	47
Depreciation written out on revaluation to Surplus/Deficit on Provision of Services	3,546	-	-	-	0	-	3,546	-
Depreciation written out on impairment to Surplus/Deficit on Provision of Services	0	-	-	-	-	-	0	-
Reclassified to/(from) Held for Sale	-	319	-	-	-	-	319	-
Disposals			2,190				2,190	
Other reclassifications	-	-	-	-	0	-	0	-
At 31st March 2019	(12,046)	(10,229)	(25,746)	-	-	-	(48,021)	(44)
Net Book Value:	238,608	10,403	66,085	4,319	110	3,019	322,543	1,334

12.2 Revaluations of Property, Plant & Equipment

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

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

- The 2019/20 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 2020. The valuations carried out during 2019/20 primarily include Car Parks, Community Centres, Chepstow and King Henry VIII Comprehensive Schools, Industrial Properties & Corporate Facilities.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	2,252	10,470	71,151	4,459	-	2,844	91,177
Valued at current value as at:							
31st March 2020	39,944	-	-	-	-	-	39,944
31st March 2019	43,364	-	-	-	-	-	43,364
31st March 2018	54,621	-	-	-	-	-	54,621
31st March 2017	63,136	-	-	-	-	-	63,136
31st March 2016	37,904	-	-	-	-	-	37,904
Total Cost or Valuation	241,221	10,470	71,151	4,459	0	2,844	330,146

12.3 Schools Non-Current Assets

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

The Authority runs the voluntary controlled schools on behalf of 3rd party organisations such as charities and religious organisations who own the underlying assets. The Authority does not record these school assets on its balance sheet.

With regards to voluntary aided schools within Monmouthshire, and similar to voluntary controlled schools, the assets are owned by 3rd party organisations and are not recorded on the Authority's balance sheet.

The net book value of school non-current assets as at 31st March 2020, shown in the Authority's balance sheet, is £170,725,078 (£168,568,616 as at 31st March 2019).

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 2020 being £1,259,000.

12.5 Investment Properties

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

2018/19 £000		2019/20 £000
(2,176)	Rental income from investment property	(4,983)
1,151	Direct operating expenses arising from investment property	2,401
(1,025)	Net (gain)/loss	(2,582)

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

2018/19 £000		2019/20 £000
45,153	Balance at start of the year	64,682
31,485	Additions	235
(10,184)	Disposals	(1,018)
(1,525)	Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure	(116)
(246)	Transfers (to)/from Property, Plant and Equipment	88
64,682	Balance at end of the year	63,871

Capital receipts totalling £4,206,058 were credited to the Capital receipts reserve during 2019/20 in relation to investment properties (£8,762,000 in 2018/19).

Fair Value Hierarchy

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

2018/19				Type of Property	2019/20			
Quoted Prices in active markets for identical assets	Other Observable inputs	Significant Unobservable inputs			active markets for identical assets	Other Observable inputs	Significant Unobservable inputs	
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
£000	£000	£000	£000		£000	£000	£000	£000
		90	90	Freehold Reversions			90	90
	26,351		26,351	Agricultural Properties		25,524		25,524
		847	847	Retail Units			889	889
		1,815	1,815	Industrial Properties			1,942	1,942
		6,783	6,783	Solar Farm			6,764	6,764
		28,796	28,796	Properties acquired for rental income			28,663	28,663
0	26,351	38,331	64,682		0	25,524	38,348	63,871

There have been no transfers between levels during the year.

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

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

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

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

Level 3 Investment Properties

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

2018/19 £000		2019/20 £000
8,145	Balance at start of the year	38,331
0	Transfers (to)/from Level 3	0
28,796	Additions	(19)
0	Disposals	0
1,390	Net gains/(losses) from fair value adjustments included in Surplus or Deficit on the Provision of Services	35
38,331	Balance at end of the year	38,348

Fair Value Measurement

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

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

12.6 Assets Held for Sale

Assets held for sale comprise those assets that are available for immediate sale and where the sale is highly probable and will be actively marketed at its market value. The in-year movement and balance of assets held for sale as at 31st March 2020 are shown below:

2018/19 £000		2019/20 £000
1,450	Balance outstanding at start of year	2,100

62	Additions	0
800	Assets newly classified as held for sale: From Plant, Property & Equipment	232
	- Assets declassified as held for sale: To Plant, Property & Equipment	-
	- Revaluation gains	-
	- Revaluation losses	-
(62)	Impairment losses	0
(150)	Assets sold	(272)
2,100	Balance outstanding at year-end	2,060

12.7 Heritage Assets

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

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

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

	Property Heritage Assets £000	Museum Exhibits £000	Civic Regalia, Artwork & Collect'n £000	Total £000
Cost or Valuation:				
1st April 2018	0	4,464	180	4,644
Additions	99	0	-	99
Revaluation increases/ (decreases) recognised in the SDPS	1	-	-	1
Impairment losses/(reversals) recognised in the SDPS	0	-	-	0
Reclassified from property, plant and equipment	0	-	-	0
31st March 2019	100	4,464	180	4,743
Cost or Valuation:				
Additions	237	-	-	237
Revaluation increases/ (decreases) recognised in the SDPS	0	-	-	0
Impairment losses/(reversals) recognised in the SDPS	(189)	-	-	(189)
Reclassified from property, plant and equipment	-	-	-	0
31st March 2020	149	4,464	180	4,792

Property Heritage Assets

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

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

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

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

Museum Exhibits

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

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

Civic Regalia, Artwork & Collections

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

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

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

12.8 Capital Expenditure and Capital Financing

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

31st March 2019 £000		31st March 2020 £000
146,137	Opening Capital Financing Requirement	186,342
	Capital investment:	
	Enhancing value:	
35,467	Property, plant and equipment	14,802
31,208	Investment properties	(19)
40	Intangible assets	55
99	Heritage assets	49
	Not enhancing value:	
988	Property, plant and equipment	3,025
277	Investment properties	253
14	Intangible assets	0
62	Assets held for sale	0
0	Heritage assets	189
2,156	Revenue Expenditure Funded from Capital under Statute	5,062
	Sources of finance:	
(8,510)	Capital receipts	(5,910)

(2,824)	General Capital Grant	(2,275)
(13,157)	Capital Grants and Contributions	(5,320)
(914)	S106 Contributions	(952)
(281)	Direct revenue contributions	(286)
	Other:	
(4,421)	Minimum revenue provision	(5,564)
0	Capital receipt set aside	0
186,342	Closing Capital Financing Requirement	189,450
	Explanation of movements in year:	
2,410	Increase in underlying need to borrowing - supported by Government financial assistance	2,403
42,215	Increase in underlying need to borrowing - unsupported by Government financial assistance	6,270
(4,421)	Less: Minimum revenue provision	(5,564)
40,205	Increase / (decrease) in Capital Financing Requirement	3,109

12.9 Capital Commitments

At 31st March 2020, the Authority has not entered into any major contracts (i.e. those individually above £200,000) for the construction of Property, Plant and Equipment in 2020/21 (£2,493,000 at 31st March 2019).

12.10 Minimum Revenue Provision

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

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

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

The amount of revenue provision made by the Authority in 2019/20 was £5,564,000 (£4,421,000 in 2018/19).

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 £2,223,357 of minimum lease payments were receivable by the Authority (£1,172,000 in 2018/19).

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

2018/19 £000		2019/20 £000
2,593	Not later than one year	2,137
7,887	Later than one year and not later than five years	6,716
14,644	Later than five years	12,793
25,123		21,646

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.

