

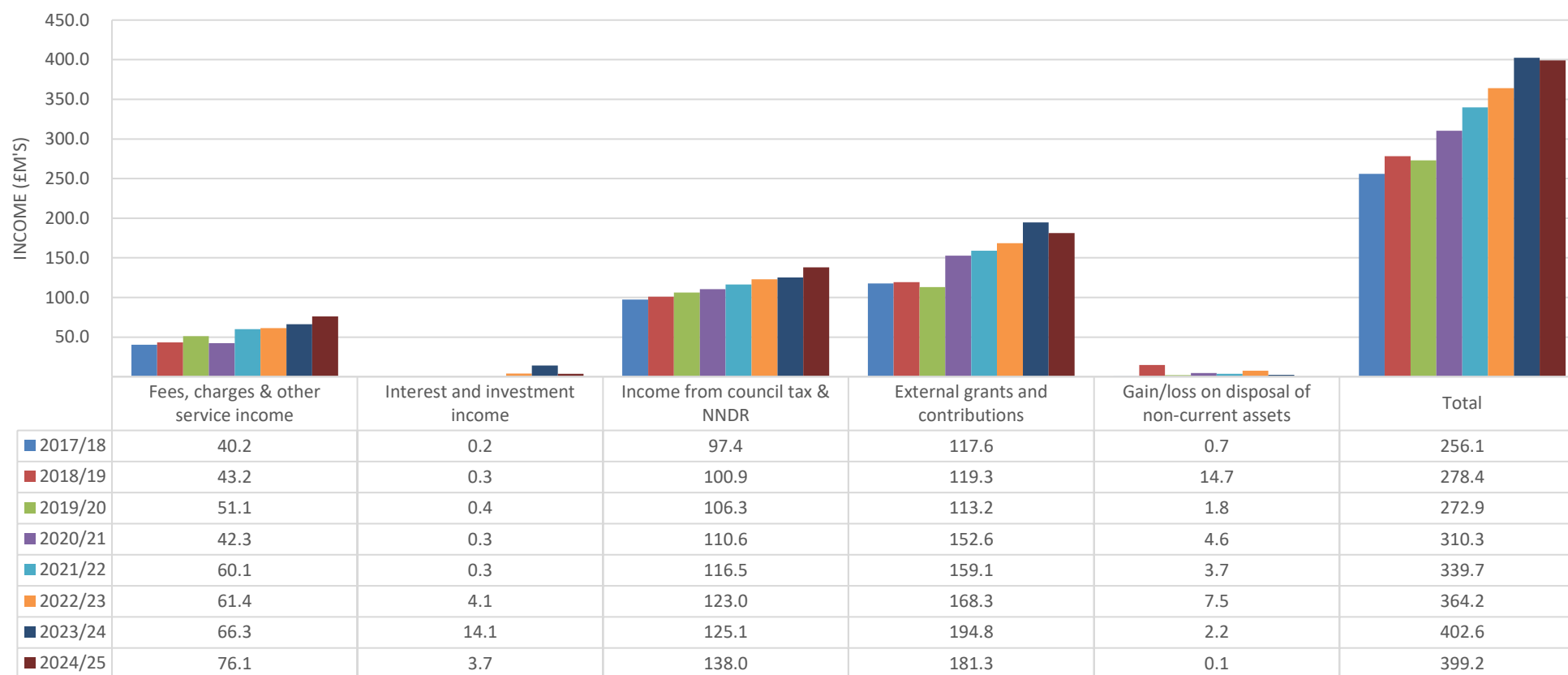
Appendix 2 – Summary of 2024/25 primary financial statements

