

**MONMOUTHSHIRE COUNTY COUNCIL**

**ANNUAL ACCOUNTS**

**2015/16**

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## **1 EXPLANATORY FOREWORD**

### **1.1 Introduction**

- 1.1.1 Monmouthshire County Council is a Welsh Unitary Authority and was created on 1st April 1996 by virtue of the Local Government (Wales) Act 1994.
- 1.1.2 Monmouthshire County Council was formed from a transfer of the services, assets and liabilities of the functions of the former Monmouth Borough Council and parts of the former Blaenau Gwent Borough and Gwent County Councils.
- 1.1.3 The purpose of this explanatory foreword is to offer a guide to the most significant matters appearing in the accounts and to explain the Authority's overall financial position. I hope it assists the reader in understanding the financial statements that follow.

### **1.2 The Accounting Statements**

- 1.2.1 The Authority's accounts for the year 2015/16 are set out in sections 5 to 16. 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 2016. The notes are sectioned to aid the user of the accounts to navigate the extensive supporting notes.

### **1.3 Code of Practice on Local Authority Accounting**

- 1.3.1 The accounts have been prepared in accordance with the latest code of practice applying to local authorities in England and Wales.
- 1.3.2 The Code requires authorities to enhance their statement of accounts with information about any material interest in subsidiaries, associates and jointly controlled entities in a set of group accounts. These accounting requirements result in the consolidation of the transactions and balances of subsidiaries and of interests in associates and joint ventures, thus ensuring group accounts provide a complete picture of the authority's control over other entities.
- 1.3.3 The Authority accounts for its respective contributions to joint committees within services in the Comprehensive Income and Expenditure Statement on an accruals basis. For 2015/16 the Authority has consolidated its respective shares of the income, expenditure, assets and liabilities into its financial statements. Where appropriate these adjustments have been shown under the heading of 'Adjustments relating to JANEs'.

### **1.4 2015/16 Net Revenue Expenditure**

- 1.4.1 The details of the Authority's revenue expenditure for the year are set out in the Comprehensive Income and Expenditure Statement and further transfers to and from the Council Fund have taken place within the Movement in Reserves Statement. These statements appear in sections 5 and 6 of the accounts.
- 1.4.2 The Authority manages against its budget requirement for the year based on its internal management and directorate structure. Schools are reported separately during the financial year and are consolidated as part of the production of the year end accounts.
- 1.4.3 Excluding JANEs, the Authority is reporting a £6,432,000 deficit for the year, the principal reasons for this being:
- £15,034,000 of depreciation (£8,910,000), revaluation losses (£2,753,000) and impairment charges (£3,371,000) on property, plant and equipment assets
  - £2,132,000 of revenue expenditure funded from capital under statute (REFCUS) charged to the Comprehensive Income & Expenditure Account
  - £1,515,000 of net revaluation losses relating to Investment properties; offset by:
  - £6,529,000 relating to the reversal of past impairment losses on property, plant & equipment assets
  - £6,190,000 of capital grants applied during the year that are recognised in full in the Comprehensive Income & Expenditure Account

- 1.4.4 These charges and credits are reversed or replaced in the Movement in Reserves Statement with other statutory charges, together with other adjustments required to move from an accounting basis to a funding basis under regulations. When combined with transfers to and from earmarked reserves the Authority has incurred a surplus on its Council Fund Balance of £136,000. This comprises a £120,000 surplus relating to non-school budgets and a £16,000 surplus relating to school budgets.
- 1.4.5 When compared against the revised budgets set by the Authority and schools respectively, this illustrates how the Authority has performed against budget for the year of account.
- 1.4.6 The analysis below of outturn against revised budget is based on the internal management structure of the Authority and not on the classification prescribed by the Code of Practice. Readers will be able to reconcile the Council Fund surplus to that reported in the Movement in Reserves Statement by reference to note 11.1 to the accounts and the Authority's revenue outturn report.
- 1.4.7 The Council fund balance, excluding school balances, has increased from £6,991,000 to £7,111,000 as a result of the surplus for the year. Earmarked revenue reserves have decreased from £10,980,000 to £9,269,000 during the financial year. In total, available revenue reserves to the Authority (excluding school balances) have decreased by £1,592,000 from £17,972,000 to £16,380,000.

	<b>Revised Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
<b>Net Expenditure:</b>			
Net cost of services (internal management structure)	141,171	141,315	144
Attributable costs – Fixed Asset Disposal	233	138	(95)
Interest and Investment Income	(51)	(117)	(66)
Interest Payable and Similar Charges	3,663	3,295	(368)
Changes to Investment Losses	0	(48)	(48)
Charges Required Under Regulation	5,806	5,566	(240)
Capital Expenditure financed from revenue	272	272	0
Earmarked Contributions to Reserves	95	2,012	1,917
Earmarked Contributions from Reserves	(2,773)	(3,075)	(302)
<b>Financed by:</b>			
General government grants	(67,642)	(67,642)	0
Non-domestic rates	(26,737)	(26,737)	0
Council tax	(60,094)	(61,004)	(910)
Council Tax Benefit Support (included in n.c.s)	6,097	5,906	(191)
Contribution to/(from) Council Fund	(40)	0	40
<b>Council Fund (surplus)/deficit - Non-Schools</b>	<b>0</b>	<b>(120)</b>	<b>(120)</b>
<b>Council Fund (surplus)/deficit - Schools</b>	<b>583</b>	<b>(16)</b>	<b>(599)</b>
<b>Council Fund (surplus)/deficit - Total</b>	<b>583</b>	<b>(136)</b>	<b>(719)</b>

## 1.5 Reserves

- 1.5.1 Movements in the Authority's reserves for the year are detailed in the Movement in Reserves Statement and is supported by notes to the Accounts which appear in section 10 of the accounts.

## 1.6 2015/16 Capital Expenditure

1.6.1 Detailed information on capital expenditure incurred in the year appears in note 12.7 to the accounts. Total capital expenditure in 2015/16 was £18,845,000 (£14,256,000 in 2014/15). The main items within this figure are shown below along with an analysis of the capital financing arrangements:

<b>Financing</b>	<b>£000</b>
Capital receipts	7,765
Borrowing and Finance Lease Commitments	2,952
Grants and Contributions	7,208
Revenue and Reserve Contributions	920
	<u>18,845</u>
 <b>Expenditure</b>	 <b>£000</b>
Infrastructure and Transport Schemes	3,135
Asset Management Schemes	2,710
School Development Schemes	10,192
Regeneration Schemes	517
Inclusion Schemes	1,235
Other scheme types	1,056
	<u>18,845</u>

1.6.2 The major capital schemes supported by the Authority during the year comprise:

- Schemes delivered as part of the Authority's schools modernisation programme which included investment at Monmouth Comprehensive (£3,998,000), Caldicot Comprehensive (£4,243,000), Raglan Primary (£1,780,000) & other smaller schemes (£112,000)
- Additional investment of £3,135,000 in highways infrastructure, specifically the road resurfacing programme, flood alleviation, bridges & street lighting and investment in grant funded transport schemes
- Asset management schemes, principally comprising expenditure incurred on major property maintenance schemes (£1,958,000) and numerous smaller asset management schemes (£752,000)
- Investment in Inclusion projects of £1,235,000 consisting of Disabled Facilities Grants (£647,000), Access for All (£511,000) and Low Cost Home Ownership (£77,000)
- Investment in Regeneration projects of £517,000 primarily via Section 106 schemes

1.6.3 Other than specific funding support being received from external funding bodies, the Authority is reliant on useable capital receipts and revenue support. The useable capital receipts balance as at 31st March 2016 amounted to £5,423,000 (£17,629,000 as at 31st March 2015). In terms of revenue support, reference is made to available balances in paragraph 1.4.7 of this foreword.

## 1.7 Loan Debt

1.7.1 The loan debt at 31st March 2016 was £95,560,000 compared to an opening position for the year of £101,313,000. Separate to the cost of servicing debt the Authority is required to make prudent provision through its revenue account for the repayment of debt. £5,486,000 (£5,496,000 in 2014/15) was provisioned for the repayment of principal and £3,267,000 (£3,532,000 in 2014/15) was provisioned for the repayment of interest, a total cost in the year of £8,753,000 (£9,028,000 in 2014/15).

## **1.8 Pension Liabilities**

- 1.8.1 The requirements of IAS19 *Employee Benefits* are incorporated into the Code of Practice. This requires the recognition of a net pension liability and a pensions reserve in the Balance Sheet together with entries in the Comprehensive Income and Expenditure Statement for movements in the asset/liability relating to defined benefit schemes (with reconciling entries back to contributions payable for council tax purposes via the Movement in Reserves Statement).
- 1.8.2 The pension liability at the end of the year amounted to £188,225,000 (£167,414,000 in 2014/15). The Authority is being charged increased employer contributions in order to contribute to the redressing of the balance of the pension fund. Further details are given in section 14 of the notes to the Accounts.

## **1.9 Conclusions**

- 1.9.1 The accounts have been produced to comply with legislative and best practice. Supporting outturn statements on both revenue and capital accounts are separately available and show comparisons of service and project expenditure against budget in a clearer manner, with explanations of variances. These reports, together with the Statement of Accounts are available on the Authority's website.
- 1.9.2 The under spend for 2015/16 has largely resulted from under spends on treasury activity, improved recovery on council tax, a reduction in anticipated borrowing costs offset by a net over spend on Directorate services. Following transfers to/from earmarked reserves, this has resulted in a small net deficit on the general fund account.
- 1.9.3 However, the 2016/17 budget is extremely challenging, with continuing pressures in Children's social services. The MTFP requires significant changes in service provision in order to meet the challenging financial targets and work has started to look at what the Council needs to do to respond to future challenges whilst still balancing next year's budget. Indications are that the next 4 year window of the MTFP is going to be as challenging as the last and therefore further scope for savings will need to be assessed. Members and officers will need to ensure that the budget is carefully managed and earmarked reserves carefully directed to maximise their impact in 2016/17 in order to ensure the current stable corporate financial position is maintained.

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**J Robson**  
**Head of Finance (S151 Officer)**

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**Date**

## **2 STATEMENT OF RESPONSIBILITIES**

### **2.1 The Authority's Responsibilities**

2.1.1 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 this Authority, that officer is the Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

### **2.2 The Head of Finance's Responsibilities**

2.2.1 The Head of Finance 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).

2.2.2 In preparing this Statement of Accounts, the Head of Finance 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.

2.2.3 The Head of Finance has also:

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

## **CERTIFICATION OF ACCOUNTS**

I certify that the accounts set out within sections 5 to 16 gives a true and fair view of the financial position of the Council as at the 31st March 2016 and its income and expenditure for the year ended 31 March 2016.

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**Joy Robson**  
**Head of Finance (S151 Officer)**

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**Date**

I confirm that these accounts were approved by the Leader of the Council on 22nd September 2016 on behalf of Monmouthshire County Council.

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**Cllr Peter Fox**  
**Leader of the Council**

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**Date**



### **3 ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

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'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

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 2014/15 action plan is shown at paragraph 3.8.1. The main areas for improvement in 2015/16 identified by the Council are shown at paragraph 3.7.1 and an action plan to address known gaps is shown at paragraph 3.8.2.

#### **3.1 Scope of Responsibility**

- 3.1.1 Monmouthshire County Council (the Council) 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 Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This has been updated in recent years through the Wales Programme for Improvement 2005 and even more recently through the Local Government (Wales) Measure 2009 to encompass responsibility for securing continuous improvement based on the needs of and in engagement with communities.
- 3.1.2 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.
- 3.1.3 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 copy of the code is available from the Chief Internal Auditor. This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

#### **3.2 The Purpose of the Governance Framework**

- 3.2.1 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.
- 3.2.2 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.
- 3.2.3 The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

#### **3.3 The Governance Framework**

- 3.3.1 The Council's Code of Governance has been developed in line with the following principles:

- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

3.3.2 The Authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*.

3.3.3 The key elements of the Council's governance arrangements are set out in The Improvement Plan; the latest version, Building Sustainable and Resilient Communities 2015-2017, was approved by Council in May 2015. Six monthly progress updates were presented to select committees during the year to enable scrutiny of progress and to allow Chief Officers and executive members to be held to account. The Council's four priorities are education of young people, protecting the vulnerable, supporting business and job creation and maintaining locally accessible services. The Council subscribes to a vision shared with other public service partners of working to deliver 'Sustainable resilient communities'. This is the cornerstone of the County's Single Integrated Plan where three themes have been adopted: Nobody is Left Behind; People are Confident, Capable and Involved; Our County Thrives.

#### **3.4 Review of Effectiveness**

3.4.1 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.

3.4.2 As a result, the governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

3.4.3 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:

- i) The Monitoring Officer has reviewed the Council's Constitution and ethical governance arrangements during the year. Amendments and updates were approved by Council in September 2014;
- 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;
- iii) Revisions and updates to strengthen the strategic risk Management Policy were approved by Cabinet in March 2015;
- iv) Formal risk management and regular ongoing review of the processes involved;
- v) Scrutiny Service Plan 2015-2018
- 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;
  - x) Regular monitoring of performance against the Improvement Plan and service plans and of key targets, and reporting of this to senior management and members;
  - xi) Corporate self-evaluation was carried out in Autumn 2014 and the findings addressed through an action plan that is being monitored by Strategic Leadership Team – Cabinet report next on Autumn 2016;
  - xii) An annual Head of Service Challenge Process involving the Leader, Chief Executive and Executive Members which evaluates and challenges performance to drive improvements in services;
  - xiii) Audit Committee review of effectiveness workshop;
  - xiv) Evaluating the effectiveness of Safeguarding in Monmouthshire was taken through Cabinet;
  - xv) Annual appraisal of the effectiveness of the authority's performance management arrangements reported annually to Audit Committee.
- 3.4.5 The following paragraphs review the effectiveness of the governance arrangements in Monmouthshire under the 6 principles. A senior officer working group was set up to undertake the initial review; the outcome of that process fed into this statement which then went to the Senior leadership team (SLT) for review before being taken to Audit Committee for a further review.
- 3.4.6 **Principle 1: Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area**
- 3.4.7 The Single Integrated Plan sets out the vision of the Local Service Board – a partnership of the key public service providers in Monmouthshire which includes the Council – it has three key themes; nobody is left behind, people are confident, capable and involved; and our County thrives. It is developed by and agreed by all our partner organisations who are members of the Board. The LSB will become the Public Service Board (PSB) from April 2016.
- 3.4.8 The Council's strategic partners and wider stakeholders were fully engaged in the development of the Single Integrated Plan 2013-17 (SIP) incorporating key themes and outcomes to realise the shared vision. The organisation's Stage 1 Improvement Plan underpins the Council's contribution to the SIP by setting Annual Improvement Objectives for 2015/16. The Stage 1 Improvement Plan (Two-year Plan), was presented to Council in May 2015 and was reviewed, Stage 2, at six months through the year in December 2015 and January 2016 through the Council's four Select committees.
- 3.4.9 In the 2015 Corporate Assessment WAO issued a Proposal for Improvement that the Authority should "Improve performance management arrangements by: ensuring planned improvements are tangible; improving target setting to better reflect desired improvement; ensuring resources are allocated to deliver Council priorities through the MTFP and improving data quality arrangements to ensure that performance reporting is accurate and that decisions are made based on robust information.
- 3.4.10 The Annual Improvement Plan Objectives for 2015/16 are supported by service plans to operationally deliver these objectives. Planned improvements and targets are aligned to the Annual Improvement Objectives. Service plans were developed in 2015/16 covering all service areas. These were quality assessed as part of the service planning process.
- 3.4.11 In the 2015 Corporate Assessment Wales Audit Office issued a Proposals for Improvement that the Authority should "Improve strategic planning by ensuring clear links between strategies and agreed priorities; and developing cohesive strategies to underpin and support robust decision making".

- 3.4.12 Reports were taken through the Scrutiny process during the year which linked service plans to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents available through the Council's website.
- 3.4.13 Throughout 2015/16 the Council has been an early adopter of the Wellbeing of Future Generations Act and has received support from the WLGA as well as working with Wales Audit Office in preparing for the implementation of the Act in April 2016. Preparation has included increased awareness raising with Council members and officers, Wales Audit Office reviewing the Council's preparedness for the Act and identifying key next steps for delivery and transitioning the Local Service Board (LSB) in to a Public Service Board. Action plan – 16/17 Scrutiny set up for service board'
- 3.4.14 In addition, the Medium Term Financial Plan (MTFP) supports the vision for Monmouthshire and extensive public engagement continued in 2015/16 for the 2016/17 budget and Medium Term Financial Plan which engaged with the public in their own community; this included website, social media, drop in sessions and open meeting. The Chief Executive and Leader of the Council also held consultation roadshows across the whole County with staff. These were key to providing people with the opportunity to become informed, involved and participate. There was broad agreement with the key priorities set out for Monmouthshire. Following the engagement in 2014/15 maintaining locally accessible services was added as fourth priority of the Council in the March 2015 partnership administration's Continuance Agreement.
- 3.4.15 The Council is embracing the benefits of digital communications including social media use. It is also developing additional digital channels by introducing a Customer Services app, enabling people to interact and transact with the Council using mobile devices. We are also further developing the Council's website making it easier to navigate and including more transactional functions. Social media continues to thrive during 2015/16 through 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.
- 3.4.16 The provision of high quality of services has been measured by the Welsh Government National survey for Wales. This stated that in 14/15 57% of Monmouthshire residents agree the local authority provides high quality services (Wales average 53%). In 13/14 63% agreed.
- 3.4.17 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 107 complaints received in 2015/16, 103 were resolved informally [96%]; this compared with 100 out of 116 complaints resolved informally in 2014/15. 2 complaints were referred to the Ombudsman who decided not to investigate. 91% of Stage 1 complaints received were dealt with within 25 working days of receipt. Within Social Services, 43 complaints were received in 2015/16, 86% were dealt with informally.
- 3.4.18 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;
- 3.4.19 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 the 4 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. This exercise is next due during 2016-17. The updated MTFP was reviewed and approved by Cabinet over the course of the budget setting period (Sept 2015 to Jan 2016) in response to feedback from engagement and scrutiny sessions and the budget was set in January 2016 by Council for 2016/17.