2018/19			2019/20	
Present Value of Minimum Lease Payments to	Gross Amount outstanding from Lessee		Present Value of Minimum Lease Payments to the Authority	Gross Amount outstanding from Lessee
£000			£000	
96	160	Not later than one year	156	160
406	480	Later than one year and not later than five years	592	640
2,347	3,040	Later than five years	2,004	2,720
2,849	3,680		2,753	3,520

The present value of the minimum lease payments has reduced during 2019/20 by the £160,000 receivable in year, offset by finance lease interest receivable.

12.12 Leases - Authority as Lessee

Operating Leases

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

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £326,411 (£216,650 in 2018/19).

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

2018/19 £000		2019/20 £000
181	Not later than one year	281
159	Later than one year and not later than five years	582
50	Later than five years	155
390		1,018

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. This includes an existing unquoted equity investment; a principal of £40,000 representing an equal share with Torfaen County Borough Council in SRS Business Solutions Limited. This investment comprised seed funding for the company and is revalued at £60,000 representing the most likely cash inflows resulting from this asset in the future. Further information is provided in note 16.6.

The following categories of financial assets are carried in the Balance Sheet as at 31st March 2020:

Long-Term 31st March 2019 £000	Short-Term 31st March 2019 £000		Note	Long-Term 31st March 2020 £000	Short-Term 31st March 2020 £000
	Restated	Financial Assets			
		Investments at amortised Cost:			
	9,000	Principal invested	13.4	32	3,000
	42	Accrued Interest			0
		Investments at fair value through other comprehensive income:			
	2,059	Equity Investments elected FVOCI			2,658
		Investments at fair value through profit & loss:			
60	0	Unquoted equity investments	13.4	60	0
60	11,101	Total Investments		91	5,658
		Cash & Cash Equivalents at amortised cost:			
	13,346	Principal	15.3		22,363
	16	Accrued Interest			14
0	13,362	Total Cash & Cash Equivalents		0	22,377
		At amortised cost:			

2,876	13,015	Trade Receivables		70	11,857
	(745)	Loss allowance		0	(611)
2,753	96	Lease Receivables		2,655	98
218	(0)	Loans made for service purposes		214	(9)
5,847	12,366	Included in Debtors	13.5	2,938	11,336
5,907	36,829	Total Financial Assets		3,029	39,371
	2,530	Current assets which are not Financial Instruments			2,542
	14,327	Debtors which are not Financial Instruments	13.5		17,230
5,907	53,686	Total Financial Assets		3,029	59,143

Long-Term 31st March 2019 £000	Short-Term 31st March 2019 £000		Note	Long-Term 31st March 2020 £000	Short-Term 31st March 2020 £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 2020:

Financial Liabilities					
Loans at amortised Cost:					
(105,781)	(72,557)	Principal sum borrowed		(92,563)	(94,325)
0	(1,030)	Accrued Interest		0	(797)
(28)	(1)	EIR adjustments		(28)	(1)
(105,810)	(73,588)	Total Borrowings	13.4	(92,591)	(95,123)
Loans at amortised Cost:					
0	(103)	Cash & cash equivalents	15.3	0	(1,475)
0	(103)	Total Cash & Cash Equivalents		0	(1,475)
Liabilities at amortised Cost:					
(739)	0	PFI and finance lease liabilities		(708)	
(1,611)	0	Other Long Term Liabilities		(1,644)	0
(2,350)	0	Total Other Long Term Liabilities		(2,351)	0
Liabilities at amortised Cost:					
0	(7,402)	Trade Payables		(7,034)	(2,014)
0	(7,402)	Included in Short Term Creditors	13.6	(7,034)	(2,014)
(108,160)	(81,093)	Total Financial Liabilities		(101,976)	(98,612)
0	(20,409)	Short term creditors which are not Financial Instruments	13.6	0	(22,754)
(275,799)	(3,562)	Other Current & long term liabilities which are not Financial Instruments:		(232,510)	(4,095)
(383,959)	(105,064)	Total Balance Sheet Liabilities		(334,487)	(125,460)

Equity instruments elected to fair value through OCI						
31st March 2019 £000	31st March 2019 £000	31st March 2019 £000		31st March 2020 £000	31st March 2020 £000	31st March 2020 £000
Fair value	OCI	Dividends		Fair value	OCI	Dividends
1,049	44	13	Kames Capital diversified monthly income fund	1,295	(254)	66
1,010	2	8	Investec Asset Management Ltd diversified income fund	914	(92)	37

0	0	0	CCLA LAMIT Property Fund	449	(56)	15
2,059	46	21	Total Balance Sheet Asset	2,658	(401)	119

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 2019 £000					31st March 2020 £000
	Financial Liabilities measured at:	Fair value through P&L	Fair value through OCI	Fair value through OCI - elected	Amortised cost
20	Interest expense - finance lease /private finance initiative debtors	0	0	0	18
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	1
3,504	Other Interest expense	0	0	0	4,068
3,524	Subtotals	0	0	0	4,088
3,524	Total Interest payable and similar charges				4,088
	Financial assets measured at:	Fair value through P&L	Fair value through OCI	Fair value through OCI - elected	Amortised cost
(66)	Interest income relating to finance lease debtors	0	0	0	(64)
0	Interest from deferred receipts	0	0	0	(151)
(21)	Dividend income (elected equity instruments)	0	0	(119)	0
0	Gains on derecognition	0	0	0	0
(20)	Gains from changes in fair value	0	0	0	0
0	Impairment loss reversals	0	0	0	0
(121)	Other Interest income	0	0	0	(139)
(228)	Subtotals	0	0	(119)	(355)
(228)	Total Interest & Investment income				(473)
3,296	Net impact on surplus/deficit on provision of services				3,614
	Impact on other comprehensive income:	Fair value through P&L	Fair value through OCI	Fair value through OCI - elected	Amortised cost
(46)	Gains on revaluation	0	0	401	0
0	Losses on revaluation	0	0	0	0
0	Amounts recycled to surplus/deficit on provision of services	0	0	0	0
(46)	Subtotals	0	0	401	0
(46)	Impact on other comprehensive income				401
3,250	Net (gain)/loss for the year				4,015

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 2020, using the following methods and assumptions

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

The value of financial instruments held at amortised cost have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, 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 2020.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at an appropriate rate.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

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

Financial liabilities

Balance Sheet 31st March 2019 £000	Fair Value 31st March 2019 £000		Balance sheet position	Fair Value Level	Balance Sheet 31st March 2020 £000	Fair Value 31st March 2020 £000
		Financial liabilities held at amortised cost:				
(179,398)	(200,648)	Borrowings	Borrowing (ST & LT)	2	(187,714)	(210,863)
(739)	(748)	PFI and finance lease liabilities	Other LT Borrowing	3	(708)	(678)
(180,137)	(201,396)	Subtotal				(188,422)
		Financial liabilities held at amortised costs for which fair value is not disclosed:				
(103)		Cash & Cash equivalent	C & C E		(1,475)	
(7,402)		Trade payables	Short term creditors		(2,014)	
(1,611)		Net agency creditor and lease deposits	Other LT Borrowing		(1,644)	

(189,254)		Total financial liabilities		(193,556)	
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The fair value of financial liabilities held at amortised cost is more than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the current rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

Financial Assets

Balance Sheet 31st March 2019 £000	Fair Value 31st March 2019 £000				Fair Value Level	Balance Sheet 31st March 2020 £000	Fair Value 31st March 2020 £000
		Financial assets held at fair value:					
2,059	2,059	Equity investments elected FV through OCI	ST Investments	2	2,658	2,658	
60	60	Unquoted equity investments held at FVP&L	LT Investments	3	60	60	
2,119	2,119	Subtotal				2,718	2,718
		Financial assets held at amortised cost:					
2,849	2,906	Lease receivables	LT debtors	3	2,753	2,662	
2,571	2,625	Trade receivables - deferred receipt	LT debtors	3	2,630	2,573	
4,967	5,025	Subtotal				8,100	7,952
		Financial assets held at amortised cost for which fair value is not disclosed:					
13,362		Cash & Cash equivalent	C&CE		22,377		
11,101		Short term investments	ST Investments		5,658		
13,015		Trade Receivables	Short term debtors		11,857		
218		Loans made for service purposes	Long term debtors		214		
42,663		Total financial assets				48,206	

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

13.4 Nature and Extent of Risks arising from Financial Instruments

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

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

The Treasury Management Strategy includes an Investment Strategy in compliance with the Welsh Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its management practices seek to achieve a suitable balance between risk and return or cost.