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

- 1 The **Comprehensive Income and Expenditure Statement (CIES)** presents the full accounting cost of delivering services, following generally accepted accounting principles. This differs significantly from the **budget monitoring reports** provided to Cabinet during the year, which focus only on actual spending funded by Council income.
- 2 To reflect the true accounting cost, the CIES includes several additional items not shown in budget reports:
 - **Capital Charges:** These include depreciation, amortisation, impairment losses, revaluation changes, and the application of capital grants.
 - **Pension Service Costs:** Instead of showing only the pension contributions paid during the year, the CIES reflects the long-term cost of pension liabilities earned by employees, and the value of assets set aside to meet those liabilities.
 - **Accumulated Absences:** The CIES accounts for the cost of employee holiday entitlements that have been earned but not yet taken, ensuring costs are recorded in the year the entitlement arises.
 - **Other Differences:** The format of the CIES is governed by statutory regulations, which may require income and expenditure to be classified differently than in internal monitoring reports.
- 3 The following charts illustrate the movement in the “accounting” income and expenditure which make up the Surplus/deficit on the provision of services (SDPS) within the CIES. Further information can be found in notes 11.1 & 11.2 of the accounts.

Income & Expenditure analysed by nature (note 11.2)

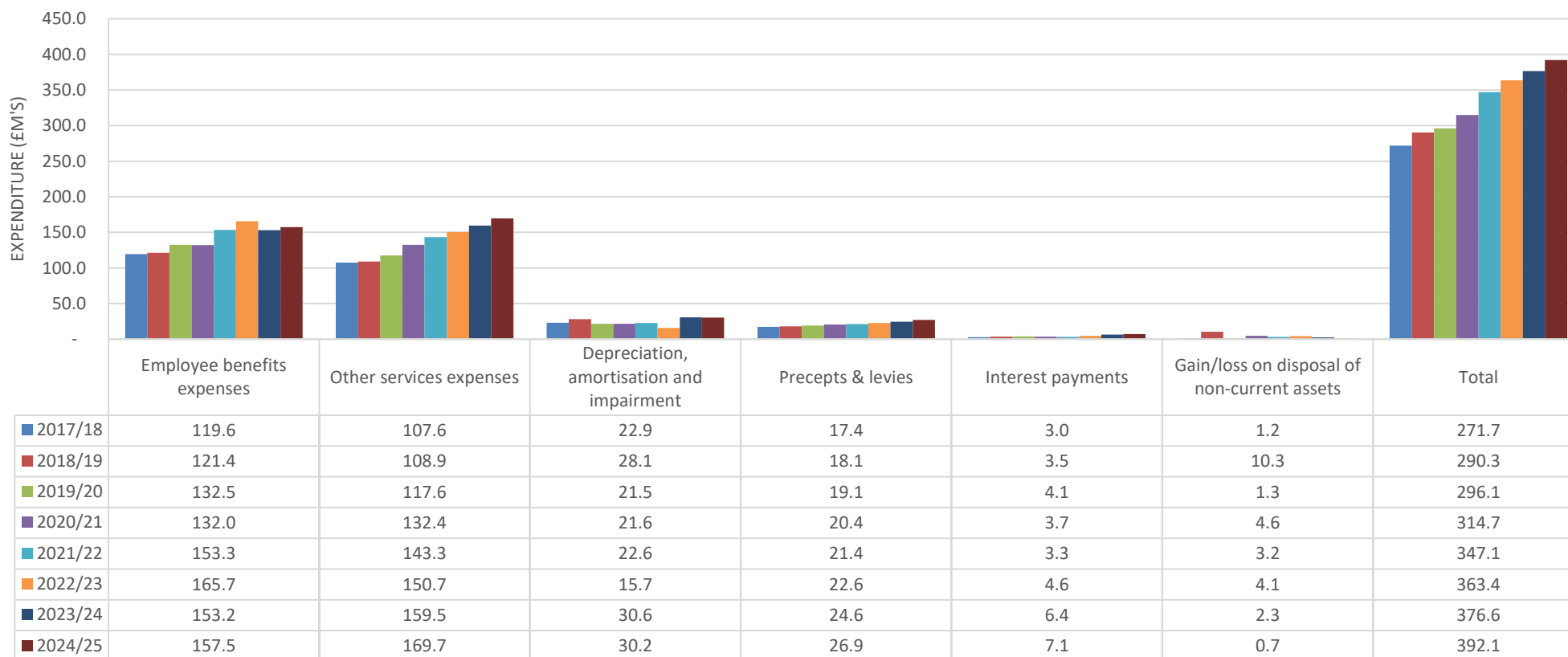
INCOME INCLUDED IN CIES (£M'S)



- 4 ***Fees, charges & other service income*** has increased by £9.8m (14.8%) year on year (YOY). Some of this is to be expected from increases in charges for Council services such as Waste, Social Care, rents, and Car parking for example. Other service income can be more variable YOY where joint financing contributions and one-off contributions can impact income levels considerably.
- 5 The reduction in ***investment income*** of £10.4m is due to the increase of the valuation of the Council's investment properties in 2023/24, which is not replicated in 2024/25. Whilst this is shown as income in the CIES, this is simply an accounting adjustment that has no impact on Council's funding position.