- 3.4.20 An authority-wide performance measurement system for the Council, the “data hub”, hosted on the Council’s intranet site continues to be used and further developed. This is available within 3 clicks of the homepage that opens up on all laptops and enables members and officers to track and monitor key data at any point in time from key strategic plans to directorate level “dashboards”. This also allows performance to be compared against other council areas, where applicable. A Cabinet level dashboard contains a number of key performance measures and is discussed quarterly by SLT and Cabinet.
- 3.4.21 Based on 2014/15 National Performance indicator data the council has seen service performance improve, or remain at the maximum level, in 84% of comparable National Performance indicators and declined for 14% of them. When comparing against other local authorities Monmouthshire was ranked in the top quartile for 44% of the published indicators and the bottom quartile for 16% of indicators. 63% of indicators met the targets that had been set, while 23% missed their targets.
- 3.4.22 Contract Procedure Rules exemptions are reported to the Audit Committee 6 monthly; managers have been challenged in year to justify their procurement outside the Council agreed procedures. Several managers were called in to Audit Committee to give an account of why accepted procedures were not followed.
- 3.4.23 The Council utilises ‘Buy For Wales’ contracts to ensure value for money is obtained in procuring the many goods and services required to run the Council. A nationwide analysis found that MCC had the highest proportion of spend with SMEs of any local authority in the UK (Source: <http://www.spendsmall.org/>)
- 3.4.24 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, Improvement Plan progress, Council activities, achievements, developments, updates and events were included on the Council’s intranet and website, with all Council, Cabinet and Scrutiny Committees now live streamed on You Tube.
- 3.4.25 The Equality Impact Assessment and Sustainable Development checklist have been 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 2015/16 which have been published on the website accompanying decision making reports.
- 3.4.26 The Local Service Board (LSB) review includes the monitoring of targets to ensure policies are delivering the agreed outcomes. The Council was an “early adopter” of the Wellbeing of Future Generations Act 2015, working with the WLGA; in line with the Act the LSB will become a Public Services Board with effect from 1st April 2016 and the Council has been involved in taking this forward.
- 3.4.27 **Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens**
- 3.4.28 The Constitution is updated periodically by the Monitoring Officer; it was reviewed and updated between January 2014 and June 2014, and was approved by Council in September 2014. 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.

- 3.4.29 Policy and decision-making is facilitated through (i) the Cabinet, the meetings of which are open to the public except where exempt or confidential matters are being discussed, and (ii) a scheme of delegation to committees and officers as set out in the Constitution: Four select committees and a separate audit committee review, scrutinise and hold to account the performance of the Cabinet, decision-making committees and officers. A Scrutiny "Call-In" process for decisions which have been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness.
- 3.4.30 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance. The minutes of the SLT were also maintained during the year.
- 3.4.31 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 Head of Finance attends Cabinet and Council meetings.
- 3.4.32 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 Data Protection Act 1998. The Information Sharing protocol has been developed to ensure information is only shared appropriately, safely and compliantly.

### **3.5 Partnerships/collaboration working**

- 3.5.1 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.
- 3.5.2 An exercise was undertaken by the Policy and Partnership Team in 2013/14 to determine the full extent of the Council's collaboration and partnership arrangements and their respective governance arrangements. A Partnership Audit was undertaken and reported into the Audit Committee in May 2014; 100 partnership / collaboration arrangements were identified. Although the governance arrangements for the majority of partnerships identified have been captured, further work is on-going to clarify the governance arrangements for all of the partnerships; this was reported to Members through the Audit Committee. Governance arrangements have been put in place around all key partnerships the Council is involved with. Monmouthshire's Partnership Structure is now shown on The Hub and was reported through Strong Communities Select in April 2016.
- 3.5.3 Wales Audit Office made a proposal for improvement to the Council as part of their Annual Improvement Report 2014-15, published in November 2015, to "Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources." The action the Council is taking in response to the proposal was reported to Cabinet in January 2016. Their Corporate Assessment on the Council, reported through Audit Committee in January 2016, stated "The Council demonstrates ambition in its vision, enthusiasm to deliver and commitment to working collaboratively, but this needs to be supported by a clearly joined-up strategic approach and effective delivery mechanisms."
- 3.5.4 **Principle 3: Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- 3.5.5 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 will be adopted by Council in May 2016. The council also has a local protocol for the self-regulation of member conduct.
- 3.5.6 There were no successful “call-in” challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.
- 3.5.7 There were 3 complaints of alleged breaches of the code of conduct for members that were referred to the Public Services Ombudsman for Wales in 2015/16. No further action was required on the complaints and none were referred to the Standards Committee.
- 3.5.8 All waivers of the Contract Procedure Rules are reported through Audit Committee quarterly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Procedure Rules and Financial Procedure Rules.
- 3.5.9 The Audit Committee called in several senior managers during the year and challenged them on why a procurement process went outside the Council’s normal tendering processes.
- 3.5.10 26 Internal Audit opinions were issued in 2015/16; 3 were deemed to be unsatisfactory.
- 3.5.11 The overall opinion on the adequacy of the internal control environment for 2015/16 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 2015/16 were as follows and more detail can be found in the Annual Internal Outturn Report for 2015/16, as reported to Audit Committee:

Opinion	2013-14	2014-15	2015-16
Very Good	0	1	0
Good	8	9	9
Reasonable	7	12	14
Unsatisfactory	0	6	3
Unsound	0	0	0
<b>Total</b>	<b>15</b>	<b>28</b>	<b>26</b>

- 3.5.12 The Internal Audit team did not have a full complement of staff for the full year; 74% of the 2015/16 plan was achieved, which was an improvement on the previous year (65%). 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.
- 3.5.13 A 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.
- 3.5.14 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.
- 3.5.15 **Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation**

- 3.5.16 There are robust arrangements for effective 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 Regulations. 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.
- 3.5.17 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. Wales Audit Office made a proposal for improvement to the Council as part of their Annual Improvement Report 2014-15, published in November 2015, to "Strengthen the governance and challenge arrangements by: ensuring that minutes of meetings are signed at the next suitable meeting in accordance with the Council's constitution to improve timeliness and transparency of public reporting; and reconsider the Council's policy of not formally minuting Cabinet meetings".
- 3.5.18 The action the Council is taking in response to the proposal was reported to Cabinet in January 2016. This identified the 'Modern Gov' system has been implemented and improved the documentation of minutes, agendas and reports for meetings on the Council's website. A decision-log of Cabinet meetings is published on the website following each Cabinet meeting detailing the decisions that have been which include any amendments made to the proposed decision. Not publishing minutes for Cabinet has been a longstanding practice of the Council which has raised no issues of transparency and openness in the decision making process and the Council does not have any plans to change this process for recording decisions at Cabinet.
- 3.5.19 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 and which is regularly reviewed.
  - 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
- 3.5.20 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.
- 3.5.21 The anti-fraud and corruption strategy (approved by Cabinet March 2012) 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.
- 3.5.22 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.



- 3.5.23 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 control environment.
- 3.5.24 The Chief Internal Auditor will ensure Internal Audit complies with the Public Sector Internal Audit Standards.
- 3.5.25 The Council has an objective and professional relationship with its external auditors and statutory inspectors.

**3.6 Risk management**

- 3.6.1 The Council's Strategic Risk Management Policy was updated and approved by Cabinet in March 2015. The revisions provide greater clarity on how the risk levels are to be assessed. 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.
- 3.6.2 A Whole Authority Strategic Risk Assessment for 2015-2016 has been compiled as a starting point from service improvement plans. In addition a wide range of performance information including reports from regulators and inspectors, data and performance analysis and feedback from the Authority's partners and service users was used. In order to mitigate the risks, proposed action was recorded and factored back into the respective service improvement plan. This was presented to Cabinet in March 2016. As well as being approved by Cabinet the risk assessment was presented to Council alongside consideration of the budget.
- 3.6.3 The Council's Strategic Risk Assessment contains 11 distinct risks. Following the revised policy these must now be updated and reviewed throughout the year with the latest version being made available to members via The Hub.

Risk	Pre mitigation			Post mitigation		
	2015/16 Risk Level	2016/17 Risk Level	2017/18 Risk Level	2015/16 Risk Level	2016/17 Risk Level	2017/18 Risk Level
The Authority is unable to deliver its political priorities in the future because it does not yet have clarity on its future business model or longer term financial plan.	Low	Medium	Medium	Low	Low	Low
Some services may become financially unsustainable as a result of reducing budgets and demographic pressures.	Low	Medium	Medium	Low	Low	Low
A failure to meet income targets could lead to unplanned changes in other services or a call on reserves to balance the budget.	Medium	Medium	Medium	Medium	Medium	Medium
Potential that the Authority is unable to deliver its new schools capital programme due to capital receipts not generating the required income  Pressure on capital budget from 21st Century schools programme will impact on other areas requiring capital investment.	Medium	Medium	High	Medium	Medium	Medium

Risk	Pre mitigation			Post mitigation		
	2015/16 Risk Level	2016/17 Risk Level	2017/18 Risk Level	2015/16 Risk Level	2016/17 Risk Level	2017/18 Risk Level
Potential that the Council does not make sufficient progress in areas of weakness identified by regulators leading to underperformance.	Low	Medium	Medium	Low	Low	Low
Potential for significant harm to vulnerable children or adults due to factors outside our control.  Potential for significant harm to vulnerable children or adults due to failure of services and/or partners to act accountably for safeguarding.	Medium	Medium	Medium	Medium	Medium	Medium
Failure to meet the needs of individual learners may result in them not achieving their full potential.	Medium	Medium	Medium	Low	Low	Low
Potential that Council services, including schools do not have the necessary ICT infrastructure meaning they are unable to maximise their offer to service users or learners needs.	Medium	Medium	Medium	Medium	Medium	Medium
Insufficient ICT infrastructure and skills in the county have the potential to lead to social and economic disadvantages.	Medium	Medium	Medium	Medium	Medium	Medium
Reductions in our workforce due to budgetary pressures will impact on our capacity to deliver transformational change and improve performance.	Medium	Medium	Medium	Medium	Medium	Low
Not having appropriate governance mechanisms does not make it easy for communities to work with us when we are co- delivering and co-developing services which will impact on our shared ability to deliver sustainable and resilient communities.	Medium	Medium	Medium	Medium	Medium	Low
The current configuration of the recycling service becomes unviable because of legislation requirements and financial constraints.	Low	Medium	Medium	Low	Low	Medium

**3.6.4 Principle 5: Developing the capacity and capability of members and officers to be effective**

3.6.5 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.

3.6.6 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.

**3.6.7 Good governance and upholding standards of behaviour**

3.6.8 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.

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

3.6.10 The Council operates a Data Protection policy and also has procedures in place to meet its responsibilities under the Environmental Information Regulations and the Freedom of Information Act, 2000. The Council's website includes other information which the Council is required to publish, such as allowances paid to members in accordance with statutory provisions. There are also agreed procedures to meet the requirements of the Regulation of Investigatory Powers Act 2000.

3.6.11 There is continued support for Members' development through briefing sessions and other learning opportunities. 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.

3.6.12 Wales Audit Office made a proposal for improvement to the Council as part of their Annual Improvement Report 2014/15, published in November 2015, to "Ensure that the planned revisions and changes made to 'Check In Check Out' deliver a clear process of assessing and improving the performance of all staff and that department, team and individual objective setting is in line with the Council's corporate objectives." The action the Council is taking to response to the proposal was reported to Cabinet in January 2016. Based on feedback received the process has been evaluated and been further developed in 2015/16.

**3.6.13 Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability**

3.6.14 The agendas are published in advance of all meetings on the Council's website.

3.6.15 The Scrutiny Annual Report is produced for the Council meeting in July each year. The scrutiny function has a 'Scrutiny Service Improvement Plan'. The plan is built into the Council's improvement framework. The plan is also scrutinised by the Council's Audit Committee annually to ensure they are satisfied that the Council has appropriate and effective scrutiny arrangements in place

3.6.16 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 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.

- 3.6.17 Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message. The Council has partnered with an IT supplier to develop Monmouthshire Made Open – a digital engagement platform to enable local people to help shape ideas to the challenges facing their communities.
- 3.6.18 All meetings are held in public as shown from Committee agendas and minutes which are then available on the website. All meetings - The Council, Cabinet, Audit Committee, Select Committees and Planning / Licensing Committees are streamed live on the internet.
- 3.6.19 There were several extensive public engagement events undertaken in 2013/14, 2014/15 and 2015/16 for the budget. MCC’s model of engagement in understanding its communities’ views and the way it now operates as an organisation was shared with many delegates at a Welsh sustainability conference as exemplar. The development of ‘Your County Your Way’ and Whole Place approach has encouraged the community within Monmouthshire to actively contribute to making stepped changes to improve the way in which services are provided; the intention is to transform public service delivery. This links back to the population outcomes for Monmouthshire in the Single Integrated Plan.
- 3.6.20 The Council has received a number of Freedom of Information Act requests during the year, with no complaints made to the Information Commission Officer. 98% of requests were responded to within the required 20 days:

FOI	2013-14	2014-15	2015-16
No. of FOI requests	918	1023	1057
No. responded to within 20 days	841	1002	1034
Percentage of FOIs responded to within 20 days	93%	95%	98%

### 3.7 Main areas of Concern

- 3.7.1 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:
- improve performance management arrangements and improve strategic planning;
  - take the next steps identified from the Wellbeing of Future Generations Act;
  - to review the appropriateness of the governance arrangements of the Public Services Board;
  - adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources;
  - review the governance arrangements in place around all key partnerships the Council is involved with;
  - continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules;
  - review the ‘Check In Check Out’ process to deliver a clear process of assessing and improving performance.
- 3.7.2 The following Table outlines where the Council has identified gaps in its governance arrangements, which will be addressed in the forthcoming months to further strengthen governance in Monmouthshire County Council.

**3.8 Action Plan**

3.8.1 The following table shows how the 2014/15 Action plan areas for improvement have been addressed during 2015/16.

Governance Principle		Progress
<b>Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens</b>	The governance arrangements for all of the Monmouthshire partnerships will be clarified and reported to Members in due course through the Audit Committee.	Published internally on The Hub and externally on the MCC Website.
<b>Principle 3: Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;</b>	The Internal Audit team will work with the Procurement Team to continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules	To be further developed in 2016/17.
<b>Principle 5: Developing the capacity and capability of members and officers to be effective</b>	The Appraisal process (CICO) will continue to be rolled out to all staff which will pick up any issues here.	All staff now go through a CICO process which is fully documented
<b>Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability</b>	Decision making work programmes will continue to be populated in advance in future.	Work programmes are include as agenda items for Scrutiny and Audit Committees.

3.8.2 An Action Plan for 2015/16 has been developed to capture known gaps in the Council's governance arrangements; the areas for improvement will be reviewed and considered during 2016/17 to further enhance the Council's governance arrangements. This is shown in the following table:

Governance Principle		Progress
<b>Principle 1: Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area</b>	Undertake actions identified in the Council's action plan to address the Wales Audit Office proposals for improvement from the Corporate Assessment report to "Improve performance management arrangements..." and "Improve strategic planning.."	
<b>Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens</b>	Undertake actions identified in the Council's action plan to address the Wales Audit Office proposals for improvement from the Corporate Assessment report to "Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources"  Review the governance arrangements in place around all key partnerships the Council is involved with.	
<b>Principle 3: Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;</b>	The Internal Audit team will work with the Procurement Team to continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules	
<b>Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation</b>	Undertake actions identified in the Council's action plan to address the Wales Audit Office proposals for improvement from the Corporate Assessment report to "Strengthen the governance and challenge arrangements.."	

Governance Principle		Progress
<p><b>Principle 5: Developing the capacity and capability of members and officers to be effective</b></p>	<p>Undertake actions identified in the Council's action plan to address the Wales Audit Office proposals for improvement from the Corporate Assessment report to "Ensure that the planned revisions and changes made to 'Check In Check Out' deliver a clear process of assessing and improving the performance of all staff and that department, team and individual objective setting is in line with the Council's corporate objectives."</p>	

**3.9 Monitoring & Evaluation**

3.9.1 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.

\_\_\_\_\_  
**Paul Matthews, Chief Executive**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Cllr Peter Fox, Leader of the Council**

\_\_\_\_\_  
**Date**

## **4 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONMOUTHSHIRE COUNTY COUNCIL**

I have audited the accounting statements and related notes of Monmouthshire County Council for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

Monmouthshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

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 2014/15 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of Head of Finance (Responsible Financial Officer) and the Independent Auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 6, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Monmouthshire County Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### **Opinion on the accounting statements of Monmouthshire County Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

### **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 accounting 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;
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.



#### **4 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONMOUTHSHIRE COUNTY COUNCIL (CONTINUED)**

##### **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 Code of Audit Practice issued by the Auditor General for Wales.