Whilst the majority of Investments used continue to be with institutions which are given a high credit rating by external rating agencies and which continue to show other measures of credit worthiness, the authority's investment portfolio now includes £3m in strategic pooled funds which achieve higher returns. The risk is controlled by following the advice of the Authority's treasury management advisors, by the use of experienced fund managers and diversification within the funds purchased.

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

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

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

a) Credit Risk

Treasury Investments

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

A limit of £2m is placed on the amount of money that can be invested in unsecured investments with a single counterparty (other than the UK government) for the majority of the Authority's activities (for more details see the Treasury Strategy).

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

Balance Long-term 31st March 2019	Balance Short-term 31st March 2019	Counterparty Group	Investment Vehicle	Average	Country	Balance Long-term 31st March 2020	Balance Short-term 31st March 2020
£'000	£'000			rating		£'000	£'000
0	3,000	UK Government	Term Deposit with DMADF	AA+	United Kingdom	0	3,000
0	4,000	Local Authority	Term Deposit	AA+	United Kingdom	0	0
0	2,000	Bank	Term Deposit	A+	United Kingdom	0	0
0	9,000					0	3,000
Credit risk Not applicable *							
0	2,059	Pooled funds			United Kingdom	0	2,658
60	0	Unquoted Equity			United Kingdom	91	0
60	11,059	Total Investments				91	5,658

* 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 2020, £nil of loss allowances related to treasury investments.

Trade & Lease receivables and Contract assets

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

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

The Council has one finance lease receivable as a result of a lease disposal of a piece of land, which is held on the balance sheet at amortised cost. The Council’s credit risk on lease receivables is mitigated by its legal ownership of the asset leased, which can be repossessed if the debtor defaults on the lease contract, so no loss allowance has been applied. At the 31st March 2020 the carrying value was £2,753,000. The fair value was £2,662,000 reflecting the difference in interest rates used for the two estimates.

Loans, Financial Guarantees and Loan Commitments

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

b) Liquidity Risk

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

The maturity analysis of financial instruments is as follows:

31st March 2019				31st March 2020		
£000	£000	£000		£000	£000	£000
Borrowings	Investments	Net		Borrowings	Investments	Net
The Loans Mature as follows:-						
0	(2,119)	(2,119)	No defined maturity	0	(2,718)	(2,718)
73,588	(9,042)	64,546	Less than one year	95,201	(3,000)	92,201
20,504	0	20,504	Between one and two years	7,921	0	7,921
16,290	0	16,290	Between two and five years	13,207	0	13,207
10,604	0	10,604	Between five and ten years	13,739	(32)	13,708
12,571	0	12,571	Between ten and twenty years	12,717	0	12,717
45,842	0	45,842	More than twenty years	44,928	0	44,928
179,398	(11,161)	168,237	Total	187,714	(5,750)	181,965

The Counterparty analysis of Borrowing is shown below:

31st March 2019		31st March 2020
£000		£000
86,483	Public Works Loan Board	89,627

13,815	Market Loans & Bank loans	13,816
4,683	Welsh Government	5,248
71,416	Local Government bodies	76,023
3,000	Special Purpose Vehicle	3,000
179,398	Total	187,714

The financial liabilities due to Welsh Government at the 31st March 2020 are the outstanding balances totalling £2,040,000 from interest free loans provided to fund energy saving Street Lighting capital schemes and £3,208,000 from a loan which funded the Oak Grove solar farm construction. Accounting requirements require financial liabilities in the form of loans to be carried at amortised cost. However, some of these interest free loans have not been carried at amortised cost on the grounds that the figures quoted are not materially different.

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

c) Market Risk

i) Interest rate risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. The current 2020/21 treasury strategy includes a limit on the Authority's exposure to interest rate risk. This limit of 50% applies to the percentage of net variable rate debt to total net debt, where net debt is debt net of investments.

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

The interest payable and interest receivable during 2020/21, on borrowings and investments held at the 31st March 2020, 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 2019	Effect of a 1% increase in interest rates	31st March 2020
£000		£000
685	Increase in interest payable on borrowings	650
(76)	Increase in interest receivable on investments	(29)

208	0	0	208	Housing Advances	204	0	0	204
305	25	0	330	Other	79	455	0	534
5,847	29,778	(3,085)	32,540	Total Debtors	2,938	31,470	(2,904)	31,505

The aged analysis of the debtors outstanding as at 31st March 2020 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
Central Government Bodies:						
Welsh Government	3,671	0	0	0	0	3,671
HM Customs & Excise	1,274	0	0	0	0	1,274
NNDR Debtor	549	185	277	180	47	1,238
Council Tax and Housing Benefit Subsidy	708	0	0	0	0	708
Other	0	0	0	0	0	0
Other entities and individuals:						
Other Local Authorities	3,649	561	647	14	0	4,871
Deferred Capital receipts	0	0	0	0	0	0
Finance Leases	2,710	0	0	0	0	2,710
Revenue debtors	6,657	0	0	0	0	6,657
Council tax arrears	0	0	0	1,465	1,206	2,671
Corporate sundry debtors	316	324	132	91	174	1,037
Housing benefit overpayments	0	0	667	328	545	1,540
NHS Bodies	2,162	551	13	3	0	2,729
Social Services sundry debtors	166	115	271	191	158	901
Capital debtors	752	0	0	0	0	752
Rent arrears	32	30	52	123	18	255
Housing Advances	0	0	0	0	0	0
Other	455	0	0	0	0	455
Total	23,101	1,767	2,060	2,396	2,147	31,470

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2020 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
Other Local Authorities	0	0	(22)	0	0	(22)
NHS Bodies	0	0	0	(2)	0	(2)
Revenue debtors	0	0	(21)	(13)	(21)	(55)
Council Tax Arrears	0	0	0	(940)	(727)	(1,667)
Social Services sundry debtors	(44)	(5)	(35)	(46)	(38)	(168)
Corporate sundry debtors	0	(1)	(66)	(23)	(64)	(154)
Rent arrears	0	0	(30)	(124)	(18)	(172)
Housing benefit overpayments	0	0	(122)	(112)	(430)	(665)
Total	(44)	(6)	(296)	(1,260)	(1,298)	(2,904)

13.6 Creditors

It is the Authority's policy to pay creditors promptly, without undue delay and within mutually agreed terms. 93.94% of payments were paid within a 30 day target settlement date (94.47% in 2018/19).