- 6 The reduction in **external grants** of £13.5m (6.9%) YOY is mainly due to the increase in capital grants applied during 2023/24 which is not replicated in 2024/25. This was reflective of variances in specific grant awards for capital schemes such as the new King Henry school scheme where significantly more grant was received in 2023/24 to match the profile of the scheme.

EXPENDITURE INCLUDED IN CIES (£M)

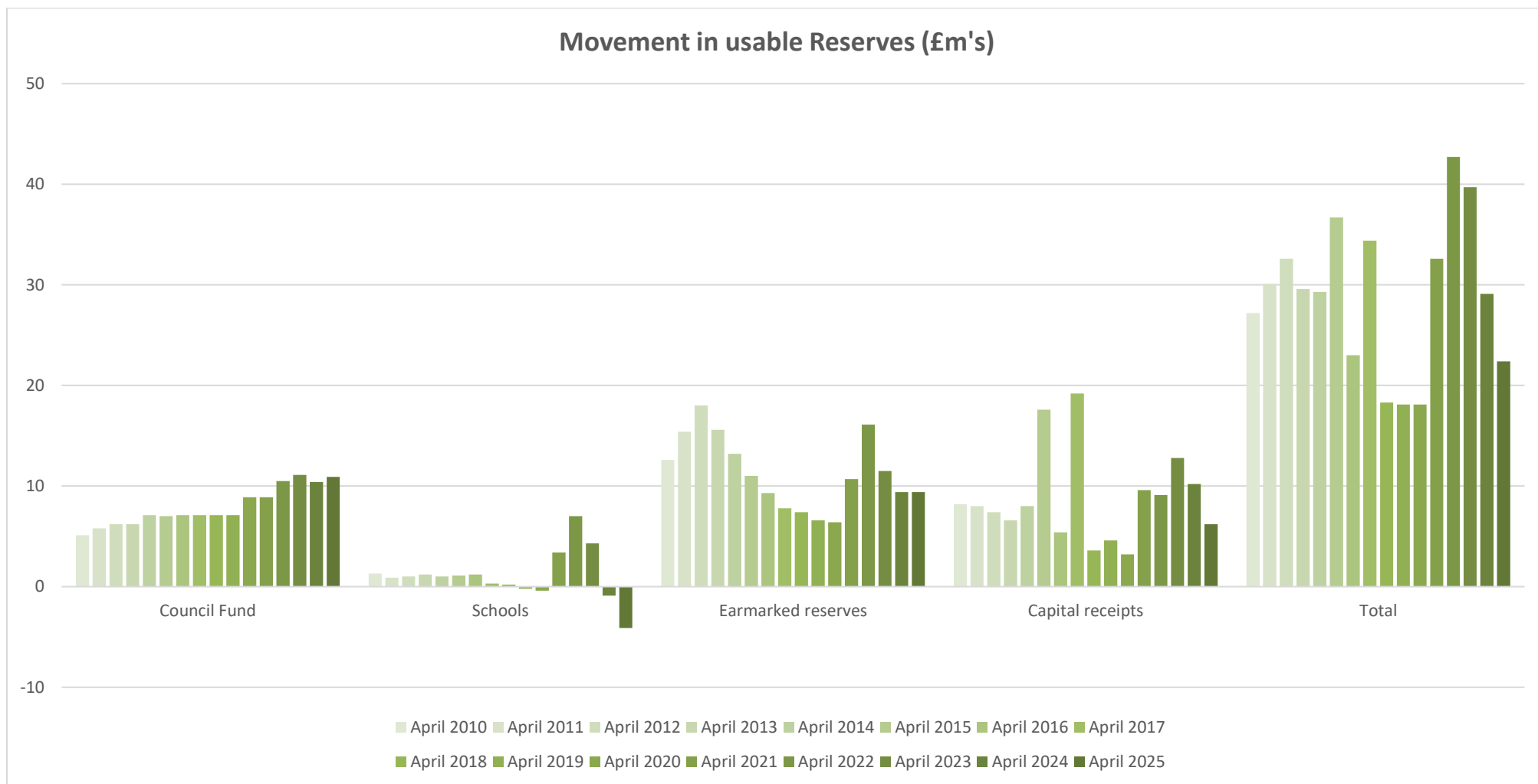


- 7 **Employee benefit expenses** have increased by £4.3m (2.8%) YOY. Standard employee costs have increased YOY by £7.3m which is reflective of staff pay awards and service operating levels. This has been offset by a reduction of £3.0m in the accounting cost of providing for pension related costs under accounting conventions. Increased investment returns on pension fund assets, and reductions in projected liabilities have combined to reduce future liabilities and consequently the annual cost share reported in the CIES.

- 8 The increase in **other service expenses** of £10.2m (6.4%) YOY principally reflects the additional demand pressures and inflationary environment that services have experienced in premises, supplies and third-party contracts during 2024/25.
- 9 **Precepts and Levies** have increased by £2.3m (9.4%) YOY which is principally due to expected increases in rates applied by the bodies. Alongside this, there was an additional one-off increase in costs relating to the Coroner service following improvements to the service and premises.

Movement in Reserves (Sections 5 & 10)

- 10 This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable' and 'non-usable' reserves.
- 11 **Usable reserves** are those that represent resources which the authority might use to support service delivery subject to prudence and statutory limitations on use and include:
- Council fund balance
 - School's balances
 - Earmarked reserves
 - Capital receipts reserve
- 12 **Unusable reserves** are not available to use to support service delivery at the reporting date. It includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences.