The maintenance and integrity of the Monmouthshire County Council's website is the responsibility of the Accounting Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

**Signature** \_\_\_\_\_

**Date** \_\_\_\_\_

**For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ**

**SECTION 5**

**Movement in Reserves Statement  
for the Year Ended  
31st March 2016**

**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total usable Reserves	Unusable Reserves	Total Authority Reserves	Total JANES Reserves	Total Reserves
Note	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2014</b>	<b>8,068</b>	<b>13,249</b>	<b>8,023</b>	<b>29,340</b>	<b>51,550</b>	<b>80,890</b>	<b>571</b>	<b>81,460</b>
<b><i>Movement in reserves during 2014/15:</i></b>								
Surplus/(deficit) on the provision of services	558	-	-	558	-	558	(183)	375
Other Comprehensive Income and Expenditure	-	-	-	0	(41,733)	(41,733)	80	(41,653)
<b>Total Comprehensive Income and Expenditure</b>	<b>558</b>	<b>0</b>	<b>0</b>	<b>558</b>	<b>(41,733)</b>	<b>(41,175)</b>	<b>(103)</b>	<b>(41,278)</b>
Adjustments between accounting basis & funding basis under regulations	10.2 (2,763)	-	9,606	6,843	(6,843)	(0)	0	(0)
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(2,205)</b>	<b>0</b>	<b>9,606</b>	<b>7,401</b>	<b>(48,575)</b>	<b>(41,175)</b>	<b>(103)</b>	<b>(41,278)</b>
Transfers to/(from) Earmarked Reserves	10.4 2,268	(2,268)	-	0	-	(0)	0	(0)
<b>Increase/(Decrease) in 2014/15</b>	<b>63</b>	<b>(2,268)</b>	<b>9,606</b>	<b>7,401</b>	<b>(48,575)</b>	<b>(41,175)</b>	<b>(103)</b>	<b>(41,278)</b>
<b>Balance at 31st March 2015 carried forward</b>	<b>8,132</b>	<b>10,980</b>	<b>17,629</b>	<b>36,741</b>	<b>2,974</b>	<b>39,715</b>	<b>468</b>	<b>40,182</b>
<b><i>Movement in reserves during 2015/16:</i></b>								
Surplus/(deficit) on the provision of services	(6,432)	-	-	(6,432)	-	(6,432)	(72)	(6,503)
Other Comprehensive Income and Expenditure	-	-	-	0	1,606	1,606	186	1,792
<b>Total Comprehensive Income and Expenditure</b>	<b>(6,432)</b>	<b>0</b>	<b>0</b>	<b>(6,432)</b>	<b>1,606</b>	<b>(4,825)</b>	<b>114</b>	<b>(4,711)</b>
Adjustments between accounting basis & funding basis under regulations	10.2 4,856	-	(12,206)	(7,350)	7,350	(0)	0	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(1,576)</b>	<b>0</b>	<b>(12,206)</b>	<b>(13,782)</b>	<b>8,956</b>	<b>(4,825)</b>	<b>114</b>	<b>(4,711)</b>
Transfers to/(from) Earmarked Reserves	10.4 1,712	(1,712)	-	0	-	0	0	0
<b>Increase/(Decrease) in 2015/16</b>	<b>136</b>	<b>(1,712)</b>	<b>(12,206)</b>	<b>(13,782)</b>	<b>8,956</b>	<b>(4,825)</b>	<b>114</b>	<b>(4,711)</b>
<b>Balance at 31st March 2016 carried forward</b>	<b>8,267</b>	<b>9,268</b>	<b>5,423</b>	<b>22,959</b>	<b>11,930</b>	<b>34,889</b>	<b>582</b>	<b>35,472</b>

**SECTION 6**

**Comprehensive Income  
and Expenditure Statement  
for the year ended  
31st March 2016**

**COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

	Note	31 March 2016			31 March 2015		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Education and children's services		85,330	(17,355)	67,975	93,992	(19,001)	74,991
Adult social care		38,509	(7,107)	31,402	38,161	(6,835)	31,326
Highways and transport services		20,673	(8,807)	11,865	23,637	(10,385)	13,252
Environment and Regulatory Services		10,838	(3,181)	7,657	11,920	(3,345)	8,575
Cultural and Related Services		13,269	(5,289)	7,980	15,476	(4,900)	10,575
Planning Services		3,151	(1,189)	1,961	4,305	(2,457)	1,848
Central services to the public		13,067	(4,500)	8,567	14,848	(6,624)	8,224
Housing services		27,819	(25,866)	1,953	27,403	(25,482)	1,921
Corporate and democratic core		3,646	(503)	3,143	924	(791)	133
Non distributed costs - other		360	0	360	1,001	0	1,001
<b>Net Cost of Services</b>	11.1	<b>216,661</b>	<b>(73,798)</b>	<b>142,864</b>	<b>231,667</b>	<b>(79,820)</b>	<b>151,847</b>
<b>Other operating expenditure:</b>							
<i>Precepts &amp; Levies:</i>							
Gwent Police Authority		9,430	0	9,430	8,995	0	8,995
South Wales Fire & Rescue Authority		4,188	0	4,188	4,271	0	4,271
Community and Town Councils		1,870	0	1,870	1,669	0	1,669
National Parks		112	0	112	115	0	115
Internal Drainage Boards		100	0	100	117	0	117
Gains/losses on the disposal of non-current assets		1,476	(1,215)	262	10,100	(10,093)	7
		17,176	(1,215)	15,962	25,268	(10,093)	15,175
<b>Financing and investment income and expenditure</b>	11.2	24,933	(15,682)	9,250	21,725	(31,495)	(9,770)
<b>Taxation &amp; non-specific grant income:</b>							
Council Tax	11.4	0	(61,004)	(61,004)	421	(57,579)	(57,158)
Non-domestic rates redistribution	11.5	0	(26,737)	(26,737)	0	(28,984)	(28,984)
General government grants	11.6	0	(73,832)	(73,831)	0	(71,485)	(71,485)
				(161,572)			(157,627)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>6,503</b>			<b>(376)</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(16,255)			597
(Gains)/losses on remeasurement of pension assets / liabilities	14.2/16.7			14,656			41,196
Adjustments relating to JANEs	16.7			(193)			(141)
<b>Other Comprehensive Income and Expenditure</b>				<b>(1,792)</b>			<b>41,653</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>4,711</b>			<b>41,278</b>

**SECTION 7**

**Balance Sheet**  
**as at 31st March 2016**

**BALANCE SHEET AS AT 31 MARCH 2016**

<b>31 March 2015</b>		<b>Note</b>	<b>31 March 2016</b>
<b>£000s</b>			<b>£000s</b>
	<b>Property, Plant &amp; Equipment</b>		
156,291	Other land and buildings	12.1	171,546
436	Other land and buildings - JANEs	16.7	417
4,080	Vehicles, plant, furniture and equipment	12.1	3,608
61,613	Infrastructure	12.1	60,648
3,887	Community assets	12.1	3,944
1,141	Assets under construction	12.1	10,079
4	Surplus assets not held for sale	12.1	0
227,452			250,243
4,647	Heritage Assets	12.13	4,795
42,716	Investment Property	12.8	41,099
670	Intangible Assets		754
40	Long-Term Investments	13.1	40
383	Long Term Debtors		312
275,907	<b>Long term assets</b>		297,242
4,016	Short Term Investments	13.1	3,999
424	Inventories		413
16,392	Short Term Debtors	13.5	19,588
20,406	Cash and Cash Equivalents	15.3	7,972
22,095	Assets Held for Sale	12.9	20,683
63,333	<b>Current Assets</b>		52,655
0	Cash and Cash Equivalents	15.3	(1,025)
(33,552)	Short Term Borrowing	13.1	(29,852)
(20,995)	Short Term Creditors	13.6	(22,286)
(3,275)	Provisions	13.7	(2,124)
(57,821)	<b>Current Liabilities</b>		(55,288)
(167,414)	Liability related to defined benefit pension scheme	14.4	(188,225)
(179)	Provisions	13.7	(132)
(67,761)	Long Term Borrowing	13.1	(65,708)
(137)	Long term Creditors	16.7	(137)
(1,294)	Other Long Term Liabilities	13.1/16.7	(1,285)
(2,440)	Capital Grants Receipts in Advance	11.7(b)	(1,830)
(2,013)	Revenue Grants Receipts in Advance		(1,819)
(241,238)	<b>Long Term Liabilities</b>		(259,137)
<b>40,182</b>	<b>Net Assets</b>		<b>35,472</b>
8,131	Council Fund Balance	10.3	8,267
10,980	Earmarked Reserves	10.4	9,269
398	Earmarked Reserves - JANEs	16.7	455
17,629	Capital Receipts Reserve	10.6	5,423
37,138	<b>Usable Reserves</b>		23,416
33,753	Revaluation Reserve	10.7	47,671
(167,414)	Pensions Reserve	10.9	(188,225)
140,531	Capital Adjustment Account	10.8	155,410
2	Deferred Capital Receipts Reserve		0
(1,015)	Financial Instrument Adjustment Account		(934)
(2,884)	Accumulating Absence Adjustment Account	10.10	(1,992)
70	Unusable Reserves - JANEs	16.7	128
3,043	<b>Unusable Reserves</b>		12,057
<b>40,182</b>	<b>Total Reserves</b>		<b>35,472</b>

**SECTION 8**

**Cash Flow Statement  
for the Year Ended  
31st March 2016**



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

	Note	31 March 2016 £000	31 March 2016 £000	31 March 2015 £000	31 March 2015 £000
Net (surplus) or deficit on the provision of services	15.1	6,503		(375)	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	15.1	(13,497)		(25,167)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15.1	75		14,991	
Adjustments relating to JANEs	15.1	(155)		143	
<b>Net cash flows from Operating Activities</b>	15.1		<b>(7,074)</b>		<b>(10,408)</b>
<b>Investing Activities</b>					
<i>Cash outflows</i>					
Purchase of property, plant and equipment, investment property and intangible assets		15,137		10,782	
Purchase of short-term and long-term investments		16,000		16,999	
Other payments for investing activities		2,132		2,042	
		<b>33,268</b>		<b>29,823</b>	
<i>Cash Inflows</i>					
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(1,809)		(11,478)	
Proceeds from short-term and long-term investments		(16,073)		(19,550)	
Other receipts from investing activities		(509)		(5,560)	
		<b>(18,392)</b>		<b>(36,587)</b>	
<b>Net Cash (Inflow)/Outflow from Investing Activities</b>			<b>14,877</b>		<b>(6,765)</b>
<b>Financing Activities</b>					
<i>Cash Outflows</i>					
Repayments of short- and long-term borrowing		40,842		37,559	
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		30		132	
		<b>40,871</b>		<b>37,691</b>	
<i>Cash Inflows</i>					
Cash receipts of short- and long-term borrowing		(35,054)		(40,250)	
Other receipts from financing activities		(161)		146	
		<b>(35,215)</b>		<b>(40,104)</b>	
<b>Net Cash (Inflow)/Outflow from Financing Activities</b>			<b>5,656</b>		<b>(2,413)</b>
<b>Net (increase) / decrease in cash and cash equivalents</b>			<b>13,459</b>		<b>(19,585)</b>
Cash and cash equivalents at the beginning of the reporting period			<b>20,406</b>		820
<b>Cash and cash equivalents at the end of the reporting period</b>	15.3		<b>6,947</b>		<b>20,406</b>

**Notes to the Accounts  
for the Year Ended  
31st March 2016**

## **9 STATEMENT OF ACCOUNTING POLICIES**

### **9.1 General Principles**

9.1.1 The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. 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 2015/16* and the *Service Reporting Code of Practice 2015/16*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

9.1.2 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.

### **9.2 Accounting Standards issued not yet adopted**

9.2.1 The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

9.2.2 IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

9.2.3 Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

9.2.4 The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

### **9.3 Accruals of Income and Expenditure**

9.3.1 Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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 where such balances are considered material.
- 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 respectively as income and expenditure 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.

#### **9.4 Cash and Cash Equivalents**

- 9.4.1 Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 24 hours or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
- 9.4.2 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.

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

- 9.5.1 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.

- 9.5.2 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.

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

- 9.6.1 In applying the accounting policies set out above, 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- 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 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 accrual is calculated by taking a sample of non-school employee records and extrapolating the data over the total non-school employee base. The sample return for 2015/16 was 25% (17% for 2014/15).

**9.7 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

9.7.1 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.

9.7.2 The items in the Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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	<p>The Council has included provisions for known insurance claims as at 31 March 2016. 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.</p>	<p>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 2016 are deemed to provide sufficient cover for the Authority's claims exposure. Notes 13.7(a) &amp; 13.7(b) provide further information on the types of claims the Authority is exposed to.</p>
Arrears	<p>At 31 March 2016, the Authority had a balance of £8.4m (£7.6m as at 31 March 2015) of debtors relating to council tax arrears, business rate arrears, rent arrears, corporate sundry debtors, social services sundry debtors and housing benefit overpayments. A review of these balances suggested that an impairment of doubtful debts of £3.1m (£3.2m as at 31 March 2015) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, there would be a consequential increase in the impairment of doubtful debts.</p>

## 9.8 Employee Benefits

### ***Benefits Payable During Employment***

9.8.1 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***

9.8.2 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.

9.8.3 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**

9.8.4 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

9.8.5 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.

9.8.6 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**

9.8.7 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.

9.8.8 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.

9.8.9 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.

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

9.8.11 The impact of accounting for IAS19 *Employee Benefits* as analysed in 14.2 has had the following effects on the results of the prior and current periods:

- The overall amount to be met from the Council Fund has remained unchanged as a result of statutory provisions in place, but the cost amounts included in Net Cost of Services are £628,000 (0.44%) lower (£845,000 (0.56%) in 2014/15) after the replacement of employer's contributions by current and past service costs. The surplus on the Provision of Services is £6,162,000 (94.4%) lower (£4,400,000 (90.2%) lower in 2014/15) than it would otherwise have been.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported total reserves of the authority by 84% (reduced by 81% in 2014/15).

#### ***Discretionary Benefits***

9.8.12 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.

### **9.9 Events After the Balance Sheet Date**

9.9.1 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.

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



**9.10 Exceptional Items**

- 9.10.1 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.

**9.11 Financial Instruments**

***Financial Liabilities***

- 9.11.1 Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.
- 9.11.2 For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.
- 9.11.3 However, one stepped loan held by the Authority is carried at a higher amortised cost than the outstanding principal, and interest is charged at a marginally lower effective rate of interest than the interest payable under the terms of the loan contract.
- 9.11.4 Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
- 9.11.5 Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund Balance to be spread over future years. The Authority has a policy of spreading any loss over the term that was remaining on the loan against which the premium was payable and any gain over lesser of the term remaining on the loan against which the discount was receivable or 10 years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

***Financial Assets – Loans and Receivables***

- 9.11.6 Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.
- 9.11.7 The Authority has made one loan at less than market rates (soft loans) for policy reasons. Due to the immaterial nature of the loan, it is recorded in the balance sheet at the value of the principal outstanding.

9.11.8 Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Where the impact is deemed to be material, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

9.11.9 Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **9.12 Government Grants and Contributions**

9.12.1 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.

9.12.2 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.

9.12.3 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.

9.12.4 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.

## **9.13 Heritage Assets**

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

9.13.2 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.

9.13.3 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.

9.13.4 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.

9.13.5 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.

9.13.6 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.

#### **9.14 Intangible Assets**

- 9.14.1 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.
- 9.14.2 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).
- 9.14.3 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.
- 9.14.4 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.
- 9.14.5 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.

#### **9.15 Interests in Companies and Other Entities**

- 9.15.1 The Code requires authorities to enhance their statement of accounts with information about any material interest in subsidiaries, associates and jointly controlled entities in a set of group accounts.
- 9.15.2 These accounting requirements result in the consolidation of the transactions and balances of subsidiaries and of interests in associates and joint ventures, thus ensuring group accounts provide a complete picture of the authority's control over other entities.
- 9.15.3 The authority does not hold any material interests in subsidiaries, associated or jointly controlled entities. In the Authority's own single-entity accounts, it is the Authority's policy to disclose as a note to the balance sheet details of the name, business, shareholding, net assets and results of operations and other financial transactions of any related companies.

**9.16 Inventories and Long Term Contracts**

- 9.16.1 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.
- 9.16.2 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.

**9.17 Investment Property**

- 9.17.1 Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
- 9.17.2 Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.
- 9.17.3 Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council 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.

**9.18 Fair value measurement**

- 9.18.1 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.
- 9.18.2 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.
- 9.18.3 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.
- 9.18.4 The use of relevant observable inputs is maximised and the use of unobservable inputs is minimised.

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

### **9.19 Joint Arrangements**

9.19.1 Joint operations are activities undertaken by the Council in conjunction with other parties that involve the use of the assets and resources of the parties rather than the establishment of a separate entity. Joint Committees are an example of jointly controlled operations that are relevant to the Council. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

9.19.1 Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

### **9.20 Leases**

9.20.1 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.

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

9.20.3 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***

9.20.4 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.

9.20.5 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.

9.20.6 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).

9.20.7 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***

9.20.8 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***

9.20.9 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.

9.20.10 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).

9.20.11 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.

9.20.12 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***

9.20.13 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.

## **9.21 Overheads and Support Services**

9.21.1 The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority’s status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

9.21.2 These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## **9.22 Property, Plant and Equipment**

9.22.1 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.

### ***Recognition***

9.22.2 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.

9.22.3 A further condition for expenditure to be capitalised is that it exceeds the relevant de minimus limit in place. Different de-minimus limits are in place for different categories of asset. These are:

- Land and Buildings - no de minimus limit
- Vehicles - no de minimus limit
- IT Equipment - £10,000
- Plant and Machinery - £10,000

### ***Measurement***

9.22.4 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.

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

9.22.6 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.

9.22.7 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.

- 9.22.8 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.
- 9.22.9 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.
- 9.22.10 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.
- 9.22.11 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.
- 9.22.12 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***

- 9.22.13 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.
- 9.22.14 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.
- 9.22.15 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**

9.22.16 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).

9.22.17 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.

9.22.18 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**

9.22.19 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.

9.22.20 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.

9.22.21 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**

9.22.22 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.

- 9.22.23 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.
- 9.22.24 Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.
- 9.22.25 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.
- 9.22.26 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.
- 9.22.27 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.
- 9.23 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**
- 9.23.1 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.
- 9.23.2 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.
- 9.23.3 Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.
- 9.24 Private Finance Initiative (PFI) and Similar Contracts**
- 9.24.1 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.
- 9.24.2 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.
- 9.24.3 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.

- 9.24.4 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.

## **9.25 Provisions, Contingent Liabilities and Contingent Assets**

### ***Provisions***

- 9.25.1 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.
- 9.25.2 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.
- 9.25.3 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.
- 9.25.4 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***

- 9.25.5 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.
- 9.25.6 Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### ***Contingent Assets***

- 9.25.7 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.
- 9.25.8 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.

**9.26 Reserves**

- 9.26.1 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.
- 9.26.2 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.