The nature and value of payments due to be made by the Council in the year but not actually made as at 31st March 2020 is summarised below:

31st March 2019 £000		31st March 2020 £000
2,974	Central Government Bodies	2,852
3,673	Other Local Authorities	3,383
666	NHS Bodies	409
4,269	Capital Creditors	2,307
16,229	Other entities & individuals	15,817
27,811	Total	24,768

13.7 Provisions and Contingent Liabilities

The value of provisions as at 31st March 2020, together with their movement for the year, is summarised below:

	Note	As at 1st April 2019 £000	Additional Provisions Made £000	Amounts Used £000	Unused Amounts Reversed £000	As at 31st March 2020 £000
Insurance Claims	13.8a	1,040	356	(201)	(400)	794
Insurance Claims - MMI	13.8b	32	0	0	0	32
Accumulating Compensated Absences	13.8c	2,939	3,025	(2,939)	0	3,025
Shared Resource Service (Public) Debt	13.8d	86	0	0	0	86
School Redundancies	13.8e	0	482	0	0	482
CCRCDC Consolidation		56	89	(56)	0	89
Total		4,153	3,952	(3,197)	(400)	4,508

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

Current 31st March 2019 £000	Long Term 31st March 2019 £000		Current 31st March 2020 £000	Long Term 31st March 2020 £000
520	520	Insurance Claims	397	397
16	16	Insurance Claims - MMI	16	16
2,939	0	Accumulating Compensated Absences	3,025	0
86	0	Shared Resource Service (Public) Debt	86	0
0	0	School Redundancies	482	0
0	56	CCRCDC Consolidation	89	0
3,561	592	Total	4,095	413

a) Insurance Claims

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

To satisfy IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a full actuarial assessment of open insurance claims was carried out at 30th September 2015 by the Authority's insurance brokers. The Authority has used this data to project future potential liabilities on the basis of current claims received, policy excesses and stop losses (the capped loss we can incur in any policy year). This assessment has allowed the Authority to reflect the estimated cost of liabilities at 31 March 2020. 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 2020 was £794,000 (£1,040,000 at 31st March 2019) and the balance on the insurance and risk management reserve as at 31st March 2020 was £846,000 (£930,000 as at 31st March 2019). 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:

2018/19 £000		2019/20 £000
809	Public Liability	622
231	Employer's Liability	172
1,040	Total	794

b) Municipal Mutual Insurance (MMI)

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

In addition to the levy paid for settled claims, a percentage payment is also applied to outstanding claims which are subsequently settled against the Authority. As at the 31st March 2020, a provision of £31,137 has been made for outstanding claims of this nature, unchanged from 2018/19.

c) Accumulating Compensated Absences

Short-term accumulating compensated absences comprise employee benefits in the form of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year and are due to be settled within 12 months of the year-end.

A provision is made as a result of the earned benefit not taken before year-end being established on a average of the previous three year's employee sample due to staff resourcing pressures brought about by the Covid19 crisis. These samples were extrapolated to establish the estimated total accrued benefit. The provision is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The provision is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement as required by regulations in place, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The value of the provision made in respect of such employee benefits at the 31st March 2020 was £3,024,548 (£2,938,789 at 31st March 2019).

d) Shared Resource Service (SRS) Public Debt

Financial administration of the Shared Resource Service (Public) transferred to Torfaen CBC on 1st April 2019. As part of the winding up of the administration it is possible that Monmouthshire CC may incur a write off for unrecoverable debt relating to bills raised by SRS Public up to and including the 31st March 2019. The probability and timing of these write offs still remains uncertain at the balance sheet date and therefore an FRS12 provision of £86,254 has been maintained.

e) School Redundancies

Following the Cabinet decision to close Mounton House School at its meeting on 18th September 2019 there is the potential requirement for redundancy payments when the school closes. The CYP directorate will follow the Authority's protection of employment policy to ensure that all staff are afforded the maximum protection. The timing and value of these payments is reliant on many variable factors, some outside of the control of the Authority which means that a provision at 31st March 2020 is the most appropriate treatment.

f) Asbestos Indemnity

As part of the process of transferring the Authority's council housing stock in 2007/08, Council approved changes to the Stock Transfer Agreement to include an asbestos indemnity.

It was a standard requirement of stock transfers that the local authority provides an indemnity to the funders and new landlord, in this case Monmouthshire Housing Association, with respect to the presence of asbestos in the property transferring. The indemnity does not apply in respect of the first £2.55million of costs incurred in relation to such works, as updated annually by RPI.

The resultant provision is one where the authority has negotiated a limited contingent liability of £6.003million, as updated annually by RPI, for a period of 15 years from the date of transfer of 20th January 2008. 3 years remain of this period.

There are no immediate financial implications and professional advice suggests a low risk of future liability arising. Low risk does not however equate to "no risk" and there is a potential future liability of up to £6.582 million as updated by RPI (£6.483 million as at 31st March 2019) , in the event the asbestos indemnity is called upon.

The latest available information indicates spend to date by Monmouthshire Housing Association (for the period 21st January 2008 to 31st March 2020) is £124,456 (previously £111,478 for the period 21st January 2008 to 31st March 2019).

14 POST-EMPLOYMENT BENEFIT NOTES

14.1 Participation in Pension Schemes

The council is required to account for its pension costs in accordance with IAS19 - employee benefits.

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

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

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

The Authority's payments to the scheme relating to 2019/20 totalled £4,992,000 (£3,875,000 in 2018/19) in respect of teachers' retirement benefits, representing 23.6% of teachers' pensionable pay (16.48% for 2018/19).

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 £479,000 of contributions remaining payable to the scheme at the year end (£324,000 at 31st March 2019). 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 2020 is split as follows, along with the weighted average duration of each group:

2018/19			2019/20		Weighted Average Duration (Years)
£000's	%		£000's	%	
323,628	53%	Active	242,171	44%	23.8
106,506	17%	Deferred	101,334	19%	23.8
181,783	30%	Pensioners	202,078	37%	12
611,917	100%	Total	545,583	100%	18.6

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

14.3 Entries in the comprehensive income and expenditure statement

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

The Actuary has included an approximate impact of the McCloud & Sargent judgements (£1,205,000) within the Past Service Cost figure, increasing the total pension liability as any related cash settlements will be made in the future. The McCloud and Sargeant judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes. There was protection provided for older members under each scheme. The McCloud and Sargeant judgements have upheld the claimants' cases that the method of implementation of the new schemes discriminated against younger members. The government was refused leave to appeal the McCloud and Sargeant Judgements on 27 June 2019. This means that the various parties return to the respective employment tribunals to formulate a remedy which will resolve the age discrimination of the pension changes.

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
2018/19 £000's	2018/19 £000's		2019/20 £000's	2019/20 £000's
Comprehensive Income and Expenditure Account				
Net Cost of Services:				
20,121	0	current service cost	24,341	0
41	0	past service cost / (gain) including curtailments	1,357	0
0	0	settlement gain	0	0
20,162	0	Total Net Cost of Services	25,698	0
Financing and Investment Income and Expenditure:				
14,831	126	interest cost on pension liabilities	14,982	109
(8,976)	0	interest income on plan assets	(8,505)	0
0	0	Impact of asset ceiling on net interest	0	0

26,017	126	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	32,175	109
		Other Comprehensive Income and Expenditure:		
36,472	(3)	(Gains) and losses on remeasurement	(56,332)	(484)
0	0	Effect of business combinations and disposals	0	0
36,472	(3)	Total Other Comprehensive Income and Expenditure	(56,332)	(484)
62,489	123	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(24,157)	(375)
		Movement in Reserves Statement		
(26,017)	(126)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(32,175)	(109)
		Actual amount charged against the Council Fund for pensions in the year:		
11,600	444	employers' contributions payable to scheme	12,724	431

14.4 Expected future pension contributions

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2021 is £11,989,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2021 are £438,000.