- 13 The below chart shows the movement in **Usable reserves** over time. The capital receipts reserve is by far the most variable usable reserve which can be expected given varying levels of receipts received over time, and that it has supported significant investment in the Authority's capital programme and transformation over the period.



- 14 **Earmarked reserves** saw a sustained period of decline from 2013 as reserves were used to invest in redesign and modernisation of services during a period of funding pressures and wider financial challenges for Local Government.
- 15 This trend was significantly reversed over the pandemic period by additional funding received from Welsh Government that was intended to provide Councils with suitable resources to be able to manage the post-pandemic impact upon demand for services and a period of economic recovery. The

agreed budget framework for 2024/25 required that earmarked reserves were not used to fund recurrent expenditure and this has resulted in a stable position being reported in overall earmarked reserves.

- 16 The **Council fund** sits at £10.9m at 1st April 2025 representing 5% of the Council's net revenue budget for 2025/26. This level is in line with the minimum sustainable level of cover as outlined in the Council's Medium term financial strategy.
- 17 The 2024/25 financial year has culminated in a £3.187m draw on **school's balances**, resulting in the cumulative deficit balance increasing to £4.1m and with fifteen of thirty-five schools now holding deficit balances.
- 18 Schools continue to face significant budget pressures, particularly in respect of attendance, behaviours and increased additional learning needs. This has required increased staff and specialist resources to tackle the issues presenting and increased the overall costs of provision. Higher than budgeted pay awards have also impacted upon budgets.
- 19 The Authority continues to work closely with all schools of concern to aid in the return to more sustainable budget plans over the medium term without impacting on educational standards. This will continue to be informed by the ongoing review of school's budgets as part of the periodic update of the medium-term financial plan.