**9.27 Revenue Expenditure Funded from Capital under Statute**

- 9.27.1 Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

**9.28 VAT**

- 9.28.1 VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

## 10 MOVEMENT IN RESERVES STATEMENT NOTES

### 10.1 Movement on 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 1 April 2014	Movement in Reserve £000	Balance at 31 March 2015	Movement in Reserve £000	Balance at 31 March 2016
<b>Usable Reserves:</b>						
Council Fund balance: Authority	10.3	7,080	(88)	6,991	120	7,111
Council Fund balance: LMS School Balances	10.5	988	152	1,140	16	1,156
Earmarked reserves	10.4	13,249	(2,268)	10,980	(1,711)	9,269
Capital Receipts Reserve	10.6	8,023	9,606	17,629	(12,205)	5,423
<b>Total Usable Reserves</b>		<b>29,340</b>	<b>7,401</b>	<b>36,741</b>	<b>(13,780)</b>	<b>22,960</b>
<b>Unusable Reserves:</b>						
Revaluation Reserve	10.7	45,441	(11,688)	33,753	13,918	47,671
Capital Adjustment Account	10.8	131,770	8,762	140,531	14,878	155,410
Financial Instruments Adjustment Account		(1,095)	80	(1,015)	81	(934)
Pension Reserve	10.9	(121,878)	(45,536)	(167,414)	(20,811)	(188,225)
Deferred Capital Receipts Reserve		7	(5)	2	(2)	0
Accumulated Absences Adjustment Account	10.10	(2,695)	(189)	(2,884)	892	(1,992)
<b>Total Unusable Reserves</b>		<b>51,549</b>	<b>(48,576)</b>	<b>2,973</b>	<b>8,956</b>	<b>11,929</b>
<b>Total Authority Reserves</b>		<b>80,889</b>	<b>(41,175)</b>	<b>39,714</b>	<b>(4,824)</b>	<b>34,889</b>

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

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

Movements in 2015/16:	Council Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b><u>Adjustments primarily involving the Capital Adjustment Account:</u></b>					
<b><i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>					
Charges for depreciation and impairment of Property, Plant and Equipment assets	5,752	0	<b>5,752</b>	(5,752)	<b>0</b>
Charges for impairment of Heritage Assets	5	0	<b>5</b>	(5)	<b>0</b>
Revaluation movements on Property Plant and Equipment (charged to SDPS)	2,516	0	<b>2,516</b>	(2,516)	<b>0</b>
Revaluation movements on Assets Held for Sale (charged to SDPS)	245	0	<b>245</b>	(245)	<b>0</b>
Movements in the market value of Investment Properties	1,515	0	<b>1,515</b>	(1,515)	<b>0</b>
Amortisation and impairment of intangible assets	111	0	<b>111</b>	(111)	<b>0</b>
Capital grants and contributions applied	(6,190)	0	<b>(6,190)</b>	6,190	<b>0</b>
Revenue expenditure funded from capital under statute	2,132	0	<b>2,132</b>	(2,132)	<b>0</b>
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,793	0	<b>1,793</b>	(1,793)	<b>0</b>
<b><i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>					
Statutory provision for the financing of capital investment (MRP)	(5,486)	0	<b>(5,486)</b>	5,486	<b>0</b>
Capital expenditure charged against the Council Fund	(920)	0	<b>(920)</b>	920	<b>0</b>
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(1,808)	1,808	<b>(0)</b>	0	<b>0</b>
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(7,765)	<b>(7,765)</b>	7,765	<b>0</b>
Set aside of capital receipts	0	(6,250)	<b>(6,250)</b>	6,250	<b>0</b>
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	2	<b>2</b>	(2)	<b>0</b>
<b><u>Adjustments involving the Financial Instruments Adjustment Account:</u></b>					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(80)	0	<b>(80)</b>	80	<b>0</b>

<b>Movements in 2015/16 (continued):</b>	<b>Council Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Authority Reserves £000</b>
<b><u>Adjustments involving the Pensions Reserve:</u></b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	16,633	0	<b>16,633</b>	(16,633)	<b>0</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,471)	0	<b>(10,471)</b>	10,471	<b>0</b>
<b><u>Adjustment involving the Accumulated Absences Account:</u></b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(892)	0	<b>(892)</b>	892	<b>0</b>
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>4,855</b>	<b>(12,206)</b>	<b>(7,351)</b>	<b>7,351</b>	<b>0</b>

<b>Movements in 2014/15:</b>	<b>Council Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Authority Reserves £000</b>
<b><u>Adjustments primarily involving the Capital Adjustment Account:</u></b>					
<b><i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>					
Charges for depreciation and impairment of Property, Plant and Equipment assets	12,548	0	<b>12,548</b>	(12,548)	<b>0</b>
Charges for impairment of Heritage Assets	82	0	<b>82</b>	(82)	<b>0</b>
Revaluation movements on Property Plant and Equipment (charged to SDPS)	6,031	0	<b>6,031</b>	(6,030)	<b>0</b>
Revaluation movements on Assets Held for Sale (charged to SDPS)	(2,290)	0	<b>(2,290)</b>	2,290	<b>0</b>
Movements in the market value of Investment Properties	(17,497)	0	<b>(17,497)</b>	17,497	<b>0</b>
Revaluation movements on Heritage Assets	20		<b>20</b>	(20)	<b>0</b>
Amortisation and impairment of intangible assets	61	0	<b>61</b>	(61)	<b>0</b>
Capital grants and contributions applied	(1,944)	0	<b>(1,944)</b>	1,944	<b>0</b>
Revenue expenditure funded from capital under statute	2,042	0	<b>2,042</b>	(2,042)	<b>0</b>
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	11,014	0	<b>11,014</b>	(11,014)	<b>0</b>
<b><i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>					
Statutory provision for the financing of capital investment (MRP)	(5,496)	0	<b>(5,496)</b>	5,496	<b>0</b>
Capital expenditure charged against the Council Fund	(370)	0	<b>(370)</b>	370	<b>0</b>

<b>Movements in 2014/15 (continued):</b>	<b>Council Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Authority Reserves £000</b>
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(11,472)	11,472	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,871)	(1,871)	1,871	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	5	5	(5)	0
<b><u>Adjustments involving the Financial Instruments</u></b>					
<b><u>Adjustment Account:</u></b>					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(79)	0	(79)	79	0
<b><u>Adjustments involving the Pensions Reserve:</u></b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	14,905	0	14,905	(14,905)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,505)	0	(10,505)	10,505	0
<b><u>Adjustment involving the Accumulated Absences</u></b>					
<b><u>Account:</u></b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	188	0	188	(188)	0
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(2,763)</b>	<b>9,606</b>	<b>6,843</b>	<b>(6,843)</b>	<b>0</b>

### 10.3 Usable Reserves available for Revenue Purposes

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

	<b>At 1 April 2014 £000</b>	<b>In Year Movement £000</b>	<b>At 31 March 2015 £000</b>	<b>In Year Movement £000</b>	<b>At 31 March 2016 £000</b>
Amount of Council Fund Balance held by Schools under Local Management Schemes	988	152	1,140	16	1,156
Amount of Council Fund Balance generally available for new expenditure	7,080	(88)	6,991	120	7,111
<b>Total Council Fund Balance</b>	<b>8,068</b>	<b>64</b>	<b>8,132</b>	<b>136</b>	<b>8,267</b>
Earmarked Revenue Reserves	13,249	(2,268)	10,980	(1,711)	9,269
<b>Total Usable Reserves available for Revenue Purposes</b>	<b>21,317</b>	<b>(2,205)</b>	<b>19,112</b>	<b>(1,575)</b>	<b>17,537</b>

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 £1,156,000 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.



## 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.

- **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.

- **I Learn Wales reserve**

Created for future (i) learning education projects in schools.

- **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.

The transfers to and from Earmarked Reserves in 2015/16 can be summarised as follows:

Description	At 1 April 2014	Transfer to Reserves	Transfer from Reserves	31 March 2015	Transfer to Reserves	Transfer from Reserves	31 March 2016
	£000	£000	£000	£000	£000	£000	£000
Invest to Redesign	2,208	85	(809)	<b>1,483</b>	399	(585)	<b>1,298</b>
Priority Investment	2,469	0	(496)	<b>1,973</b>	63	(916)	<b>1,120</b>
Insurance and risk management	1,968	282	0	<b>2,250</b>	30	(1,044)	<b>1,236</b>
IT Transformation	947	0	(307)	<b>640</b>	359	(172)	<b>827</b>
Single Status and Equal Pay	1,052	0	(1,052)	<b>0</b>	0	0	<b>0</b>
Treasury equalisation	1,125	204	(338)	<b>990</b>	0	0	<b>990</b>
Capital Investment	1,636	0	(16)	<b>1,621</b>	16	(372)	<b>1,265</b>
Redundancy and Pensions	744	500	(644)	<b>600</b>	1,000	(325)	<b>1,275</b>
Capital Receipt Generation	244	357	(141)	<b>460</b>	0	(138)	<b>322</b>
I Learn Wales	0	49	0	<b>49</b>	0	(49)	<b>0</b>
<i>Other reserves</i>							
Elections	58	25	0	<b>83</b>	25	0	<b>108</b>
Museums acquisition	60	0	0	<b>60</b>	0	(3)	<b>57</b>
Chairman's	37	0	0	<b>37</b>	0	(37)	<b>0</b>
<i>Service Reserves:</i>							
Grass Routes to Schools	187	0	(26)	<b>161</b>	5	(26)	<b>140</b>
Schools sickness & maternity cover	0	0	0	<b>0</b>	104	0	<b>104</b>
Education Achievement Service	69	0	(69)	<b>0</b>	0	0	<b>0</b>
<i>Trading Accounts:</i>							
Youth Offending Team	382	0	0	<b>382</b>	0	(57)	<b>325</b>
Outdoor education centres	157	33	0	<b>190</b>	0	0	<b>190</b>
School library service	(91)	195	(104)	<b>0</b>	0	0	<b>0</b>
Building Control	(4)	5	0	<b>0</b>	12	0	<b>12</b>
	<b>13,249</b>	<b>1,734</b>	<b>(4,002)</b>	<b>10,980</b>	<b>2,012</b>	<b>(3,724)</b>	<b>9,269</b>

**10.5 School Balances**

The balance on the Council Fund includes £1,156,163 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:

School Name	At 1 April	In Year	At 31	In Year	At 31
	2014	Movement	March 2015	Movement	March 2016
	£	£	£	£	£
<b>Comprehensives</b>					
Caldicot	60,620	20,748	81,368	127,492	208,860
Chepstow	(214,589)	(174,098)	(388,688)	(25,379)	(414,066)
King Henry VIII	114,519	(71,553)	42,966	64,403	107,368
Monmouth	130,974	(21,124)	109,851	(64,079)	45,772
<b>Sub Total</b>	<b>91,523</b>	<b>(246,027)</b>	<b>(154,504)</b>	<b>102,437</b>	<b>(52,067)</b>
<b>Primaries</b>					
Archbishop R Williams	21,992	15,856	37,847	46,641	84,489
Cantref	68,138	(13,735)	54,403	(12,416)	41,987
Castle Park	(97,999)	58,270	(39,729)	18,282	(21,446)
Chepstow Alliance	0	28,092	28,092	(28,092)	0
Cross Ash	47,989	17,901	65,890	(14,621)	51,269
Deri View	(79,952)	101,715	21,762	64,292	86,054
Dewstow	106,113	20,482	126,594	(13,997)	112,598
Durand	44,725	9,036	53,761	6,759	60,520
Gilwern	41,057	(2,144)	38,913	2,385	41,298
Goytre Fawr	4,708	24,124	28,832	25,088	53,920
Kymin View	34,355	10,279	44,634	(25,860)	18,774
Llandogo	(5,780)	(6,567)	(12,346)	900	(11,446)
Llanfair Kilgeddin CV	22,612	(10,690)	11,922	54,902	66,824
Llanfoist	32,934	41,333	74,267	19,523	93,789
Llantilio Pertholey	65,340	(18,115)	47,225	(10,049)	37,176
Llanvihangel Crucorney	(40,656)	25,617	(15,040)	(8,565)	(23,605)
Magor Vol Aided	31,136	5,325	36,462	19,546	56,008
New Pembroke Primary	79,671	(46,122)	33,549	2,652	36,201
Osbaston Church in Wales	48,713	7,284	55,997	(18,653)	37,344
Our Lady's & St Michael's Catholic Primary	23,663	17,151	40,813	(10,159)	30,654
Overmonnow	33,729	(33,403)	326	(19,427)	(19,101)
Raglan	41,259	21,487	62,747	(44,378)	18,369
Rogiet	83,152	(13,274)	69,879	(10,265)	59,613
Shirenewton	81,568	(3,289)	78,279	3,281	81,560
St Mary's (Chepstow)	813	17,695	18,509	6,877	25,385
The Dell	50,107	33,103	83,210	(32,944)	50,266
Thornwell	16,135	32,862	48,997	(46,745)	2,253
Trellech	33,606	39,283	72,889	13,392	86,281
Undy	10,116	31,563	41,679	(25,038)	16,641
Usk CV	28,686	(4,871)	23,815	47,480	71,295
Ysgol Gymraeg Y Fenni	32,161	34,042	66,203	(7,462)	58,741
Ysgol Gymraeg Ffin	(17,915)	36,066	18,152	(4,984)	13,168
<b>Sub Total</b>	<b>842,176</b>	<b>476,355</b>	<b>1,318,530</b>	<b>(1,655)</b>	<b>1,316,875</b>
<b>Special</b>					
Mounton House	18,465	(44,418)	(25,954)	(128,901)	(154,855)
Pupil Referral Unit	35,992	(34,033)	1,959	44,250	46,209
<b>Sub Total</b>	<b>54,457</b>	<b>(78,452)</b>	<b>(23,995)</b>	<b>(84,651)</b>	<b>(108,645)</b>
<b>TOTAL</b>	<b>988,156</b>	<b>151,876</b>	<b>1,140,032</b>	<b>16,130</b>	<b>1,156,163</b>

## 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.

The in-year movements on the reserve are summarised below: -

	2015-16 £000	2014-15 £000
Balance as at 1st April	17,629	8,023
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,808	11,472
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	2	5
Less: use of the Capital Receipts Reserve to finance new capital expenditure	(7,765)	(1,871)
Set aside of capital receipts	(6,250)	0
Balance as at 31st March	<u>5,423</u>	<u>17,629</u>

## 10.7 Revaluation Reserve

The Revaluation Reserve contains the 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 with accumulated gains are:

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

The Reserve contains only revaluation 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.

	2015-16 £000	2015-16 £000	2014-15 £000	2014-15 £000
Balance at 1 April		33,753		45,441
Upward revaluation of assets	16,620		915	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(365)		(1,512)	
<b>Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<u>16,255</u>		<u>(597)</u>
Difference between fair value depreciation and historical cost depreciation	(1,516)		(1,780)	
Accumulated gains on assets sold or scrapped	(782)		(9,311)	
Write off Investment property balance	(39)		0	
<b>Amount written off to the Capital Adjustment Account</b>		<u>(2,337)</u>		<u>(11,091)</u>
<b>Balance at 31 March</b>		<u>47,671</u>		<u>33,753</u>

## 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.

	2015-16 £000	2015-16 £000	2014-15 £000	2014-15 £000
Balance at 1 April		140,531		131,770
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
• Charges for depreciation and impairment of property, plant and equipment assets	(5,752)		(12,548)	
• Revaluation movements on heritage assets	0		(82)	
• Charges for impairment of heritage assets	(5)		(20)	
• Revaluation movements on Property, Plant and Equipment	(2,516)		(6,031)	
• Revaluation movements on Assets Held for Sale	(245)		2,290	
• Amortisation & impairment of intangible assets	(111)		(61)	
• Revenue expenditure funded from capital under statute	(2,132)		(2,042)	
• 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	(1,011)		(1,703)	
• Adjusting amounts written out of the Revaluation Reserve	1,555		1,780	
		<u>(10,218)</u>		<u>(18,417)</u>
Capital financing applied in the year:				
• Use of the Capital Receipts Reserve to finance new capital expenditure	7,765		1,871	
• Set aside of Capital receipts	6,250		0	
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	6,190		1,944	
• Statutory provision for the financing of capital investment charged against the Council Fund	5,486		5,496	
• Capital expenditure charged against the Council Fund	920		370	
		<u>26,611</u>		<u>9,681</u>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(1,515)		17,497
<b>Balance at 31 March</b>		<u><b>155,410</b></u>		<u><b>140,531</b></u>

## 10.9 Pensions Reserve

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

	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
Balance at 1 April	<b>(167,414)</b>	(121,878)
Remeasurement gains or (losses) on pension assets and liabilities	<b>(13,032)</b>	(41,136)
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	<b>(16,633)</b>	(14,905)
Effect of business combinations and disposals	<b>(1,617)</b>	0
Employer's pensions contributions and direct payments to pensioners payable in the year	<b>10,471</b>	10,505
<b>Balance at 31 March</b>	<b><u>(188,225)</u></b>	<u>(167,414)</u>

## 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.

	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
Balance at 1 April	<b>(2,884)</b>	(2,695)
Settlement or cancellation of accrual made at the end of the preceding year	<b>2,884</b>	2,695
Amounts accrued at the end of the current year	<b>(1,992)</b>	(2,884)
<b>Balance at 31 March</b>	<b><u>(1,992)</u></b>	<u>(2,884)</u>

**11 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES**
**11.1 Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Support service recharges are not reported as they do not have a net impact on the revenue account. However, such costs are reported in the Comprehensive Income and Expenditure Statement as required by CIPFA's *Service Reporting Code of Practice*.

The income and expenditure of the Authority's directorates, also referred to as Net Cost of Services, is recorded in the budget monitoring reports for the year is as follows:

**a) Service Information**
**For the year ended 31 March 2016**

	Social Care & Health £000	Children & Young People £000	Enterprise £000	Operations £000	Chief Executives Dept £000	Corporate Costs and Levies £000	Schools £000	Total £000
Fees, charges & other service income	(5,125)	(2,786)	(7,628)	(21,564)	(997)	(481)	(53,823)	<b>(92,404)</b>
Government grants and contributions	(5,481)	(9,662)	(1,928)	(3,709)	(24,106)	0	0	<b>(44,885)</b>
<b>Total Income</b>	<b>(10,606)</b>	<b>(12,447)</b>	<b>(9,556)</b>	<b>(25,273)</b>	<b>(25,103)</b>	<b>(481)</b>	<b>(53,823)</b>	<b>(137,289)</b>
Employee expenses	16,772	5,188	12,344	14,271	7,256	1,014	44,509	<b>101,354</b>
Other operating expenses	33,365	58,524	7,160	26,821	24,577	17,487	9,299	<b>177,234</b>
<b>Total operating expenses</b>	<b>50,137</b>	<b>63,712</b>	<b>19,504</b>	<b>41,092</b>	<b>31,834</b>	<b>18,501</b>	<b>53,807</b>	<b>278,588</b>
<b>Net Cost of Services reported to Internal Management</b>	<b>39,532</b>	<b>51,265</b>	<b>9,948</b>	<b>15,819</b>	<b>6,731</b>	<b>18,021</b>	<b>(16)</b>	<b>141,299</b>

**For the year ended 31 March 2015**

	Social Care & Health £000	Children & Young People £000	Enterprise £000	Operations £000	Chief Executives Dept £000	Corporate Costs and Levies £000	Schools £000	Total £000
Fees, charges & other service income	(6,329)	(3,060)	(5,101)	(25,338)	(253)	(544)	(54,193)	<b>(94,818)</b>
Government grants and contributions	(4,116)	(9,652)	(6,176)	(865)	(25,055)	0	0	<b>(45,863)</b>
<b>Total Income</b>	<b>(10,445)</b>	<b>(12,712)</b>	<b>(11,278)</b>	<b>(26,203)</b>	<b>(25,308)</b>	<b>(544)</b>	<b>(54,193)</b>	<b>(140,681)</b>
Employee expenses	16,456	5,807	11,792	15,102	8,073	927	44,998	<b>103,156</b>
Other operating expenses	32,081	59,068	9,776	28,951	24,189	16,984	9,043	<b>180,092</b>
<b>Total operating expenses</b>	<b>48,537</b>	<b>64,875</b>	<b>21,569</b>	<b>44,053</b>	<b>32,262</b>	<b>17,911</b>	<b>54,041</b>	<b>283,248</b>
<b>Net Cost of Services</b>	<b>38,092</b>	<b>52,163</b>	<b>10,291</b>	<b>17,851</b>	<b>6,954</b>	<b>17,367</b>	<b>(152)</b>	<b>142,566</b>