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

14.5 Actuarial Assumptions

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

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

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

Financial Assumptions	Local Government Pension Scheme & Teachers Unfunded Discretionary Benefits		
	31st March 2020	31st March 2019	31st March 2018
Rate of increase in salaries	2.2%	2.9%	2.8%
Rate of increase in pensions (inline with CPI)	1.9%	2.5%	2.4%
Rate for discounting scheme liabilities	2.3%	2.4%	2.7%
Life Expectancy:			
Current male pensioner aged 65 (years)	20.6	21.5	21.5
Current female pensioner aged 65 (years)	22.9	23.9	23.9
Future male pensioner aged 65 in 20 years' time (years)	21.6	23.6	23.6
Future female pensioner aged 65 in 20 years' time (years)	24.6	26.1	26.1

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

14.6 Sensitivity Analysis

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

Change in assumption at 31st March 2020	Approximate % increase to Employer	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	53,643
0.5% increase in the Salary Increase Rate	1%	5,624
0.5% increase in the Pension Increase Rate	9%	47,548

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 2019		Category	Quoted in Active markets	31st March 2020	
£000	%			£000	%
52,162	18.7%	Equities	Yes	47,772	14.8%
		Investment funds & Unit Trusts			
201,623	57.6%	Equities	No	186,585	57.8%
61,362	16.2%	Bonds	No	54,190	16.8%
26,761	4.2%	Other	No	23,466	7.3%
9,550	2.4%	Property	No	8,129	2.5%
1,714	0.8%	Cash accounts	No	2,838	0.9%
0	0.0%	Alternatives	No	0	0.0%
353,171	100.0%	Total		322,980	100.0%

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

The Movement in Fund Assets

Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits		Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits
2018/19 £000	2018/19 £000		2019/20 £000	2019/20 £000
331,910	0	As at 1st April	353,171	0
0	0	Settlement costs	0	0
8,976	0	Interest on plan assets	8,505	0
11,600	444	Employers contributions	12,724	431

3,121	0	Contributions by scheme participants	3,352	0
10,744	0	Gains / (losses) on remeasurement of assets	(39,633)	0
0	0	Administration expenses of plan assets	0	0
(13,180)	(444)	Benefits paid	(15,139)	(431)
353,171	0	As at 31st March	322,980	0

The Movement in Fund Liability

(544,485)	(5,070)	As at 1st April	(616,635)	(4,749)
(20,121)	0	Current service cost	(24,341)	0
(41)	0	Past service (cost) / gain (including curtailments)	(1,357)	0
0	0	Settlement gains	0	0
0	0	Curtailment costs	0	0
(14,831)	(126)	Interest on pension liabilities	(14,982)	(109)
(3,121)	0	Contributions by scheme participants	(3,352)	0
(47,216)	3	Gains / (losses) on remeasurement of liabs	95,965	484
13,180	444	Benefits paid	15,139	431
0	-	Effect of business combinations & disposals	0	0
(616,635)	(4,749)	As at 31st March	(549,563)	(3,943)

There were £1,119,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2019 £1,020,000 was payable) and £2,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£2,000 at 31 March 2019).

Within the £549,563,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2020 (£616,635,000 31 March 2019), there are £3,993,000 of unfunded liabilities (£4,718,000 as at 31st March 2019). £327,000 of employer contributions were made in respect of these liabilities during the year.

14.9 Summary of the movement in assets and liabilities

Over the five years ending the 31 March 2020, the fund's actuaries have estimated that the Authority had the following assets and liabilities:

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Local Government Pension Scheme					
Present value of scheme liabilities	(436,585)	(531,153)	(544,485)	(616,635)	(549,563)
Fair value of scheme assets	254,271	319,333	331,910	353,171	322,980
Surplus / (deficit) in the scheme	(182,314)	(211,820)	(212,575)	(263,464)	(226,583)
Teachers Unfunded Discretionary Benefits					
Present value of scheme liabilities	(5,911)	(5,417)	(5,070)	(4,749)	(3,943)
Fair value of scheme assets	0	0	0	0	0
Surplus / (deficit) in the scheme	(5,911)	(5,417)	(5,070)	(4,749)	(3,943)
Total					
Present value of scheme liabilities	(442,496)	(536,569)	(549,555)	(621,384)	(553,506)
Fair value of scheme assets	254,271	319,333	331,910	353,171	322,980
Surplus / (deficit) in the scheme	(188,225)	(217,236)	(217,645)	(268,213)	(230,526)
Year on year increase in net liability (or deficit)		(29,011)	(409)	(50,568)	37,687

There is a decrease in the combined net liability of the Greater Gwent pension funds of £37,687,000 from 1 April 2019 to 31 March 2020. This has resulted from a fall in the value of scheme liabilities of £67m offset by a reduction in the value of scheme assets. The reduction in liabilities is due to changes in financial assumptions. There have been reductions for both the projected rate increases for salaries and pensions going forward and also life expectancies.

15 NOTES TO THE CASH FLOW STATEMENT

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

2018/19 £000		2019/20 £000
11,964	Net (surplus) or deficit on the provision of services	22,223
	Non-cash transactions:	
(10,744)	Depreciation of non-current assets	(11,498)
(9,779)	Impairment and downward valuations	(3,732)
(146)	Amortisation of intangible non-current assets	(186)
56	Increase/decrease in impairment for provision for bad debts	229
188	Increase/(decrease) in inventories	52
7,268	Increase/(decrease) in debtors	(1,309)
1,646	(Increase)/decrease in creditors	2,267
276	(Increase)/decrease in provisions	(322)
(14,099)	Pension liability	(19,129)
767	CCRCD: Capital & Revenue Grants recognised	51
(10,334)	Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised	(1,290)
(1,525)	Movement in the value of investment properties	(116)
	Items classified in another classification in the cash flow statement	
(1,202)	Other payments for investing activities	(2,085)
17,295	Other receipts from investing activities	10,487
(32)	Other payments for financing activities	(31)
(1,370)	Other receipts for financing activities	(921)
4,242	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,274
(5,530)	Net cash flows from Operating Activities	1,963

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:

2018/19 £000		2019/20 £000
	Returns on Investments received:	
(166)	Interest received	(448)
(14)	Other interest and investment income	(33)
	Servicing of Finance paid:	
3,346	Interest paid	4,301
20	Interest element of finance lease rental payments	18
3,187		3,838

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 2019	In Year Movement	At 31st March 2020
	£000	£000	£000
Current Assets			
Cash held by the Authority	397	27	424
Bank current accounts	3,610	(3,610)	0
Short-term call account deposits	9,355	12,597	21,953
Current Liabilities			
Bank current account overdrafts	(103)	(1,371)	(1,475)
Total	13,258	7,644	20,902

16 OTHER NOTES TO THE ACCOUNTS

16.1 Members Allowances

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

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

2018/19 £000		2019/20 £000
586	Basic allowance	595
193	Special responsibility allowance	202
31	Travel allowance	26
7	Subsistence allowance	0
0	ICT Costs	6
817	Total	829

16.2 Audit Costs

The Authority has incurred the following costs during 2019/20 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:

2018/19 £000		2019/20 £000
176	Fees payable to the appointed auditor with regard to external audit services - financial audit	176
103	Fees payable to the appointed auditor with regard to external audit services - Local Government Measure	103
68	Fees payable to the appointed auditor for certification of grant claims & returns	56
347	Total	335