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

| 31st March 2024 | | 31st March 2025 | Change | Change |
|-----------------------|--|-----------------------|-------------|-------------|
| £m | | £m | £m | % |
| | <i>What we own and are owed (Assets):</i> | | | |
| 527.9 | Non-current assets | 572.0 | 44.1 | 8.4% |
| 8.2 | Investments | 8.1 | (0.1) | -1.2% |
| 8.3 | Cash & Cash equivalents | 12.6 | 4.3 | 51.8% |
| 45.6 | Debtors | 55.4 | 9.8 | 21.5% |
| 1.3 | Assets held for sale | 1.3 | 0.0 | 0.0% |
| 0.6 | Inventories & other assets | 0.6 | 0.0 | 0.0% |
| 591.9 | Total Assets | 650.0 | 58.1 | 9.8% |
| | <i>What we owe (Liabilities):</i> | | | |
| (124.2) | Long term Borrowing – to finance capital expenditure | (138.7) | (14.5) | 11.7% |

| | | | | |
|----------------|--|----------------|---------------|---------------|
| (53.4) | Short term borrowing – to support day to day cash flow & finance capital expenditure | (68.3) | (14.9) | 27.9% |
| (46.6) | Creditors & provisions | (50.0) | (3.4) | 7.3% |
| (6.0) | Liability for meeting future pension costs | (53.2) | (47.2) | 786.7% |
| (10.0) | Other liabilities | (11.2) | (1.2) | 12.0% |
| (240.2) | Total Liabilities | (321.4) | (81.2) | 33.8% |
| 351.7 | Total Worth (Assets less Liabilities) | 328.6 | (23.1) | -6.6% |
| | <i>Usable Reserves (available to support service delivery)</i> | | | |
| 10.4 | General Fund Balance | 10.9 | 0.5 | 4.8% |
| (0.9) | Schools Balances | (4.1) | (3.2) | 355.6% |
| 9.4 | Earmarked Reserves | 9.4 | 0.0 | 0.0% |
| 10.2 | Capital Receipts Reserve | 6.2 | (4.0) | -39.2% |
| 1.4 | Joint Arrangements | 1.4 | 0.0 | 0.0% |
| 30.5 | Total Usable Reserves | 23.8 | (6.7) | -22.0% |
| | <i>Unusable Reserves (not available to support service delivery)</i> | | | |
| 81.7 | Revaluation Reserve | 100.4 | 18.7 | 22.9% |
| (6.0) | Pensions Reserve | (53.2) | (47.2) | 786.7% |
| 247.2 | Capital Adjustment Account | 260.6 | 13.4 | 5.4% |
| 2.4 | Deferred Capital Receipts Reserve | 2.3 | (0.1) | -4.2% |
| (0.4) | Financial Instrument Adjustment Account | (0.4) | 0.0 | 0.0% |
| (0.3) | Financial Instrument Revaluation Reserve | (0.3) | 0.0 | 0.0% |
| (3.6) | Accumulating Absence Adjustment Account | (4.8) | (1.2) | 33.3% |
| 0.2 | Other unusable reserves | 0.2 | 0.0 | 0.0% |
| 321.2 | Total Unusable Reserves | 304.8 | (16.4) | -5.1% |
| 351.7 | Total Reserves | 328.6 | (23.1) | -6.6% |

- 20 The Balance Sheet shows the value of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.
- 21 There is a difference of £328.6m between the Council's assets (things we own e.g. property, investments, stocks and debtors) and its liabilities (what we owe to others). This difference represents the surplus of assets over liabilities and is a measure of *Total Worth* – i.e. a theoretical value of what the council would be worth if purchased / acquired by another party.

- 22 Whilst this position has deteriorated YOY, this is primarily as a result of the movement in the forecast liability for meeting future pension costs. This is explained further below.

Debtors

- 23 The YOY increase in debtor balances is significant at £9.8m or 21.5% and reflects a growing challenge the Council faces in recovering amounts owed to it. Note 13.5 to the accounts analyses the amounts owing to the Council by debt type and shows that a significant amount of this increase is due to public sector debt (Welsh Government, other Councils).
- 24 There has been a notable rise in the amount owed by individuals for **Council Tax arrears** and **Social Services care charges**. This reflects a growing difficulty in recovering these statutory debts. The trend is not unique to Monmouthshire—councils across the UK are facing similar challenges due to:
- Rising Council Tax bills,
 - Ongoing cost of living pressures, and
 - The complexity of collecting social care charges, which are often deferred or involve lengthy legal processes.
- 25 72.5% of debt was not overdue at the balance sheet date (68% at 31/03/2024), with a further 5% overdue by less than 3 months.