**b) Information Reported to Internal Management in addition to Net Cost of Services**

	2015-16	2014-15
	£000	£000
Net Cost of Services b/f	141,299	142,566
Attributable Costs – Fixed Asset Disposal	138	145
Interest & Investment Income	(165)	(98)
Interest Payable & Similar Charges	3,295	3,547
Charges Required Under Regulation	5,566	5,576
Capital Expenditure Financed from Revenue	272	138
Contributions to Earmarked Reserves	2,012	1,734
Contributions from Earmarked Reserves	(3,075)	(3,771)
General Government Grants	(67,641)	(69,540)
Non-Domestic Rates	(26,737)	(28,984)
Council Tax	(61,004)	(57,158)
Council Tax Benefit Support (included in n.c.s)	5,906	5,784
<b>Total (surplus)/deficit reported to Internal Management</b>	<b>(136)</b>	<b>(63)</b>

**c) Reconciliation of Directorate Income and Expenditure to Net Cost of Services in the Comprehensive Income and Expenditure Statement**

	2015-16	2014-15
	£000	£000
Cost of Services in Service Analysis	147,204	148,351
<i>Add:</i> Amounts not reported to management	10,425	18,251
<i>Less:</i> Amounts reported to management not included in Comprehensive Income and Expenditure Statement	(14,766)	(14,754)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>142,864</b>	<b>151,847</b>

**d) Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

**For the year ended 31 March 2016**

	Service Analysis	Not Reported to Management	Not Included in I&E	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Reconciliation to Subjective Analysis</b>						
Fees, charges & other service income	(92,404)	0	0	(92,404)	0	(92,404)
Income and movement in relation to investment properties	0	0	0	0	0	0
Interest and Investment Income	0	0	0	0	(165)	(165)
Income from council tax	0	0	0	0	(61,004)	(61,004)
Income Non-Domestic Rates Redistribution	0	0	0	0	(26,737)	(26,737)
Internal Recharges	0	(18,390)	0	(18,390)	0	(18,390)
Government grants and contributions	(44,885)	0	0	(44,885)	(73,832)	(118,717)
<b>Total Income</b>	<b>(137,289)</b>	<b>(18,390)</b>	<b>0</b>	<b>(155,679)</b>	<b>(161,738)</b>	<b>(317,416)</b>
Employee expenses	101,354	0	0	101,354	0	101,354
Expenditure in relation to investment properties	0	0	214	214	1,049	1,263
Other service expenses	167,440	(84)	0	167,356	0	167,356
Internal recharges	0	20,521	0	20,521	0	20,521
Depreciation, amortisation and impairment	0	8,630	0	8,630	0	8,630
Interest Payments and Similar Charges	0	0	0	0	3,281	3,281
Precepts & Levies	15,700	0	(15,700)	0	15,700	15,700
(Surplus)/Deficit on Trading Undertakings not within NCS	0	0	720	720	(508)	212
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	262	262
Accumulated absences	0	(892)	0	(892)	0	(892)
Pension costs as required by Code	0	628	0	628	5,534	6,162
<b>Total operating expenses</b>	<b>284,494</b>	<b>28,804</b>	<b>(14,766)</b>	<b>298,531</b>	<b>25,317</b>	<b>323,848</b>
Adjustments relating to JANEs	0	11	0	11	61	72
<b>(Surplus)/deficit on the provision of services</b>	<b>147,204</b>	<b>10,425</b>	<b>(14,766)</b>	<b>142,863</b>	<b>(136,360)</b>	<b>6,503</b>



## For the year ended 31 March 2015

	Service Analysis £000s	Not Reported to Management £000s	Not Included in I&E £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
<b>Reconciliation to Subjective Analysis</b>						
Fees, charges & other service income	(94,818)	0	0	<b>(94,818)</b>	0	<b>(94,818)</b>
Income and movement in relation to investment properties	0	0	281	<b>281</b>	(18,142)	<b>(17,861)</b>
Interest and Investment Income	0	0	0	<b>0</b>	(98)	<b>(98)</b>
Income from council tax	0	0	0	<b>0</b>	(57,158)	<b>(57,158)</b>
Income Non-Domestic Rates Redistribution	0	0	0	<b>0</b>	(28,984)	<b>(28,984)</b>
Internal Recharges	0	(15,781)	0	<b>(15,781)</b>	0	<b>(15,781)</b>
Government grants and contributions	(45,863)	0	0	<b>(45,863)</b>	(71,484)	<b>(117,348)</b>
<b>Total Income</b>	<b>(140,682)</b>	<b>(15,781)</b>	<b>281</b>	<b>(156,181)</b>	<b>(175,868)</b>	<b>(332,049)</b>
Employee expenses	103,156	0	0	<b>103,156</b>	7	<b>103,163</b>
Other service expenses	170,841	94	0	<b>170,935</b>	0	<b>170,935</b>
Internal recharges	0	18,599	0	<b>18,599</b>	0	<b>18,599</b>
Depreciation, amortisation and impairment	0	15,980	0	<b>15,980</b>	0	<b>15,980</b>
Interest Payments and Similar Charges	0	0	0	<b>0</b>	3,541	<b>3,541</b>
Precepts & Levies	15,168	0	(15,168)	<b>0</b>	15,168	<b>15,168</b>
(Surplus)/Deficit on Trading Undertakings not within NCS	(132)	0	132	<b>0</b>	(309)	<b>(309)</b>
Gain or Loss on Disposal of Fixed Assets	0	0	0	<b>0</b>	0	<b>0</b>
Accumulated absences	0	188	0	<b>188</b>	0	<b>188</b>
Pension costs as required by Code	0	(1,012)	0	<b>(1,012)</b>	5,239	<b>4,227</b>
<b>Total operating expenses</b>	<b>289,032</b>	<b>33,850</b>	<b>(15,036)</b>	<b>307,846</b>	<b>23,645</b>	<b>331,492</b>
Adjustments relating to JANEs	0	182	0	<b>182</b>	1	<b>183</b>
<b>(Surplus)/deficit on the provision of services</b>	<b>148,351</b>	<b>18,251</b>	<b>(14,754)</b>	<b>151,847</b>	<b>(152,221)</b>	<b>(375)</b>

**11.2 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.

	Note	31 March 2016			31 March 2015		
		Gross Expend £000	Gross Income £000	Net Expend £000	Gross Expend £000	Gross Income £000	Net Expend £000
Interest payable and similar charges	13.2/16.7	<b>3,429</b>	<b>(9)</b>	<b>3,420</b>	3,553	(13)	3,541
Pensions interest cost and expected return on pensions assets	14.2/16.7	<b>5,455</b>	<b>0</b>	<b>5,455</b>	5,239	0	5,239
Interest receivable and similar income	13.2	<b>0</b>	<b>(151)</b>	<b>(151)</b>	0	(89)	(89)
Income and expenditure in relation to investment properties and changes in their fair value	12.8	<b>4,948</b>	<b>(3,899)</b>	<b>1,049</b>	1,741	(19,884)	(18,142)
(Surpluses)/deficits on trading undertakings not included in the Net Cost of Services	11.3	<b>11,102</b>	<b>(11,610)</b>	<b>(508)</b>	11,192	(11,501)	(309)
Other investment income	13.2	<b>0</b>	<b>(14)</b>	<b>(14)</b>	0	(9)	(9)
<b>Total Financing and Investment Income and Expenditure</b>		<b>24,934</b>	<b>(15,683)</b>	<b>9,251</b>	<b>21,725</b>	<b>(31,495)</b>	<b>(9,770)</b>

### 11.3 Significant Trading Operations

The Authority has established 7 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations.

Details of those units are as follows:

	2015-16			2014-15		
	£000	£000	£000	£000	£000	£000
	Internal	External	Total	Internal	External	Total
Turnover	(2,577)	(1,168)	(3,745)	(2,488)	(1,184)	(3,672)
Expenditure	2,573	1,113	3,686	2,488	1,128	3,616
<b>(Surplus)/Deficit</b>	<b>(4)</b>	<b>(55)</b>	<b>(59)</b>	<b>0</b>	<b>(56)</b>	<b>(56)</b>

The Authority's Grounds Maintenance function was awarded to an in-house unit after a competitive tender process. The trading objective is to make a profit whilst ensuring value for money to all customers. The unit competes successfully in the private sector carrying out work that includes play areas, horticulture and fencing.

	2015-16			2014-15		
	£000	£000	£000	£000	£000	£000
	Internal	External	Total	Internal	External	Total
Turnover	(775)	0	(775)	(624)	(25)	(649)
Expenditure	774	0	774	664	24	688
<b>(Surplus)/Deficit</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>40</b>	<b>(1)</b>	<b>39</b>

The Building Cleaning function was awarded in-house work after a competitive tender process. The unit provides cleaning services to council offices, schools and public toilets. The trading objective is to recover costs whilst ensuring value for money.

	2015-16			2014-15		
	£000	£000	£000	£000	£000	£000
	Internal	External	Total	Internal	External	Total
<b>Turnover</b>	<b>0</b>	<b>(342)</b>	<b>(342)</b>	<b>0</b>	<b>(336)</b>	<b>(336)</b>
- Chargeable	0	(342)	(342)	0	(335)	(335)
- Non-Chargeable	0	0	0	0	(1)	(1)
<b>Expenditure</b>	<b>0</b>	<b>489</b>	<b>489</b>	<b>0</b>	<b>500</b>	<b>500</b>
- Chargeable	0	330	330	0	330	330
- Non-Chargeable	0	159	159	0	170	170
<b>(Surplus)/Deficit</b>	<b>0</b>	<b>147</b>	<b>147</b>	<b>0</b>	<b>164</b>	<b>164</b>
- Chargeable	0	(12)	(12)	0	(5)	(5)
- Non-Chargeable	0	159	159	0	169	169

Building Control enforces the Building (Local Authority Charges) Regulations 2010 to ensure building construction is carried out in a safe manner alongside the control of dangerous structures and demolitions. The Regulations state that a "break even" position should be maintained on the chargeable trading element and an earmarked reserve for surpluses and losses be set up and reviewed over a suggested three year rolling basis.

The service has returned a chargeable surplus of £12,000 (£5,000 surplus in 2014/15). The main reason for this was an in year staff vacancy that produced savings. The building control trading account reserve has a £16,000 surplus as at 31st March 2016. In line with the regulations the section will review future pricing policy in order to ensure that reserves remain at an acceptable level.

	2015-16			2014-15		
	£000	£000	£000	£000	£000	£000
	Internal	External	Total	Internal	External	Total
Turnover	0	(327)	(327)	0	(366)	(366)
Expenditure	0	396	396	0	558	558
<b>(Surplus)/Deficit</b>	<b>0</b>	<b>69</b>	<b>69</b>	<b>0</b>	<b>192</b>	<b>192</b>

The authority operates 3 retail markets in Monmouth, Caldicot and Abergavenny. The Markets run twice per week at each site and has the aim of providing traders with the environment to allow them to operate to their full potential benefiting not only themselves but their customers. The Authority views it's markets as an integral part of the life and economic regeneration of Monmouthshire towns. The financial outturn includes one off redundancy costs of £25k as a result of a departmental restructure.

	2015-16			2014-15		
	£000	£000	£000	£000	£000	£000
	Internal	External	Total	Internal	External	Total
Turnover	0	(63)	(63)	0	(55)	(55)
Expenditure	0	69	69	0	5	5
Movement in asset value	0	0	0	0	68	68
<b>(Surplus)/Deficit</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>18</b>	<b>18</b>

The Council manages 44 industrial units, situated predominantly in the south of the County. The units are let at market rents on flexible terms, any net surpluses are used to support service delivery.

**Highways External Clients**

	2015-16			2014-15		
	£000 Internal	£000 External	£000 Total	£000 Internal	£000 External	£000 Total
Turnover	0	(5,894)	(5,894)	0	(6,074)	(6,074)
Expenditure	0	5,370	5,370	0	5,517	5,517
<b>(Surplus)/Deficit</b>	<b>0</b>	<b>(524)</b>	<b>(524)</b>	<b>0</b>	<b>(557)</b>	<b>(557)</b>

The authority provides a range of Highways Maintenance services to external clients including adjacent LA's, Gwent Police and agents of WG. The works were awarded via a combination of competitive tender, negotiated rates and agreed resource schedule rates. The unit provides services ranging from safety fence repairs to winter Maintenance on all trunk roads and motorways in the Cardiff and Greater Gwent region. The trading objective is to recover costs, reduce MCC overheads and ensure value for money. The level of surplus is dependent upon spend patterns in WG and LA's within the South East Wales region. Higher than budgeted spend patterns in the Greater Gwent region, skews surpluses significantly as overheads are fully recovered at budgeted levels.

**Trade Refuse**

	2015-16			2014-15		
	£000 Internal	£000 External	£000 Total	£000 Internal	£000 External	£000 Total
Turnover		(469)	(469)	0	(427)	(427)
Expenditure		318	318	0	359	359
<b>(Surplus)/Deficit</b>	<b>0</b>	<b>(151)</b>	<b>(151)</b>	<b>0</b>	<b>(68)</b>	<b>(68)</b>

The Authority offers a residual waste collection to local businesses. Financial performance has improved in the last year mainly due to cheaper disposal costs resulting in an increase in surplus.

**Summary**

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public whilst others are support services to the Authority's services to the public. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure.

	2015-16 £000	2014-15 £000
Net (Surplus)/Deficit On Trading Operations	(513)	(269)
Support Services recharged to Expenditure of Continuing Operations	5	(40)
<b>Net (Surplus)/Deficit taken to financing and investment income and expenditure</b>	<b>(508)</b>	<b>(309)</b>

**11.4 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, Gwent Police Authority 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 44,561 for 2015/16 (44,199 for 2014/15).

This average basic amount for a Band D property, £1,348.56 (£1,284.61 in 2014/15), 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	521	3224	6845	8561	7010	7343	5152	1727	665
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:

	2015-16 £000	2014-15 £000
Council tax collectable	(61,004)	(57,579)
Provision for non-payment of council tax	(232)	421
	<b>(61,235)</b>	<b>(57,158)</b>

**11.5 National Non-Domestic Rates (NNDR)**

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate, 0.482p per £ in 2015/16 (0.473p per £ in 2014/15) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Authority is responsible for collecting rates due from ratepayers in its area but 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 NNDR income after relief and provisions of £21,060,000 (£20,759,000 for 2014/15) was based on an average rateable value of £56,515,324 (£56,437,306 for 2014/15).

The analysis of the net proceeds from non-domestic rates is as follows:

	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
Non-domestic rates collectable	<b>21,204</b>	20,891
Cost of collection allowance	<b>(174)</b>	(172)
(Increase)/Decrease in provision for bad debts	<b>30</b>	41
	<b><u>21,060</u></b>	<u>20,759</u>
Payments into national pool		
Redistribution from national pool	<b>(26,737)</b>	(28,984)

**11.6 General Government Grants**

The Authority received grants of £73,832,000 of General Government grants in 2015/16 that were identified as not being attributable to specific services within Net Cost of Services (£71,484,000 in 2014/15). The following analysis is provided:

	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
Revenue support grant	<b>(66,819)</b>	(68,524)
Outcome Agreement grant	<b>(822)</b>	(812)
21c Schools Annuity Funding	<b>0</b>	(204)
Capital grants and contributions	<b>(6,190)</b>	(1,944)
<b>Total</b>	<b><u>(73,832)</u></b>	<u>(71,484)</u>

**11.7 Grant Income**

**a) Capital Grants and Contributions**

The Authority has also credited £7,208,000 to the Comprehensive Income and Expenditure Statement in 2015/16 (£3,503,000 in 2014/15). This is comprised of:

	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
WAG General Capital Grant	<b>1,462</b>	1,473
Section 106 Developer Contributions	<b>379</b>	452
WAG Grants	<b>5,195</b>	1,322
Other Contributions	<b>171</b>	257
Insurance Settlement Income	<b>0</b>	0
	<b><u>7,208</u></b>	<u>3,503</u>

The capital grants and contributions have been credited to the Comprehensive Income and Expenditure Statement as follows:

	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute	<b>(1,018)</b>	(1,560)
Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income	<b>(6,190)</b>	(1,944)
	<b><u>(7,208)</u></b>	<u>(3,503)</u>

**b) Capital Grants and Contributions Received in Advance**

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

	2015-16 £000	2014-15 £000
<b>Capital Grants Receipts in Advance:</b>		
Gloucestershire County Council	0	358
	<u>0</u>	<u>358</u>
<b>Developer Contributions held in Advance:</b>		
S106 Developer contributions	1,830	2,082
	<u>1,830</u>	<u>2,082</u>
	<u>1,830</u>	<u>2,440</u>

**c) Revenue Grants and Contributions**

The Authority credited the £23,273,000 of revenue grants and contributions to Net Cost of Services within the Comprehensive Income and Expenditure Statement for 2015/16 (£23,851,000 in 2014/15), along with Housing benefits subsidy of £22,435,000 (£21,987,000 in 2014/15). These are comprised of:

	2015-16 £000	2014-15 £000	£000
<b>Central Government</b>			
Housing benefit subsidy	22,435	21,987	
	<u>22,435</u>	<u>21,987</u>	21,987
<b>Welsh Assembly Government</b>			
Sixth Form Funding (DCELLS)	3,266	3,501	
SEG / WEG (PDG)	2,820	1,822	
Supporting People	2,244	2,197	
Early Years / Foundation Phase	2,080	2,648	
Sustainable Waste Management	1,751	1,890	
Rural Development Plan	218	1,355	
Flying Start Grant	1,172	1,116	
Concessionary Fares (PTSG)	717	697	
Families First	727	738	
Other WAG grants	3,184	4,497	
	<u>18,181</u>	<u>20,460</u>	20,460
<b>Home Office</b>			
Afghan Relocation Programme (Main Project)	210	0	
Police and Crime Commissioner	119	117	
	<u>328</u>	<u>117</u>	117
<b>Other Grants &amp; Contributions</b>	4,763		3,275
<b>Revenue Grants and Contributions Receivable</b>	<u>45,708</u>	<u>45,838</u>	

## 12 NON-CURRENT ASSET & CAPITAL FINANCING NOTES

### 12.1 Property, Plant and Equipment

#### a) Revaluations

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 Deputy Estates Manager, Mrs C. Halford a RICS registered valuer and Chartered surveyor 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 2015/16 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 9 of the notes to the accounts.
- All assets requiring valuations have been revalued in the 5 year period ending 31st March 2016. The valuations carried out during 2015/16 primarily included the comprehensive schools, car parks, associations and clubs and some other land & buildings.