16.3 S31 and S33 Pooled Budget Arrangements

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

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

a) Mardy Park Rehabilitation Scheme

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

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

The income and expenditure for the pooled fund arrangements for the financial year ended 31st March 2020 was:

2018/19 £000		2019/20 £000
	Funding	
(250)	Monmouthshire County Council	(257)
(189)	Monmouthshire Local Health Board	(194)
(439)	Total Funding	(451)

	Expenditure	
318	Employee related	326
61	Premises related	72
0	Transport related	3
41	Supplies & Services	30
34	Agency & Contracted	40
454	Total Expenditure	471
15	Net (Under)/over spend	20

b) Gwent Integrated Community Equipment Store (GWICES)

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

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

Torfaen County Borough Council is the host for the Partnership, who recorded gross expenditure of £3,398,000 (£3,366,000 for 2018/19) and gross income of £3,398,000 (£3,366,000 for 2018/19) for the financial year ended 31st March 2020. Monmouthshire County Council's contribution for the year was £323,000 (£377,000 for 2018/19).

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

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

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

Aneurin Bevan University Health Board is the host for the Partnership, who recorded gross expenditure of £3,687,000 (£3,632,000 for 2018/19) and gross income of £3,489,000 (£3,411,000 for 2018/19) for the financial year ended 31st March 2020. Monmouthshire County Council's total contribution for the year was £1,166,000 (£1,136,000 for 2018/19).

d) Gwent Frailty Programme

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

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

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

Caerphilly County Borough Council is the host for the Partnership, who recorded gross expenditure of £16,458,000 (£16,515,000 for 2018/19) and gross income of £16,571,000 (£16,452,000 for 2018/19) for the financial year ended 31st March 2020. Monmouthshire County Council's total contribution for the year was £1,361,000 (£1,387,000 for 2018/19).

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 £104,976,167 (£98,596,000 for 2018/19) and funding of £104,976,167 (£98,596,000 for 2018/19) for the financial year ended 31st March 2020. Monmouthshire County Council's total contribution for the year was £9,737,712 (£8,993,000 for 2018/19).

16.4 Related Party Transactions

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

Central & Welsh Government

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

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in note 16.1 to the accounts. Where work or services have been commissioned, or where grants were made during the financial year in which members had an interest, members have a duty to declare such an interest. The Authority must ensure that contracts entered into were in full compliance with the Authority's standing orders and that grants were made with proper consideration of declarations of such interests.

During the financial year, members who declared an interest did not take part in any discussion or decision relating to grants made or works or services commissioned. Details of all interests declared are recorded in minutes or relevant meetings and recorded in the Register of Members' Interest, open to public inspection at its offices at County Hall, Usk, Monmouthshire, NP15 1GA.

Companies and Joint Ventures

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

Senior Officers

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

The Monitoring Officer for the Authority, Chief Officer for Children & Young People, Chief Officer for Enterprise, Head of Resources (S151 Officer), Chief Officer Social Care Safeguarding & Health and the Head of Policy and Governance have no pecuniary interests.

The Chief Executive was the Acting Returning Officer and Electoral Registration Officer for Monmouthshire during 2019/20 and held the following positions during the year:

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

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

- Non-Executive Director to Dragon Waste Limited

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

16.5 Trust Funds

The Council acts as sole or custodian trustee for a number of trust funds. The funds do not represent assets of the Council and they have not been included in the Consolidated Balance Sheet. The below balances are based upon unaudited figures for the year ended 31st March 2020:

2018/19					2019/20			
Income £000	Expend £000	Assets £000	Liabilities £000		Income £000	Expend £000	Assets £000	Liabilities £000
(250)	376	5,710	(344)	Welsh Church Act Fund	(209)	618	5,143	(178)

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.

(21)	21	114	(46)	Llanelly Hill Social Welfare Centre	0	0	114	(114)
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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.

(1)	3	0	(2)	Chairman's Charity	(5)	0	6	(1)
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The Chairman's Charity supports and raises funds for the Chairman's nominated Charity of the year.

				<i>Funds for which Monmouthshire County Council acts as custodian trustee:</i>				
(32)	79	664	(4)	Monmouthshire Farm School Endowment	(27)	54	636	(4)
(1,176)	972	669	(465)	Appointeeship - Personal Monies	(1,094)	930	833	(669)
(1)	32	0	(31)	Appointeeship - Independent Living Fund Monies	0	0	0	0

16.6 Related Businesses and Operations

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

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

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

Dragon Waste Limited

The Company was formed to carry out the Council's waste disposal function. The Council holds a 19% share holding in the company. The Company's latest available trading results are the accounts for the year ending 31st March 2019.

31st March 2019		31st March 2020
£000 Final		£000 TBC
(44)	Net Assets/(Liabilities)	TBC
(111)	Profit/(Loss) before Taxation	TBC
(91)	Profit/(Loss) after Taxation	TBC
0	Dividends	TBC

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

Net payments of £2,166,743 were made to Dragon Waste Limited during 2019/20 (£2,203,998 during 2018/19).

The Authority owed £177,005 to Dragon Waste Limited at the 31st March 2020 (£301,616 owed to Dragon Waste as at 31st March 2019) in respect of Waste Management contract income.

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

SRS Public

The Authority entered into a public sector collaborative arrangement, known as the Shared Resource Service, with Torfaen County Borough Council (TCBC) and Gwent Police Authority in May 2011, Newport City Council and Blaenau Gwent Borough Council have joined the partnership subsequently. The arrangement has resulted in a Shared Resources Centre (SRC) being set up for the purpose of providing IT services to each member authority. A memorandum of understanding is in place to provide robust governance arrangements. The arrangement is not a separate legal entity and ownership of the SRS premises resides with TCBC. The arrangement is funded by core contributions from partners, income from desk licences and rack rentals from schools and external income. Monmouthshire's core contribution during 2019/20 included in the Council's Accounts totalled £2.169 million (£2.13m in 2018/19).

The Authority owed £2,933 to SRS Public at the 31st March 2020 (£36,476 owed as at 31st March 2019).

Financial administration of the Shared Resource Service (Public) was transferred to Torfaen CBC on 1st April 2019. As part of the winding up of the administration it is possible that Monmouthshire CC may incur a write off for unrecoverable debt relating to bills raised by SRS Public up to and including the 31st March 2019. The probability and timing of these write offs remains uncertain at the balance sheet date and therefore an FRS12 provision of £86,000 has been maintained as outlined in note 13.7.

SRS Business Solutions Limited

SRS Business Solutions Limited, a company limited by shares, was incorporated on 11th June 2011. The company was set up with £40,000 share capital from the Authority and TCBC, in order to facilitate trading in ICT related services with the private and third sector.

The Company's latest available trading results are the draft estimates for the year ending 31st March 2020.

31st March 2019		31st March 2020
£000 Final		£000 Draft
140	Net Assets/(Liabilities)	139
24	Profit/(Loss) before Taxation	(139)
20	Profit/(Loss) after Taxation	(139)
0	Dividends	0

There were no transactions between Monmouthshire County Council and SRS (BS) during 2019/20 (nil in 2018/19).

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

Melin Homes & Y Prentis

Y Prentis is a business set up by Monmouthshire County Council and Melin Homes with a 50/50 share to actively promote the provision of technical and vocational secondary education.

The Company's latest available trading results are the financial statements for the period ending 30th September 2019.