Investments and Cash & cash equivalents

- 26 There is an overall increase of £4.1m YOY in these balances which is reflective of short term cash balances being held at year end. There will always be timing differences, where funding for specific programmes or services was received in advance of the related expenditure, resulting in variance in cash holdings at year-end.

Non-current assets (Land, buildings, infrastructure, vehicles & plant)

- 27 Non-currents assets increased by £44m YOY to £572m. The adoption of IFRS 16 accounted for £2.2m of this increase as the authority recognised 'Right of Use' assets on the balance sheet, reflecting leased assets previously treated as off-balance sheet under the former accounting standards.
- 28 Revaluations were carried out on approximately 20% of our non-current assets during the year in line with the 5-year rolling programme of revaluation. This has resulted in an overall increase in value of £19.1m.

- 29 The audit sector nationally has raised concerns in recent years of the impact of significant increases in build costs which as a consequence may mean that it is no longer appropriate for audited bodies to rely on valuations of assets carried out in previous financial years (i.e. the 80% of assets we didn't revalue in 2023/24) to demonstrate that carrying values remain materially consistent with current values at 31 March 2025. This uplift increased the value by an additional £4.4m.
- 30 Non-current asset values were further increased by in year capital expenditure of £40.3m. The increases we're offset by £15.9m of depreciation and £5.8m of impairments while £0.7m of disposals were made in year.
- 31 To overcome this issue, the Council agreed an approach with Audit Wales that indexation of assets most impacted by this issue is carried out using sector wide building cost information. Valuations have subsequently been adjusted to reflect the current trend in building cost data, and this accounts for the significant increase seen in overall values of non-current assets.

Pension liability

- 32 There has been a significant accounting re-measurement of net future pension fund liability which has increased by £47.2m.
- 33 Initially the value of the pension scheme assets increased by £27.6m with liabilities decreasing by £61.4m which resulted in a net surplus of £83.4m. The increase in scheme assets is due to the improvement of investments with equities, bonds and infrastructure investments all increasing in value. The decrease in liabilities is due to changes in financial assumptions (e.g. inflation, discount rate, longevity/age presumptions).
- 34 This would have resulted in the pension scheme being reported as a net asset on the Council's balance sheet. In line with accounting standards (IFRIC 14 – IAS 19), which address the limits on a defined benefit pension asset, the minimum funding requirements, and their interaction - any surplus must be adjusted for committed past service contributions.
- 35 This adjusted surplus is then assessed against the economic benefit available through reduced future contributions to determine whether an additional liability should be recognised. This has resulted in an adjustment to reflect what is known as the asset ceiling. After accounting for this and the present value of unfunded benefits, a total net liability of £53.2 million has been reported.
- 36 It should be noted that the fund is in place for the long-term funding of pensions, and annual variations in actuarial assumptions can regularly skew the presentation of the overall balance sheet figures quite significantly in any one year. Any estimated deficit on the pension scheme and its impact on the Council's overall reserves is also a long-term consideration. Notably, the deficit and liability would not arise in any one single year, and any potential

deficit would be addressed through higher employee and employer contributions, as well as the pension scheme benefits being calculated differently, such as moving to career average salaries as opposed to final salary.

Borrowing

- 37 The Council locked in longer-term borrowing late in year to give certainty on future interest costs in light of an increased CFR. In some cases this borrowing was taken before the short-term borrowing it was replacing had matured. Consequently borrowing levels have increased over the year by £28.6m (16.3%).
- 38 The proportion of short term borrowing (<12 months to maturity) has increased from 29% to 32% over the year. Further information can be found in the 2024/25 treasury outturn report for the Authority.

Creditors & Provisions

- 39 Creditors & provisions have increased YOY by £3.4m or 7.4%. Note 13.6 to the accounts provides additional detail on the composition of this balance.
- 40 Amounts owing to non-public sector bodies have increased by £2.6m YOY with 96.7% of payments during the year made within the 30 day target (95.9% in 2023/24).