	Other Land and Buildings and Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	
	£000	£000	£000	£000	£000	£000	
Carried at historical cost	67	3,608	60,648	3,944	0	10,079	<b>78,346</b>
Valued at fair value as at:							
31 March 2016	64,519	0	0	0	0	0	<b>64,519</b>
31 March 2015	15,734	0	0	0	0	0	<b>15,734</b>
31 March 2014	9,020	0	0	0	0	0	<b>9,020</b>
31 March 2013	81,196	0	0	0	0	0	<b>81,196</b>
31 March 2012	1,010	0	0	0	0	0	<b>1,010</b>
<b>Total Cost or Valuation</b>	<b>171,546</b>	<b>3,608</b>	<b>60,648</b>	<b>3,944</b>	<b>0</b>	<b>10,079</b>	<b>249,825</b>

**b) 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 2016 and 31st March 2015.

**Movements in 2015/16:**

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment*
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation:</b>								
At 1 April 2015	172,844	11,097	83,090	3,887	4	1,141	<b>272,063</b>	1,245
Additions	2,673	867	3,126	95	0	8,242	<b>15,003</b>	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	9,989	0	0	0	0	0	<b>9,989</b>	65
Revaluation increases/ (decreases) recognised in the SDPS	(3,287)	0	0	(0)	0	0	<b>(3,287)</b>	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	<b>0</b>	0
Impairment losses/(reversals) recognised in the SDPS	3,713	(0)	(2,599)	(41)	0	0	<b>1,073</b>	0
Reclassified (to)/from Held for Sale	(194)	0	0	(1)	0	0	<b>(195)</b>	0
Other movements in cost or valuation	(692)	0	0	4	(4)	696	<b>4</b>	0
<b>At 31 March 2016</b>	<b>185,046</b>	<b>11,964</b>	<b>83,617</b>	<b>3,944</b>	<b>(0)</b>	<b>10,079</b>	<b>294,650</b>	<b>1,311</b>
<b>Accumulated Depreciation:</b>								
At 1 April 2015	(16,553)	(7,017)	(21,477)	0	0	0	<b>(45,047)</b>	(49)
Depreciation charge	(6,079)	(1,339)	(1,492)	0	0	0	<b>(8,910)</b>	(45)
Depreciation written out to the Revaluation Reserve due to revaluation increases/decreases	6,266	0	0	0	0	0	<b>6,266</b>	0
Depreciation written out to SDPS due to revaluation increases / decreases	771	0	0	0	0	0	<b>771</b>	0
Depreciation written out to the Revaluation Reserve due to impairments	0	0	0	0	0	0	<b>0</b>	0
Depreciation written out to SDPS due to impairments	2,085	0	0	0	0	0	<b>2,085</b>	0
Reclassified (to)/from Held for Sale	11	0	0	0	0	0	<b>11</b>	0
Other movements in depreciation	0	0	0	0	0	0	<b>0</b>	0
<b>At 31 March 2016</b>	<b>(13,500)</b>	<b>(8,356)</b>	<b>(22,969)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(44,824)</b>	<b>(94)</b>
<b>Net Book Value:</b>								
At 31 March 2016	171,546	3,608	60,649	3,944	0	10,079	<b>249,826</b>	1,217
At 1 April 2015	156,291	4,080	61,613	3,887	4	1,141	<b>227,016</b>	1,196

**Movements in 2014/15**

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment*
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation:</b>								
At 1 April 2014	175,110	10,658	82,741	3,908	215	3,559	<b>276,191</b>	1,189
Additions	4,375	677	3,952	7	25	747	<b>9,782</b>	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,216)	1	0	0	0	0	<b>(1,216)</b>	57
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,770)	(214)	0	(0)	0	0	<b>(7,984)</b>	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(7)	0	0	0	0	0	<b>(7)</b>	0
Impairment losses/(reversals) recognised in the SDPS	258	(18)	(3,623)	0	(25)	(259)	<b>(3,667)</b>	0
Derecognition – disposals	0	0	0	0	0	0	<b>0</b>	0
Assets reclassified (to)/from Held for Sale	(0)	(6)	0	0	(212)	0	<b>(217)</b>	0
Other movements in cost or valuation	2,094	0	20	(29)	0	(2,906)	<b>(821)</b>	0
<b>At 31 March 2015</b>	<b>172,844</b>	<b>11,097</b>	<b>83,090</b>	<b>3,887</b>	<b>4</b>	<b>1,141</b>	<b>272,062</b>	<b>1,245</b>
<b>Accumulated Depreciation:</b>								
At 1 April 2014	(12,859)	(5,583)	(19,992)	0	0	0	<b>(38,434)</b>	(7)
Depreciation charge	(5,853)	(1,653)	(1,485)	0	0	0	<b>(8,991)</b>	(42)
Depreciation written out to the Revaluation Reserve due to revaluation increases/decreases	309	0	0	0	0	0	<b>309</b>	0
Depreciation written out to SDPS due to revaluation increases/decreases	1,739	214	0	0	0	0	<b>1,954</b>	0
Depreciation written out to the Revaluation Reserve due to impairments	0	0	0	0	0	0	<b>0</b>	0
Depreciation written out to SDPS due to impairments	110	0	0	0	0	0	<b>110</b>	0
Reclassified (to)/from Held for Sale	0	0	0	0	0	0	<b>0</b>	0
Other movements in depreciation	0	6	0	0	0	0	<b>6</b>	0
<b>At 31 March 2015</b>	<b>(16,553)</b>	<b>(7,017)</b>	<b>(21,477)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(45,046)</b>	<b>(49)</b>
<b>Net Book Value:</b>								
At 31 March 2015	156,291	4,080	61,613	3,887	4	1,141	<b>227,015</b>	1,196
At 1 April 2014	162,251	5,075	62,749	3,908	216	3,559	<b>237,757</b>	1,181



**c) Information on Assets Held**

Plant, property and equipment assets owned by the Council as at 31st March 2016 include the following:

	<b>31 March 2016 Number</b>	31 March 2015 Number (Restated)
Schools:		
Primary	<b>22</b>	22
Comprehensive	<b>4</b>	4
Special	<b>1</b>	1
Land Parcels	<b>3</b>	3
Nurseries	<b>4</b>	4
Playgroups	<b>1</b>	1
Associations and Clubs	<b>44</b>	45
Parks Open, Spaces, & Recreational Grounds	<b>353</b>	353
Libraries	<b>5</b>	5
Historic Sites	<b>1</b>	1
Museums and Theatres	<b>5</b>	5
Leisure Centres	<b>4</b>	4
Youth Centres	<b>2</b>	2
Outdoor Education Centres	<b>2</b>	2
Learning and Resource Centres	<b>1</b>	1
Residential Homes	<b>4</b>	4
Sheltered Housing Units	<b>3</b>	4
Community Centres	<b>8</b>	8
Day Centres	<b>2</b>	2
Industrial Units	<b>6</b>	6
Land Parcels	<b>78</b>	78
Allotments	<b>5</b>	5
Car Parks	<b>39</b>	39
Offices & Depots	<b>31</b>	33
Public Conveniences	<b>18</b>	20
District Shops & Restaurants	<b>2</b>	2
Cemeteries & Crematoria	<b>15</b>	15
Waste Disposal Sites	<b>5</b>	5
Sewerage Treatment Plants	<b>11</b>	10
Markets	<b>2</b>	2
Bus Stations	<b>1</b>	1
Vehicles	<b>156</b>	120
Plant and Machinery	<b>63</b>	45
Infrastructure	<b>19</b>	19
Arts and Antiquities	<b>1</b>	1
IT Equipment	<b>26</b>	26
Surplus Assets not Held for Sale	<b>0</b>	1

## 12.2 Summary of Capital Expenditure treatment

In order to assist the user of the accounts, the summary below provides a concise analysis of capital expenditure incurred by the Authority during the financial year and its resultant treatment in the statement of account.

Total capital expenditure in the year amounted to £18,845,000 in 2015/16 (£14,256,000 in 2014/15). The expenditure was accounted for as follows:

	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
Enhancing value:		
Property, plant and equipment additions	<b>11,633</b>	6,095
Investment properties	<b>127</b>	0
Intangible assets	<b>196</b>	369
Assets held for sale	<b>0</b>	56
Heritage assets	<b>148</b>	17
Not enhancing value:		
Property, plant and equipment additions	<b>3,371</b>	3,688
Investment properties	<b>208</b>	293
Intangible assets	<b>0</b>	17
Assets held for sale	<b>9</b>	38
Heritage assets	<b>5</b>	82
Revenue Expenditure Funded from Capital under Statute	<b>3,149</b>	3,601
	<b>18,845</b>	14,256

Capital expenditure incurred by the Authority that does not result in an equivalent increase in the value of the underlying fixed asset is initially charged in full as a fixed asset addition, and then subsequently impaired in order to ensure that the carrying value of the fixed asset concerned is not overstated.

## 12.3 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year which has enhanced assets which are not owned by the Authority, may be capitalised under statutory provisions but does not result in the creation of fixed assets. It has therefore been charged as expenditure to the Comprehensive Income and Expenditure Statement in the year.

As the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the Comprehensive Income and Expenditure Statement so there is no impact on the level of council tax.

Revenue expenditure funded from capital under statute for the year amounted to £3,149,000 (£3,601,000 in 2014/15) and comprised grants for the Disabled Facility Grants (DFGs) provided to homeowners within the community and other Capital Grants and payments. Grants & external contributions funding applied by the Authority to finance such expenditure amounted to £1,018,000 (£1,560,000 in 2014/15).

	<b>CED's</b>	<b>Disabled</b>	<b>Other</b>	<b>Total</b>
	<b>Grants</b>	<b>Facility</b>		
	<b>£000</b>	<b>Grants</b>	<b>£000</b>	<b>£000</b>
		<b>£000</b>		
Capital expenditure incurred during the year	0	647	2,502	<b>3,149</b>
Associated grant financing	0	0	(1,018)	<b>(1,018)</b>
	<b>0</b>	<b>647</b>	<b>1,484</b>	<b>2,132</b>

## 12.4 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.

The Capital Financing Requirement effectively represents the Authority's underlying need to borrow. The capital financing requirement as at 31st March 2016 was £114,076,000 (£122,860,000 as at 31st March 2015), a decrease of £8,784,000 (increase of £3,015,000 in 2014/15).

	<b>31 March 2015 £000</b>	<b>31 March 2015 £000</b>	31 March 2014 £000	31 March 2014 £000
Opening Capital Financing Requirement		<b>122,860</b>		119,845
<b>Capital investment:</b>				
Property, Plant and Equipment	<b>15,003</b>		9,782	
Investment Properties	<b>335</b>		293	
Assets held for sale	<b>9</b>		94	
Heritage Assets	<b>153</b>		99	
Intangible Assets	<b>196</b>		387	
Revenue Expenditure Funded from Capital under Statute	<b>3,149</b>		3,601	
		<b>18,845</b>		14,256
<b>Sources of finance:</b>				
Capital receipts	<b>(7,765)</b>		(1,871)	
Government grants and other contributions	<b>(7,208)</b>		(3,504)	
Direct revenue contributions	<b>(920)</b>		(370)	
		<b>(15,893)</b>		(5,745)
<b>Other:</b>				
Minimum revenue provision	<b>(5,486)</b>		(5,496)	
Capital receipt set aside	<b>(6,250)</b>		0	
		<b>(11,736)</b>		(5,496)
Closing Capital Financing Requirement		<b>114,076</b>		122,860
<b>Explanation of movements in year</b>				
Increase in underlying need to borrowing - supported by Government financial assistance		<b>2,420</b>		2,420
Increase in underlying need to borrowing - unsupported by Government financial assistance		<b>532</b>		6,091
Less: Minimum revenue provision		<b>(5,486)</b>		(5,496)
Less: Capital receipt set aside		<b>(6,250)</b>		0
Increase / (decrease) in Capital Financing Requirement		<b>(8,784)</b>		3,015

## 12.5 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".

Council approved an MRP policy in February 2015 applying to the 2015/16 financial year. The policy allowed capital expenditure financed via unsupported borrowing to be subject to MRP using either the equal annual instalment method or the annuity method, based on the useful life applicable to the nature of the expenditure.

A revision to the MRP policy was approved by Cabinet in December 2015 to allow a recalculation of the MRP charge for unsupported borrowing undertaken since 2008/09 under the annuity method. This will not impact the MRP charge for 2015/16 but will result in a significant reduction in the charge for 2016/17.

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

The amount of revenue provision made by the Authority in 2015/16 was £5,486,000 (£5,496,000 in 2014/15). The charge for 2015/16 was reduced by £263,000 as a result of a set aside of capital receipts of £6,250,000.

## 12.6 Capital Commitments

At 31 March 2016, the Authority has entered into major contracts for the construction of Property, Plant and Equipment in 2016/17 and later years budgeted to cost £2,392,000 (£2,369,000 at 31st March 2015).

## 12.7 Financing Capital Expenditure

Total capital expenditure in the year amounted to £18,845,000 (£14,256,000 in 2014/15). The expenditure was financed as follows:

Financing	£000	Capital Expenditure - Schemes	£000
Supported Borrowing	2,420	Infrastructure and Transport Schemes	3,135
Unsupported Borrowing	532	Asset Management Schemes	2,710
General Capital Grant	1,462	School Development Schemes	10,192
Capital grants and contributions	5,366	Regeneration Schemes	517
Council Fund Capital Receipts	7,688	Inclusion Schemes	1,235
Low Cost Home ownership receipts	77	Sustainability Schemes	4
Revenue Contribution:		ICT Schemes	181
Earmarked Reserves	648	Other Schemes	142
Council Fund	272	County Farms Schemes	208
S106 contributions	379	Vehicles	522
<b>Total</b>	<b>18,845</b>		<b>18,845</b>

## 12.8 Investment Properties

Investment Properties are those that are used solely to earn rentals 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 primarily consists of County Farms and District Shops.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in relation to investment properties:

	2015-16 £000	2014-15 £000
Rental income from investment property	(495)	(447)
Direct operating expenses arising from investment property	174	151
Net (gain)/loss	<b>(321)</b>	<b>(296)</b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

	<b>2015-16</b>	<b>2014-15</b>
	<b>£000</b>	<b>£000</b>
Balance at start of the year	<b>42,716</b>	25,138
Additions:		
Subsequent expenditure	<b>335</b>	293
Disposals	<b>(434)</b>	(1,033)
Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure	<b>(1,515)</b>	17,497
Transfers:		
(To)/from Property, Plant and Equipment	<b>(4)</b>	821
Balance at end of the year	<b>41,098</b>	42,716

Capital receipts totalling £533,500 were credited to the Capital receipts reserve during 2015/16 in relation to investment properties (£1,764,000 in 2014/15)

## 12.9 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 2016 are shown below:

	<b>2015-16</b>	<b>2014-15</b>
	<b>£000</b>	<b>£000</b>
Balance outstanding at start of year	<b>22,095</b>	29,165
Additions	<b>9</b>	94
Assets newly classified as held for sale:		
Property, Plant and Equipment	<b>184</b>	212
Revaluation losses	<b>(236)</b>	(107)
Revaluation gains	<b>0</b>	2,750
Impairment losses	<b>(9)</b>	(38)
Assets declassified as held for sale:		
Assets sold	<b>(1,359)</b>	(9,981)
Balance outstanding at year-end	<b>20,683</b>	22,095

**12.10 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 29% 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.

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(b).

**12.11 Leases - Authority as Lessee**

**Operating Leases**

The Authority has acquired property, vehicles, plant and equipment by entering into operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
		(Restated)
Not later than one year	<b>398</b>	520
Later than one year and not later than five years	<b>516</b>	696
Later than five years	<b>634</b>	550
	<b><u>1,548</u></b>	<u>1,766</u>

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £410,000 (£736,000 in 2014/15).

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

	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
Not later than one year	<b>584</b>	666
Later than one year and not later than five years	<b>1,531</b>	1,671
Later than five years	<b>6,481</b>	6,406
	<b><u>8,596</u></b>	<u>8,743</u>

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 £592,000 of minimum lease payments were receivable by the Authority (£697,000 in 2014/15).

### 12.13 Heritage Assets

The Code requires that heritage assets are measured at valuation in the 2015/16 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 over the year:

#### Movements in 2015/16:

	<b>Property Heritage Assets £000</b>	<b>Museum Exhibits £000</b>	<b>Civic Regalia, Artwork &amp; Collect'n £000</b>	<b>Total £000</b>
<b>Cost or Valuation:</b>				
At 1 April	3	4,464	180	<b>4,647</b>
Additions	153	0	0	<b>153</b>
Impairment losses/(reversals) recognised in the SDPS	(5)	0	0	<b>(5)</b>
<b>At 31 March</b>	<b>151</b>	<b>4,464</b>	<b>180</b>	<b>4,795</b>

#### Movements in 2014/15:

	<b>Property Heritage Assets £000</b>	<b>Museum Exhibits £000</b>	<b>Civic Regalia, Artwork &amp; Collect'n £000</b>	<b>Total £000</b>
<b>Cost or Valuation:</b>				
At 1 April	20	4,450	180	<b>4,650</b>
Additions	85	14	0	<b>99</b>
Revaluation increases/ (decreases) recognised in the SDPS	(20)	0	0	<b>(20)</b>
Impairment losses/(reversals) recognised in the SDPS	(82)	0	0	<b>(82)</b>
<b>At 31 March</b>	<b>3</b>	<b>4,464</b>	<b>180</b>	<b>4,647</b>

Additions relating to property heritage assets of £148,000 relates to works at Caldicot Castle comprising of (£99,000) refurbishment to comply with Environmental Health, (£33,000) for new Fire & Security Alarms, (£10,000) to Upgrade Emergency Lighting & (£6,000) for a Kitchen Upgrade.

The Authority is required to provide a five-year summary of transactions for heritage assets, illustrating the acquisitions, donations, disposals (including sales proceeds) and impairments. This summary is intended to separately report transactions that are reported in the Balance Sheet and those that are not. Information has not been provided for the period before 1 April 2010 as it is not practicable to do so.

#### 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 during 2011/12 on a fair value - existing use value (EUV) basis and were carried out internally by the Authority's Estates Section under the supervision of the Estates & Sustainability Manager, Mrs D. Hill-Howells 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.

### **12.14 Schools Non-Current Assets**

The Authority currently owns and runs four comprehensive schools, twenty two primary schools and one special school. In addition to the twenty two primary schools, there are four voluntary controlled schools and five 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 2016, shown in the Authority's balance sheet, is £117,121,000 (£94,715,000 as at 31st March 2015).