The company is exempt from audit under section 477 of the companies act 2006 for the financial year ending September 2019.

30th Sept 2018 £000 Final		30th Sept 2019 £000 Draft
300	Total Assets/(Liabilities)	313
13	Profit/(Loss) before Taxation	12
13	Profit/(Loss) after Taxation	12
0	Dividends	0

There were no transactions between Monmouthshire County Council and Y Prentis during 2019/20 (nil in 2018/19). A capital receipt of £2.7m was received by Monmouthshire County Council during the year from Melin Homes as part of the sale of land relating to Crick Rd development.

Education Achievement Service (EAS)

The five local Councils of Monmouthshire, Caerphilly, Blaenau Gwent, Torfaen and Newport have formed an Education Achievement Service (EAS). The integrated service has been designed to raise education standards in South East Wales.

The EAS became operational in September 2012. It is a joint company, limited by guarantee and wholly owned and completely controlled by the five local Councils, but operating at arm's length. It is not a profit making company, and it is a separate legal entity. There is no lead Council with each being represented equally with a 20% interest and having equal voting rights. The company has a Board consisting of the Lead Director and elected member representatives from the partner Councils. The collaboration Agreement commits the Council to participating in the EAS company for a minimum period of four years.

The Company's latest available trading results are the draft estimates for the period ending 31st March 2020.

31st March 2019 £000 Final		31st March 2020 £000 Draft
287	Total Assets/(Liabilities)	280
19	Profit/(Loss) before Taxation	27
19	Profit/(Loss) after Taxation	27
0	Dividends	0

Payments of £552,412 were made to the EAS during 2019/20 (£259,563 during 2018/19). There were no balances owing to/from the EAS at 31st March 2020 (nil at 31st March 2019).

Gwent Archives

The five local Councils of Monmouthshire, Caerphilly, Blaenau Gwent, Torfaen and Newport are included in the Gwent Archives Service. The integrated service collects, preserves, and makes accessible to the public, documents relating to the area it serves.

The Company's latest available trading results are the draft estimates for the period ending 31st March 2020.

31st March 2019 £000 Final		31st March 2020 £000 Draft
268	Total Assets/(Liabilities)	307
(19)	Profit/(Loss) before Taxation	39
(19)	Profit/(Loss) after Taxation	39
0	Dividends	0

Payments of £182,244 were made to Gwent Archives during 2019/20 (£182,244 during 2018/19). There were no balances owing to/from Gwent Archives at 31st March 2020 (nil at 31st March 2019).

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 2020.

31st March 2019		31st March 2020
£000 Final		£000 Draft
2,055	Total Assets/(Liabilities)	2,247
(1,276)	Profit/(Loss) before Taxation	138
(1,276)	Profit/(Loss) after Taxation	138
0	Dividends	0

A payment of £140,255 was received from Gwent Crematorium during the 2019/20 financial year (£138,375 and a special dividend of £258,300 (Total £396,675) during 2018/19). There were no balances owing to/from Gwent Crematorium at 31st March 2020 (nil at 31st March 2019).

Project Gwyrdd

The five local Councils of Monmouthshire, Caerphilly, Newport, Cardiff and the Vale of Glamorgan are included within the Project Gwyrdd. The integrated service collects, processes, and disposes of household waste that is suitable for recycling.

The Company's latest available trading results are the draft estimates for the period ending 31st March 2020.

31st March 2019		31st March 2020
£000 Final		£000 Draft
330	Total Assets/(Liabilities)	322
(13)	Profit/(Loss) before Taxation	(8)
(13)	Profit/(Loss) after Taxation	(8)
0	Dividends	0

Payments of £27,000 were made to Project Gwyrdd during 2019/20 (£27,000 during 2018/19). There were no balances owing to/from Project Gwyrdd at 31st March 2020 (nil at 31st March 2019).

Cardiff Capital Region City Deal (CCRCD)

A Joint Working Agreement formally established the Cardiff Capital Region Joint Committee (the Regional Cabinet) as a Joint Committee, with delegated functions, from 1st March 2017. It is a partnership between the 10 councils in South East Wales and its aim is to oversee the Region's economic growth and to deliver the commitments set out in the CCR City Deal, specifically in relation to the Wider Investment Fund, which amounts to £495 million, with £120 million being contributed by the 10 councils on a pro rata population basis.

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

In terms of capital spending no contribution was required in 2019/20 (£0.75 million in 2018/19) as the forecasted spend did not materialise. There were no balances owing to/from the joint committee at 31st March 2020 (nil at 31st March 2019).

CSC Foundry

During 2019/20 MCC had 'Significant Influence' over CSC Foundry Ltd which is a subsidiary of CCRCD. As at 31st March 2020 CSC Foundry had £3.0m invested with the Authority which is classified within Short term borrowing in the Balance sheet (£3.0m in 2018/19).

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

Year ended 31st March 2019						
Post Holder	Salary including fees and allowances £	Compensation for loss of employment £	Expense Allowances £	Total Remuneration excluding Pension contributions £	Pension Contributions (Based on Common Rate from Actuary) £	Total Remuneration including Pension contributions £
Chief Executive Officer	114,455	0	0	114,455	25,295	139,750
Chief Officer - Children and Young People	82,888	0	0	82,888	18,318	101,206
Chief Officer - Enterprise (Apr - Jul)	29,377	0	0	29,377	6,492	35,869
Chief Officer - Enterprise (Sep - Mar)	43,410	0	0	43,410	9,594	53,003
Chief Officer - Social Care and Health (Apr - Jul)	22,374	0	0	22,374	4,945	27,319
Chief Officer - Social Care and Health (Jul - Mar)	59,815	0	0	59,815	13,219	73,034
Chief Officer - Resources	82,913	0	0	82,913	17,337	100,250
Monitoring Officer, (Head of Legal Services) (Apr - Aug)	26,889	0	0	26,889	5,942	32,831
Monitoring Officer, (Head of Legal Services) (Sep - Mar)	41,614	0	0	41,614	9,197	50,811
Head of Finance and Section 151 Officer (Apr - Jan)	71,788	0	0	71,788	10,566	82,353
Head of Policy & Governance	62,458	0	0	62,458	13,803	76,261
Total	637,981	0	0	637,981	134,708	772,689

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

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

Employers' pension contributions were paid at a rate of 23.1% of pensionable pay for staff within the Local Government Pension Scheme (22.1% for 2018/19). Expense allowances are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2019/20 (Nil in 2018/19).

In satisfying the requirement to report the Chief Executive's remuneration as a proportion of the full time equivalent median salary of Monmouthshire County Council employees. In 2019/20, the median employee position has been calculated as £22,911, equating to spinal point 15 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5.10:1

In 2018/19, the median employee position was calculated as £22,401, equating to spinal point 24 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5.11:1

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 2020, was:

2018/19		Remuneration Band	2019/20	
Number of employees	(Of which are teaching staff)		Number of employees	(Of which are teaching staff)
0	0	£115,000 - £119,999	1	0
1	0	£110,000 - £114,999	2	1
2	1	£105,000 - £109,999	0	0
1	0	£100,000 - £104,999	0	0
1	1	£95,000 - £99,999	0	0
1	1	£90,000 - £94,999	1	1
0	0	£85,000 - £89,999	2	1
4	2	£80,000 - £84,999	5	2
2	1	£75,000 - £79,999	2	0
4	1	£70,000 - £74,999	8	3
11	6	£65,000 - £69,999	14	8
17	11	£60,000 - £64,999	13	9
44	24	Total	48	25

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

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

Employers' pension contributions were paid at a rate of 23.1% of pensionable pay for staff within the Local Government Pension Scheme (22.1% for 2018/19) and 20.7% of pensionable pay for staff within the Teachers' Pension Scheme (16.4% in 2018/19).