## 13 FINANCIAL INSTRUMENTS, CURRENT ASSETS & LIABILITIES NOTES

### 13.1 Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet as at 31st March 2016:

	Note	Long-Term		Short-Term	
		31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
<b>Investments</b>					
Loans & receivables	13.4	0	0	3,999	4,016
Unquoted equity investments	13.4	40	40	0	0
Cash & cash equivalents	15.3	-	-	7,972	20,406
<b>Total Investments</b>		<b>40</b>	<b>40</b>	<b>11,971</b>	<b>24,422</b>
<b>Debtors</b>					
Receivables	13.5	312	383	19,588	16,392
<b>Total Debtors</b>		<b>312</b>	<b>383</b>	<b>19,588</b>	<b>16,392</b>
<b>Borrowings</b>					
Financial liabilities at amortised cost	13.4	(65,708)	(67,761)	(29,852)	(33,552)
Cash & cash equivalents	15.3	-	-	(1,025)	0
<b>Total Borrowings</b>		<b>(65,708)</b>	<b>(67,761)</b>	<b>(30,877)</b>	<b>(33,552)</b>
<b>Other Long Term Liabilities</b>					
PFI and finance lease liabilities		(833)	(863)	0	0
Other Long Term Liabilities		(404)	(431)	0	0
<b>Total Other Long Term Liabilities</b>		<b>(1,236)</b>	<b>(1,294)</b>	<b>0</b>	<b>0</b>
<b>Creditors</b>					
Payables	13.6	0	0	(22,286)	(20,995)
<b>Total Creditors</b>		<b>0</b>	<b>0</b>	<b>(22,286)</b>	<b>(20,995)</b>

The Authority holds no financial assets or financial liabilities at fair value through profit or loss, where assets or liabilities would be classified as held for trading.

The unquoted equity investment of £40,000 represents an equal share with Torfaen County Borough Council in SRS Business Solutions Limited. This investments comprised seed funding for the company and is expected to be recovered in full. Further information is provided in note 16.6(iii).

Short term debtors and creditors are carried at cost as this is a fair approximation of their value. Debtors are impaired where there is objective evidence that the carrying amount exceeds the recoverable amount and amounts shown are the amount net of any such impairment.

### 13.2 Income, Expense, Gains and Losses

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

	2015-16 £000	2015-16 £000	2014-15 £000	2014-15 £000
<b>Financial Liabilities measured at amortised cost:</b>				
Interest payable on external debt	3,264		3,511	
Debt reimbursement from third parties	(9)		(13)	
	<u>          </u>	<u>3,255</u>	<u>          </u>	<u>3,499</u>
Interest payable to trust funds	3		9	
Interest payable on finance leases	23		33	
	<u>          </u>	<u>26</u>	<u>          </u>	<u>42</u>
<b>Interest payable and similar charges</b>		<u><b>3,281</b></u>		<u><b>3,541</b></u>
<b>Financial assets - loans and receivables:</b>				
Interest income	(103)		(89)	
Interest income accrued on impaired financial assets	0		0	
Investment Losses / (Gains)	(48)		0	
<b>Interest and investment income</b>		<u><b>(151)</b></u>		<u><b>(89)</b></u>
Other interest and investment income	(14)		(9)	
<b>Other investment income</b>		<u><b>(14)</b></u>		<u><b>(9)</b></u>
<b>Total interest and investment income</b>		<u><b>(165)</b></u>		<u><b>(98)</b></u>
<b>Net (gain)/loss for the year</b>		<u><b>3,116</b></u>		<u><b>3,442</b></u>

### 13.3 Fair Values of Financial Instruments

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Interest is calculated using the most common market convention, ACT/365
- Where interest is paid every 6 months on a day basis, the value of interest is rounded to 2 equal instalments
- For fixed term deposits it is assumed that interest is received on maturity, or annually if duration is greater than 1 year
- The interest value and date have not been adjusted where a relevant date occurs on a non-working day
- The fair values of long term 'Lender's Option Borrower's Option' (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate and adding the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to Bloomberg's 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 assumptions that lenders will only exercise their options when market rates have risen above the contractual loan rate.

The fair values calculated are as follows:

	<b>Carrying Amount</b>		<b>Fair Value</b>	
	<b>31 March 2015 £000</b>	31 March 2014 £000	<b>31 March 2015 £000</b>	31 March 2014 £000
<b>Borrowings</b>				
Financial liabilities at amortised cost	<b>(95,560)</b>	(101,313)	(131,483)	(125,441)

The fair value 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 discount rate (underlying market rates) 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.

### **Loans and Receivables**

The carrying amount of loans and receivables held at the balance sheet date is deemed to be a reasonable approximation of the fair value.

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

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

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the authority
- **Liquidity risk** – the possibility that the authority might not have funds available to meet its commitments to make payments
- **Market risk** – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates

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, under policies approved by the Council in the Treasury Management Strategy and Annual Investment Strategy. The strategy provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

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.

The investment strategy seeks to minimise risk in the current climate by restricting investment to institutions which are given a high credit rating by external rating agencies and which continue to show other measures of credit worthiness and as advised by leading financial consultants and by ensuring liquidity is maintained with short term deposits.

The Authority has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

#### **a) Credit Risk**

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions if either they or their resident Country fall below the minimum "high" credit criteria set by the Authority. Different counterparty limits are in place for different investment instruments, based on type or Country of origin.

All of the investments currently held by the Authority are considered to be of low credit risk. The Authority, assisted by its treasury advisors, has this position constantly under review. All investments as at 31st March 2016 were in institutions based in the United Kingdom.

The authority does not expect any losses from non-performance by any of its counterparties in relation to investments held as at 31st March 2016.

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.

**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 happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The maturity and counterparty analysis of financial liabilities is as follows:

	<b>31 March</b>	31 March
	<b>2016</b>	2015
	<b>£000</b>	£000
Public Works Loan Board	<b>53,203</b>	54,981
Market Loans	<b>13,813</b>	13,813
Welsh Government	<b>2,458</b>	1,460
Other local authorities	<b>26,086</b>	31,058
	<b>95,560</b>	101,313

**The Loans Mature as follows:-**

Less than one year	<b>29,852</b>	33,552
Between one and two years	<b>3,108</b>	6,000
Between two and five years	<b>16,876</b>	2,895
Between five and ten years	<b>8,150</b>	21,093
More than ten years	<b>37,573</b>	37,773
	<b>95,560</b>	101,313

Financial liabilities with Welsh Government consist of interest free Salix loans that have been provided to fund capital schemes targeted towards energy efficiencies initiatives; a loan of £1.25m for Vibrant & viable places; a loan of £621,000 under the Home Improvement scheme and a loan of £443,000 for Street Lighting upgrades. Accounting requirements require financial liabilities in the form of loans to be carried at amortised cost. However, 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 liabilities borrowings 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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. 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. The Authority held no investments carried at fair value at the 31st March 2016 (£nil at 31 March 2015).

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep the level of variable rate loans below the level of investment of surplus cash balances thus reducing interest rate exposure on investments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of central government grant payable on financing costs (supported borrowing) will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

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.

At 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the most significant financial effect would be:

- Financial Liabilities - a reduction in fair value of £25,177,000 (£9,064,000 reduction in 2014/15).
- Financial Assets - the difference between the carrying and fair value will be immaterial due to the short term nature of investments.

The impact of a 1% fall in interest rates on financial liabilities would be as above but with the movements being reversed.

## ii) Price risk

The Authority does not hold any tradable equity shares or shareholdings. It is carrying a £40,000 investment in shares of SRS Limited, a company set up with and jointly owned by Torfaen Borough Council & Gwent Police Authority.

## iii) Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## 13.5 Debtors

The nature and value of payments due to the Council for the year but not received as at 31st March 2016, repayable within 12 months of the balance sheet date, is summarised below:-

	31 March 2016			31 March 2015		
	Gross £000	Impairment £000	Net £000	Gross £000	Impairment £000	Net £000
<i>Central Government Bodies:</i>						
HM Customs & Excise	407	0	407	0	0	0
NNDR Debtor	1,812	0	1,812	1,636	0	1,636
Council Tax and Housing Benefit Sub	365	0	365	0	0	0
Welsh Government	6,110	0	6,110	1,738	0	1,738
Other	14	0	14	766	0	766
Other Local Authorities	4,189	0	4,189	3,330	(19)	3,311
NHS Bodies	344	0	344	97	(33)	64
<i>Other entities and individuals:</i>						
Revenue debtors	528	(67)	461	3,986	(76)	3,910
Capital debtors	616	0	616	631		631
Council tax arrears	2,706	(1,970)	736	3,191	(2,202)	989
Social Services debtors	505	(87)	418	595	(100)	494
Corporate sundry debtors	3,566	(322)	3,244	2,181	(270)	1,911
Rent arrears	185	(135)	50	143	(118)	25
Housing benefit overpayments	1,429	(608)	821	1,471	(557)	915
	<b>22,776</b>	<b>(3,189)</b>	<b>19,588</b>	<b>19,766</b>	<b>(3,374)</b>	<b>16,392</b>

The aged analysis of the debtors outstanding as at 31st March 2016 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
<i>Central Government Bodies:</i>						
HM Customs & Excise	407	0	0	0	0	407
NNDR Debtor	1,332	0	0	390	90	1,812
Council Tax and Housing Benefit Subsidy	365	0	0	0	0	365
Welsh Government	6,110	0	0	0	0	6,110
Other	14	0	0	0	0	14
<b>Other</b>						
Other Local Authorities	3,813	128	207	39	1	4,189
NHS Bodies	110	220	1	3	10	344
<i>Other entities and individuals:</i>						
Revenue debtors	460	0	0	37	31	529
Capital debtors	616	0	0	0	0	617
Council tax arrears	0	0	0	1,251	1,455	2,706
Social Services sundry debtors	106	90	154	98	57	505
Corporate sundry debtors	2,602	273	342	126	223	3,566
Rent arrears	40	4	14	14	113	185
Housing benefit overpayments	65	130	340	400	494	1,429
	<b>16,040</b>	<b>845</b>	<b>1,058</b>	<b>2,359</b>	<b>2,474</b>	<b>22,776</b>

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2016 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
Revenue debtors	0	0	0	(37)	(31)	(68)
Council Tax Arrears	0	0	0	(751)	(1,219)	(1,970)
Social Services sundry debtors	6	(3)	(17)	(29)	(44)	(87)
Corporate sundry debtors	0	(33)	(98)	(67)	(123)	(321)
Rent arrears	0	(1)	(7)	(14)	(113)	(135)
Housing benefit overpayments	0	0	(108)	(133)	(367)	(608)
	<b>6</b>	<b>(37)</b>	<b>(230)</b>	<b>(1,031)</b>	<b>(1,897)</b>	<b>(3,189)</b>

### 13.6 Creditors

The nature and value of payments due to be made by the Council in the year but not actually made as at 31st March 2016 is summarised below: -

	Central Government Bodies	Other Local Authorities	NHS Bodies	Other entities & individuals	Total £000
Revenue Creditors	56	2,609	140	10,471	13,276
Capital Creditors	0	26	0	4,611	4,637
Sundry Creditors	0	0	0	(56)	(56)
Payroll Creditors	1,475	0	0	2,116	3,591
Monies invested on behalf of Trust Funds	0	0	0	350	350
Unapplied Commuted Maintenance Sums	0	0	0	131	131
Prepaid Council Tax	0	0	0	357	357
<b>Balance as at 31st March 2016</b>	<b>1,531</b>	<b>2,635</b>	<b>140</b>	<b>17,980</b>	<b>22,286</b>

	Central Governme nt Bodies	Other Local Authorities	NHS Bodies	Other entities & individuals	Total £000
H.M.R.C	280	0	0	0	280
Revenue Creditors	704	3,040	177	9,810	13,731
Capital Creditors	0	0	0	2,186	2,186
Sundry Creditors	0	0	0	(99)	(99)
Payroll Creditors	1,518	0	0	2,069	3,587
Monies invested on behalf of Trust Funds	0	0	0	350	350
Unapplied Commuted Maintenance Sums	0	0	0	112	112
Prepaid Council Tax	0	0	0	847	847
<b>Balance as at 31st March 2015</b>	<b>2,502</b>	<b>3,040</b>	<b>177</b>	<b>15,275</b>	<b>20,995</b>

It is the Authority's policy to pay creditors promptly, without undue delay and within mutually agreed terms. 95% of payments were paid within a 30 day target settlement date (83% in 2014/15).

### 13.7 Provisions and Contingent Liabilities

The value of provisions as at 31st March 2016, together with their movement for the year, is summarised below:

Note	As at 1 April 2015 £000	Additional Provisions Made £000	Amounts Used £000	Unused Amounts Reversed £000	As at 31 March 2016 £000	
Insurance Claims	13.8a	324	258	(324)	0	258
Insurance Claims - MMI	13.8b	33	7	(33)	0	7
Accumulating Compensated Absences	13.8c	2,884	1,992	(2,884)	0	1,992
Redundancy Payments		91	0	(91)	0	0
CMC2	13.8d	122	0	(122)	0	0
		<b>3,454</b>	<b>2,256</b>	<b>(3,454)</b>	<b>0</b>	<b>2,256</b>

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

	Long			Long		
	Current £000	Term £000	Total £000	Current £000	Term £000	Total £000
	31 March 2016	31 March 2016	31 March 2016	31 March 2015	31 March 2015	31 March 2015
Insurance Claims	129	129	258	162	162	324
Insurance Claims - MMI	4	3	7	16	17	33
Accumulating Compensated Absences	1,992	0	1,992	2,884	0	2,884
Redundancy Payments	0	0	0	91	0	91
CMC2	0	0	0	122	0	122
	<b>2,124</b>	<b>132</b>	<b>2,256</b>	<b>3,275</b>	<b>179</b>	<b>3,454</b>

**a) Insurance Claims**

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

To satisfy IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a full actuarial assessment of open insurance claims was carried out 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 2016. Provision has only been made where the likelihood of success has been deemed as exceeding 50%. 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 Head of Finance. 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 2016 was £258,000 (£324,000 at 31st March 2015) and the balance on the insurance and risk management reserve as at 31st March 2016 was £1,206,000 (£2,250,000 as at 31st March 2015). 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:

	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
<b>Policy Type</b>		
Public Liability	<b>199</b>	199
Employer's Liability	<b>27</b>	125
Property	<b>32</b>	0
Total	<b><u>258</u></b>	<u>324</u>

The total number of open claims made against the Authority as at 31st March 2016 was 205 (123 open claims as at 31st March 2015).

**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.

The amount recovered by the liquidators was based on a percentage of the member's aggregate total value of claims paid and outstanding unpaid claims (less £50,000 from each scheme member). The levy was then applied on the total value of claim payments, less £50,000 from each scheme member. The total value of the levy paid during 2015/16 was £168,000, split between obligations relating to Monmouth Borough Council (£32,000) and the Authority's share of the former Gwent County Council (£136,000). This was fully covered by the provision made at the end of 2012/13.

It should be noted that MMI's actuaries indicated that a levy range of between 9.5% and 28% may be necessary to achieve a solvent run off. In the eventuality of the maximum levy of 28% being applied the Authority would incur further costs of £51,000 over and above the amount paid to date, based on current claims data. The Authority's Insurance reserve includes cover for this eventuality.

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 2016, a provision of £7,000 has been made for outstanding claims of this nature.



**c) Accumulating Compensated Absences**

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

A provision is made as a result of the earned benefit not taken before year-end being established on a sample basis of employees, extrapolated to establish the estimated total accrued benefit. The provision is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

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

The value of the provision made in respect of such employee benefits at the 31st of March 2016 was £1,992,000 (£2,884,000 at 31st March 2015).

**d) CMC2**

Contingent liabilities represent items that, at 31st March 2016, are not recognised in the Statement of Financial Position because there is significant uncertainty at that date as to the necessity for the entity to receive or make payments in respect of them. A possible contingent liability exists in respect of Council's community interest company (CMC2), which at the balance sheet date is owed £101k for works it has carried out. In the event that this income remains unpaid the Council could be liable on the understanding that it provides guarantor to the entity's overdraft facility.

**e) 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. 7 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 £6.003million as updated by RPI (£5.932 million as at 31st March 2015) , 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 2016) is £60,503 (previously £42,000 for the period 21st January 2008 to 31st March 2015).

## 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.

This means that the council's financial statements need to reflect fair value of future pension liabilities that have been incurred, and the extent to which assets have been set aside to fund them, rather than the actual payments and contributions made in the year.

#### **Teachers**

Teachers employed by the Authority are members of the Teachers' Pension Scheme (TPS), administered by Capita Business Services Ltd on behalf of the Department for Education.

The scheme is a statutory, unfunded, defined benefit occupational pension scheme with benefits based on final average salary and length of service. The Department for Education use a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The latest available figure for total net scheme liability is £275,445,000,000 as at the 31 March 2015 (£250,130,000,000 at 31 March 2014). The latest actuarial valuation of the scheme (undertaken every 4 years), as at 31 March 2012 was published on the 9th June 2014. Key results from the actuarial valuation include an increase in employer contribution from 14.1% to 16.4% of pensionable pay commencing 1 September 2015 and an employer cost cap of 10.9% of pensionable pay. The reported deficiency in the balance of assets less liabilities of the scheme was reported as £15,000,000,000 at 31 March 2012 (£3,260,000,000 at 31 March 2004, the previous actuarial valuation).

In 2015/16 the Authority paid £3,725,000 (£3,475,000 in 2014/15) to the scheme in respect of teachers' retirement benefits, representing 15.5% of teachers' pensionable pay (14.1% for 2014/15).

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and are detailed below.

There were £332,000 of contributions remaining payable to the scheme at the year end (£290,000 at 31st March 2015).