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.

2018/19			Exit package Cost band	2019/20		
No. of Compulsory Redundancies agreed	No. of other departure costs agreed	Total Cost of Exit Packages in each payband £000's		No. of Compulsory Redundancies agreed	No. of other departure costs agreed	Total Cost of Exit Packages in each payband £000's
35	4	312	£0 - £20,000	47	6	380
7	2	253	£20,001 - £40,000	16	0	439
1	1	97	£40,001 - £60,000	2	0	86
0	0	0	£60,001 - £80,000	1	0	63
1	0	92	£80,001 - £100,000	1	1	170
0	0	0	£100,001 - £150,000	1	0	123
44	7	754	Total	68	7	1,262

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 2019/20 financial year and its position at the year-end of 31st March 2020.

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

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. They are prepared on a going concern basis.

17.2 Accounting Standards issued not yet adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- **IAS 28 Investment in Associates and Joint Ventures:** Long-Term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- **IAS 19 Employee Benefits:** Plan Amendment, Curtailment or Settlement.

It is unlikely that any of the above will have an impact upon the financial statements.

- **IFRS 16 – Leases** This Standard removes the previous lease classifications of operating and finance leases and will require local authorities that are lessees to recognise all leases on their balance sheets as right-of-use assets (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset. However, it should be noted that CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2021. The expected impact on the balance sheet is to increase property, plant and equipment assets, with an opposing entry to increase other long-term liabilities and in overall revenue budget terms the change is expected to be broadly neutral.

17.3 Accruals of Income and Expenditure

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

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

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

17.4 Cash and Cash Equivalents

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

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

17.5 Charges to Revenue for Non-Current Assets

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

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

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

17.6 Critical Judgements in Applying Accounting Policies

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

- The Council is deemed to control the services provided under its PFI arrangements and also to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.
- A provision is made for the cost of employee benefit entitlements (in the form of annual leave, time off in lieu and flexi time) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is usually calculated by taking a sample of non-school employee records and extrapolating the data over the total non-school employee base. However due to staff resourcing pressures brought about by the Covid19 crisis the accrual as at 31st March 2020 has been established on a average of the previous three year's employee samples.

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 2020 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>An issue in relation to the reporting of valuations as at 31 March 2020 is the outbreak of Covid19. All valuations provided by the valuers this year have been reported subject to a 'Material Uncertainty Clause' on the basis of RICS guidance. This is true for all asset classes subject to valuations. The valuations contain the following clause:</p> <p><i>'The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a 'global pandemic' on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.</i></p> <p><i>Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that you keep valuations under frequent review.'</i></p> <p>At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.</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.

Revaluation of Property, plant & equipment	Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset.	If the actual results differ from the assumptions the value of PPE will be over or understated. This would be adjusted when the assets were next revalued.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. Further information is provided in note 14 concerning the risks and sensitivity of changes in the pension assets and liabilities.
Provisions	The Council has included provisions for known insurance claims as at 31st March 2020. The value of these claims is based on information provided by our Insurance brokers on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. However the outcome of these cases is still uncertain as outstanding legal cases and negotiations remain on going.	The Authority maintains the insurance and risk management reserve to assist in the control of the Authority's insurance risks. The provisions in place and the balance on the insurance and risk management reserve at 31st March 2020 are deemed to provide sufficient cover for the Authority's claims exposure. Notes 13.7(a) & 13.7(b) provide further information on the types of claims the Authority is exposed to.
Arrears	At 31st March 2020, the Authority had an outstanding balance of short term debtors totalling £31.5m. Against this debtors balance, there is an impairment allowance of £2.9m. It is not certain that this impairment allowance would be sufficient as the Authority cannot assess with certainty which debts will be collected or not.	If collection rates were to deteriorate, there would be a consequential increase in the impairment of doubtful debts.

17.8 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

- The Liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates, employee turnover rates, etc., and projections of earning for current employees.
- Liabilities are discounted to their value at current prices, using a single discount rate which is derived from the spot rates on a selection of AA rated corporate bonds of various durations which match the liabilities within the Authority's pension fund. This is known as the yield curve approach.
- The assets of the Greater Gwent (Torfaen) Pension Fund attributable to the Authority are included in the balance sheet at their fair value as determined by the Fund's actuary.
- The change in the net pensions liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Interest on plan assets – this is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.
 - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
 - Gains or losses on remeasurement – changes in the net pensions liability (Liabilities less assets) that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
 - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

Discretionary Benefits

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

17.9 Events After the Balance Sheet Date

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

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

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

17.10 Exceptional Items

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

17.11 Financial Instruments

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

Financial Liabilities

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

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

Financial Assets

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

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

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

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

17.12 Government Grants and Contributions

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

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

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

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

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

17.13 Heritage Assets

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture.

Heritage assets were previously shown in community assets but are now recorded in a separate category on the balance sheet as a non-current asset class. The Authority does not classify any operational assets as heritage assets.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets and as a result the Authority has chosen not to value heritage assets if the cost is deemed to be excessive.

A further condition for expenditure to be capitalised is that it exceeds the relevant de minimus limit in place. A de-minimus limit has been put in place of £10,000 for heritage assets.

The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value, hence the Authority does not consider it appropriate to charge depreciation for the assets.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. The trustees of the Authority's Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

17.14 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority for more than one financial year.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

17.15 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the latest price paid, with an allowance made for obsolescent and slow moving items. This is a departure from the requirements of the Code which require inventories to be shown at the lower of actual cost and net realisable value. However, the amounts concerned are not considered material.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

17.16 Investment Property

Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end.

Revaluation gains and losses are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore, gains and losses are reversed via the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Net rental income together with any revaluation gains and losses or impairments are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

17.17 Fair value measurement

The Council measures its assets held for sale, surplus assets, investment properties and available-for-sale financial instrument at fair value at each reporting date. Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement will be at highest and best use from the perspective of a market participant. The fair value of an investment property held under a lease is the lease interest.

It is assumed that any fair value measurement of an asset or liability uses the same assumptions that market participants acting in their economic best interest would use and that the transaction takes place in the principal market or failing that in the most advantageous market for the asset or liability.

Appropriate valuation techniques are used for which sufficient data is available. Inputs to the techniques are categorised within the fair value hierarchy that consists of three levels as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are accessible by the Council at the measurement date
- Level 2 inputs are quoted prices other than quoted prices within Level 1 that are observable either directly or indirectly
- Level 3 inputs are unobservable inputs for an asset or liability.

The use of relevant observable inputs is maximised and the use of unobservable inputs is minimised.

Any transfers between valuation levels will take place at the valuation date at the end of the reporting period.

17.18 Interests in companies and other entities

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

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

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

17.19 Leases

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

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

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

The Authority as Lessee - Finance Leases

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

Lease payments are apportioned between:

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

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

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

The Authority as Lessee - Operating Leases

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

The Authority as Lessor - Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

The Authority as Lessor - Operating Leases

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

17.20 Overheads and Support Services

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

17.21 Property, Plant and Equipment

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

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

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Components

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

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

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

Disposals and Non-current Assets Held for Sale

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

Assets held for Sale Assets are assets where the:

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

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

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

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

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

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

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

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

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

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

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

17.23 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

17.24 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

17.25 Reserves

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

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

17.26 Revenue Expenditure Funded from Capital under Statute

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

17.27 VAT

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