#### **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 final salary 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.
- 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 Entries in the comprehensive income and expenditure statement
- 14.3 A summary of the movement in assets and liabilities
- 14.4 The movement in the authority's share of the assets and liabilities within the Fund
- 14.5 The assumptions used by the actuary in valuing pension assets and liabilities
- 14.6 Sensitivity analysis
- 14.7 The risks associated with the pension scheme
- 14.8 Expected future pension contributions
- 14.9 Assets held by the pension fund

**14.2 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:

	Local Government Pension Scheme		Teachers' Unfunded Discretionary Benefits	
	2015-16 £000's	2014-15 £000's (Restated)	2015-16 £000's	2014-15 £000's
<b>Comprehensive Income and Expenditure Account</b>				
<i>Net Cost of Services:</i>				
• current service cost	10,813	8,669	0	0
• past service cost / (gain) including curtailments	286	824	0	0
• settlement gain	0	0	0	0
• administration expenses of plan assets *	0	173	0	0
	<b>11,099</b>	9,666	<b>0</b>	0
<i>Financing and Investment Income and Expenditure:</i>				
• interest cost on pension liabilities	13,986	15,495	147	207
• interest income on plan assets	(8,599)	(10,463)	0	0
• Impact of asset ceiling on net interest	0	0	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<b>16,486</b>	14,698	<b>147</b>	207
<i>Other Comprehensive Income and Expenditure:</i>				
• (Gains) and losses on remeasurement	11,754	40,887	1,278	249
• Effect of business combinations and disposals	1,617	0	0	0
	<b>13,371</b>	40,887	<b>1,278</b>	249
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	<b>29,857</b>	55,585	<b>1,425</b>	456
<b>Movement in Reserves Statement</b>				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	<b>(16,486)</b>	(14,698)	<b>(147)</b>	(207)
<i>Actual amount charged against the Council Fund for pensions in the year:</i>				
• employers' contributions payable to scheme	<b>9,954</b>	9,970	<b>517</b>	534

\* For 2015/16, the administration expenses are included in the current service cost

**14.3 Summary of the movement in assets and liabilities**

Over the five years ending the 31 March 2016, the fund's actuaries have estimated that the Authority had the following assets and liabilities:

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
<b>Local Government Pension Scheme</b>					
Present value of scheme liabilities	(305,888)	(358,822)	(349,554)	(422,166)	(436,585)
Fair value of scheme assets	189,094	219,030	232,758	259,755	254,271
Surplus / (deficit) in the scheme	<u>(116,794)</u>	<u>(139,792)</u>	<u>(116,796)</u>	<u>(162,411)</u>	<u>(182,314)</u>
<b>Teachers Unfunded Discretionary Benefits</b>					
Present value of scheme liabilities	(4,904)	(5,194)	(5,082)	(5,003)	(5,911)
Fair value of scheme assets	-	-	-	-	-
Surplus / (deficit) in the scheme	<u>(4,904)</u>	<u>(5,194)</u>	<u>(5,082)</u>	<u>(5,003)</u>	<u>(5,911)</u>
<b>Total</b>					
Present value of scheme liabilities	(310,792)	(364,016)	(354,636)	(427,169)	(442,496)
Fair value of scheme assets	189,094	219,030	232,758	259,755	254,271
Surplus / (deficit) in the scheme	<u>(121,698)</u>	<u>(144,986)</u>	<u>(121,878)</u>	<u>(167,414)</u>	<u>(188,225)</u>
<b>Year on year increase in net liability (or deficit)</b>					<u><b>(20,811)</b></u>

The increase in combined net liability of £20.8 million from 1 April 2015 to 31 March 2016 is mainly due to a negative estimated return on assets of £7.1m and interest cost on liabilities of £11.5m. The movements in actuarial assumptions during the year have largely offset each other in their impact on the remeasurement of the pension liability.

**14.4 The movement in the authority's share of the assets and liabilities within the fund**
**The Movement in Fund Liability**

	Local Government Pension Scheme		Teachers Unfunded Discretionary	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
<b>As at 1st April</b>	<b>(422,166)</b>	(349,554)	<b>(5,003)</b>	(5,082)
Current service cost	(10,813)	(8,669)	0	0
Past service (cost) / gain (including curtailments)	(286)	(824)	0	0
Settlement gains	0	0	0	0
Curtailment costs	0	0	0	0
Interest on pension liabilities	(13,986)	(15,495)	(147)	(207)
Contributions by scheme participants	(2,760)	(2,752)	0	0
Gains / (losses) on remeasurement of liabs	3956	(58,091)	(1,278)	(249)
Benefits paid	11,087	13,219	517	535
Effect of business combinations & disposals	(1,617)	-	-	-
<b>As at 31st March</b>	<b>(436,585)</b>	(422,166)	<b>(5,911)</b>	(5,003)

There were £1,051,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2015 £1,067,000 was payable) and £15,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£2,000 at 31 March 2015).

Of the £437,000,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2016, there are £5,215,000 of unfunded liabilities (£4,843,000 as at 31st March 2015). £364,000 of employer contributions were made in respect of these liabilities during the year.

**The Movement in Fund Assets**

	Local Government Pension Scheme		Teachers Unfunded Discretionary Benefits	
	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000
<b>As at 1st April</b>	<b>259,755</b>	232,758	0	0
Settlement costs	0	0	0	0
Interest on plan assets	8,599	10,463	0	0
Employers contributions	9,954	9,970	517	535
Contributions by scheme participants	2,760	2,752	0	0
Gains / (losses) on remeasurement of assets	(15,710)	17,204	0	0
Administration expenses of plan assets	0	(173)	0	0
Benefits paid	(11,087)	(13,219)	(517)	(535)
<b>As at 31st March</b>	<b>254,271</b>	259,755	0	0

#### 14.5 The assumptions used by the actuary in valuing pension assets and liabilities

The latest full actuarial valuation of the Greater Gwent (Torfaen) Pension Scheme was carried out on the 31st March 2013. In between formal valuations which occur every three years the actuary assesses the extent of the employers pension assets and liabilities.

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		
	31 March 2016	31 March 2015	31 March 2014	31 March 2016	31 March 2015	31 March 2014
	Rate of increase in salaries	3.7%	3.5%	3.9%	-	-
Rate of increase in pensions (in line with CPI)	2.2%	2.0%	2.4%	2.2%	2.0%	2.4%
Rate for discounting scheme liabilities	3.5%	3.3%	4.5%	3.5%	3.1%	4.3%

#### Life Expectancy:

Current male pensioner aged 65 (years)	23.0	23.0	23.0	23.0	23.0	23.0
Current female pensioner aged 65 (years)	25.4	25.5	25.4	25.4	25.5	25.4
Future male pensioner aged 65 in 20 years' time (years)	25.2	25.3	25.2	-	-	-
Future female pensioner aged 65 in 20 years' time (years)	27.8	27.9	27.8	-	-	-

The discount rate used to value fund liabilities is based on market yields on high quality corporate bonds, estimated using the iBoxx AA corporate bond index.

Estimated Macaulay duration (weighted average) of liabilities (at later of 31 March 2013 & admission date):	<b>18 years</b>
Duration profile of Monmouthshire County Council members used to determine assumptions:	<b>Medium</b>

#### 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 31 March 2016	Approximate % increase to Employer liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	11%	50,313
1 year increase in member life expectancy	3%	13,275
0.5% increase in the Salary Increase Rate	4%	17,744
0.5% increase in the Pension Increase Rate	7%	31,672

**14.7 The risks associated with the pension schemes**

- Statutory arrangements are in place to ensure that the financial position of the fund remains healthy. In the 31 March 2013 Actuarial Valuation, a shortfall of 29% 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.
- The total defined benefit obligation for the Authority's share of the Greater Gwent Pension fund as at the 31st March 2016 is split as follows:

	<b>2015/16</b>
	<b>£000's</b>
Active	196,509
Deferred	60,739
Pensioners	174,097
	<b><u>431,345</u></b>

- A breakdown of the investments held by the Greater Gwent pension fund, quoted and unquoted is given in 14.9 giving an indication of the level of diversification and therefore risk within the fund.
- Finance is only required to be raised to cover teachers unfunded discretionary benefits when the pensions are actually paid.

**14.8 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 2017 is £10,823,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2017 are £517,000.

**14.9 Assets 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:

**Split of Assets between Investment Categories**

	Quoted in Active markets (A) /Not in Active markets (N)	31 March 2016		31 March 2015	
		£000	%	£000	%
Equities :	A	<b>49,063</b>	<b>19.3%</b>	50,392	19.4%
Investment funds & Unit Trusts					
: Equities	N	<b>148,020</b>	<b>58.2%</b>	151,957	58.4%
: Bonds	N	<b>39,278</b>	<b>15.4%</b>	40,262	15.5%
: Other	N	<b>8,555</b>	<b>3.4%</b>	0	0.0%
Property	N	<b>7,493</b>	<b>2.9%</b>	7,013	2.7%
Cash accounts	N	<b>1,863</b>	<b>0.7%</b>	1,429	0.6%
Alternatives	N	<b>0</b>	<b>0.1%</b>	8,702	3.4%
		<b><u>254,271</u></b>	<b><u>100.0%</u></b>	<u>259,755</u>	<u>100.0%</u>

## 15 NOTES TO THE CASH FLOW STATEMENT

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

	2015-16 £000	2015-16 £000	2014-15 £000	2014-15 £000
Net (surplus) or deficit on the provision of services		6,503		(375)
<b>Non-cash transactions:</b>				
Depreciation of non-current assets	(8,911)		(8,991)	
Impairment and downward valuations	391		(7,417)	
Amortisation of intangible non-current assets	0		(44)	
Increase/decrease in impairment for provision for bad debts	(111)		(472)	
Increase/(decrease) in inventories	215		(52)	
Increase/(decrease) in debtors	(11)		(4,715)	
(Increase)/decrease in creditors	6,109		(5,209)	
(Increase)/decrease in provisions	(2,785)		(350)	
Pension liability	1,075		(4,400)	
Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised	(6,162)		(11,014)	
	(1,793)			
Movement in the value of investment properties	(1,515)		17,497	
		<b>(13,497)</b>		<b>(25,167)</b>
<b>Items classified in another classification in the cash flow statement</b>				
Other payments for investing activities	(2,132)		(2,042)	
Other receipts from investing activities	399		5,560	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,808		11,472	
		<b>75</b>		<b>14,991</b>
Adjustments relating to JANEs		(156)		143
<b>Net cash flows from Operating Activities</b>		<b>(7,075)</b>		<b>(10,408)</b>

### 15.2 Returns on Investments and Servicing of Finance

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

	2015-16 £000	2014-15 £000
<i>Returns on Investments received:</i>		
Interest received	(91)	(100)
Other interest and investment income	(14)	(9)
	<b>(105)</b>	<b>(109)</b>
<i>Servicing of Finance paid:</i>		
Interest paid	3,237	3,542
Interest element of finance lease rental payments	23	33
	<b>3,260</b>	<b>3,575</b>
	<b>3,155</b>	<b>3,466</b>



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

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

	At 31 March 2015	In Year Movement	At 31 March 2016
	£000	£000	£000
<b>Current Assets</b>			
Cash held by the Authority	149	63	212
Bank current accounts	12,077	(11,725)	352
Short-term call account deposits	8,180	(772)	7,408
	<u>20,406</u>	<u>(12,434)</u>	<u>7,972</u>
<b>Current Liabilities</b>			
Bank current account overdrafts	0	(1,025)	(1,025)
	<u>0</u>	<u>(1,025)</u>	<u>(1,025)</u>
	<u>20,406</u>	<u>(13,459)</u>	<u>6,947</u>

## 16 OTHER NOTES TO THE ACCOUNTS

### 16.1 Members Allowances

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

	2015-16 £000	2014-15 £000
Basic allowance	575	572
Special responsibility allowance	197	205
Travel allowance	31	36
Subsistence allowance	3	4
Total	806	817

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

### 16.2 Audit Costs

The Authority has incurred the following costs during 2015/16 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:

	2015-16 £000	2014-15 £000 (Restated)
Fees payable to the appointed auditor with regard to external audit services - financial audit	176	176
Fees payable to the appointed auditor with regard to external audit services - Local Government Measure (LGM)	103	103
Refund in relation previous year's audit fees	0	(59)
Fees payable to the appointed auditor for certification of grant claims & returns	48	43
Fees payable in respect of other services provided by the appointed auditor	0	4
	327	267

Notification was received in May 2014 that a refund relating to previous year's audit fees would be received during 2014/15. This refund totalled £59,000, representing 21% of the 2014/15 audit fee for financial audit and local government measure.

### 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 has entered into a pooled budget arrangement with the Aneurin Bevan University Health Board for the provision of a Rehabilitation Scheme at Mardy Park. Under the arrangement funds are pooled under Section 33 of the NHS (Wales) Act 2006. This agreement came into effect from the 1st April 2004 and the Authority is the host for the partnership.

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

If at the end of any financial year or upon termination of the Agreement there is an overspend the Partners shall identify the reasons for the overspend. The Partners may agree that resources in the next financial year shall be applied in meeting the overspend. If this is not agreed the over spend shall be apportioned between the Partners in a just and equitable manner taking into account of the circumstances of and reasons for the overspend and the Partners shall make such payments to the Pooled Fund as shall be required to reflect this allocation.

The income and expenditure for the pooled fund arrangements for the financial year ended 31st March 2016 was:

	2015-16 £000	2014-15 £000
<b>Funding</b>		
Monmouthshire County Council	(216)	(211)
Monmouthshire Local Health Board	(163)	(159)
<b>TOTAL FUNDING</b>	<b>(379)</b>	<b>(370)</b>
<b>Expenditure</b>		
Employee related	310	295
Premises related	27	31
Supplies & Services	10	9
Agency & Contracted	10	10
Central and Support services recharges	15	11
Capital Financing	20	18
<b>TOTAL EXPENDITURE</b>	<b>392</b>	<b>374</b>
<b>Net (Under)/over spend</b>	<b>13</b>	<b>4</b>

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

The Authority has entered into a pooled budget arrangement with the Aneurin Bevan University 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 £2,681,000 (£3,589,000 for 2014/15) and gross income of £2,681,000 (£3,589,000 for 2014/15) for the financial year ended 31st March 2016. Monmouthshire County Council's contribution for the year was £350,000 (£355,000 for 2014/15).

**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 12.10 to the accounts.

Aneurin Bevan Health Board is the host for the Partnership, who recorded gross expenditure of £3,119,000 (£3,075,000 for 2014/15) and gross income of £3,119,000 (£3,042,000 for 2014/15) for the financial year ended 31st March 2016. Monmouthshire County Council's total contribution for the year was £997,000 (£994,000 for 2014/15).

**d) Gwent Frailty Programme**

A Section 33 Partnership Agreement exists between five Local Authorities in the former Gwent area and Aneurin Bevan University 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 £14,479,000 (£13,300,000 for 2014/15) and gross income of £14,269,000 (£12,603,000 for 2014/15) for the financial year ended 31st March 2016. Monmouthshire County Council's total contribution for the year was £949,000 (£968,000 for 2014/15).

#### **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 notes 11.6 and 11.7 to the Accounts.

##### **Members**

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2015/16 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 @Innovation House, Wales 1, Magor, NP26 3DG.

##### **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 Head of Finance (S151 officer), Monitoring Officer for the Authority, Chief Officer for Children & Young People, Chief Officer for Social Care & Health, Head of Democracy & Regulatory Services, and Head of Policy & Engagement have no pecuniary interests.

The Chief Executive was the Acting Returning Officer and Electoral Registration Officer for Monmouthshire during 2015/16 and held the following position during the year:

- Director of Innovationpoint (a wholly owned Welsh Government Subsidiary)

The Chief Officer for Enterprise and Deputy Chief Executive held the following position during the year:

- Co-Chair of the Innovation Advisory Council for Wales
- Director to SRS Business Solutions Ltd.

The Head of Commercial & People Development held the following position during the year:

- Director to SRS Business Solutions Ltd.
- Director to SRS Public

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

- Board Member to Capita Gwent Consultancy
- Non-Executive Director to Dragon Waste Limited (dormant company)

The following balances were held with these related parties at the year-end:-

	<b>2015-16</b>	<b>2015-16</b>	2014-15	2014-15
	<b>Debtors</b>	<b>Creditors</b>	Debtors	Creditors
	<b>£000</b>	<b>£000</b>	£000	£000
Dragon Waste Limited	<b>0</b>	<b>187</b>	30	262
SRS Business Solutions Limited	<b>0</b>	<b>0</b>	1	0

During the year the following payments & receipts with these related parties arose as follows: -

	<b>2015-16</b>	<b>2015-16</b>	2014-15	2014-15
	<b>Payments</b>	<b>Receipts</b>	Payments	Receipts
	<b>£000</b>	<b>£000</b>	£000	£000
Dragon Waste Limited	<b>2,405</b>	<b>35</b>	2,569	31
SRS Business Solutions Limited	<b>1</b>	<b>0</b>	1	0

## 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 and are based upon unaudited figures for the year ended 31st March 2016. Funds for which Monmouthshire County Council acts as sole trustee:

	<b>Income</b>	<b>Expend</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Welsh Church Act Fund</b>	(226)	265	5,329	(112)

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.

<b>Llanelly Hill Social Welfare Centre</b>	(8)	8	91	(24)
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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.

<b>Chairman's Charity</b>	(13)	9	4	0
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The Chairman's Charity supports and raises funds for the Chairman's nominated Charity of the year.

Funds for which Monmouthshire County Council acts as custodian trustee:

	<b>Income</b>	<b>Expend</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Monmouthshire Farm School Endowment</b>	(56)	53	707	(2)
<b>Appointeeship - Personal Monies</b>	(792)	676	116	0
<b>Appointeeship - ILF* Monies</b>	(157)	144	12	0

\* ILF - Independent Living Fund

**16.6 Related Businesses and Companies**

Councils must consider whether they need to produce group accounts for interests held in other bodies/organisations where they meet the definition of subsidiaries, associates and joint ventures. The Council has reviewed of all their relationships in this regard, and although the Council has interests in the following six companies, they do not meet the requirements for the preparation of Group Accounts.

**(i) 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 2015.

	<b>31 March 2016 £000 Draft</b>	31 March 2015 £000 Final
Net Assets/(Liabilities)	<b>TBC</b>	238
Profit/(Loss) before Taxation	<b>TBC</b>	5
Profit/(Loss) after Taxation	<b>TBC</b>	4
Dividends	<b>TBC</b>	0

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 of Viridor Waste Ltd is Pennon Group Plc.

The Authority owed £186,666 to Dragon Waste Limited at the 31st March 2016 (£231,811 owed to Dragon Waste as at 31st March 2015) in respect of Waste Management contract income.

Further information can be found in Dragon Waste Limited Financial Statements for the year ended 31 March 2015 which are available from the Company Secretary, Pennon Group Plc, Peninsula House, Rydon Lane, Exeter, Devon, England, EX2 7HR.

**(ii) 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. 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. In 2015/16, Monmouthshire's contribution was £2.076m (£2.152m in 2014/15).

**(iii) SRS Business Solutions Limited**

Adjacent to the collaborative arrangement outlined in 16.6 (ii), 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.

SRS (BS) fits the accounting definition of a Joint Venture. The accounting position of the company is not material to the fair presentation of the financial position and transactions of the Council, or to the understanding of the Statement of Accounts. The accounting treatment therefore falls outside the requirement to prepare Group Accounts; this treatment being consistent with that adopted by TCBC.

The Company's latest available trading results are the draft estimates for the year ending 31st March 2016.

	<b>31 March 2016 £000 Draft</b>	31 March 2015 £000 Final
Net Assets/(Liabilities)	<b>88</b>	60
Profit/(Loss) before Taxation	<b>31</b>	12
Profit/(Loss) after Taxation	<b>29</b>	12
Dividends	<b>0</b>	0

SRS Business Solutions owed Monmouthshire C.C £1,380 as at 31st March 2016.

Further information can be found in SRS Business Solutions Limited financial statements for the year ended 31 March 2014 which are available from the Head of Finance, Monmouthshire County Council, @Innovation House, Wales 1, Magor, NP26 3DG.

**(iv) Community MC<sup>2</sup> Community Interest Company (CMC<sup>2</sup>)**

In July 2011 the Authority established CMC<sup>2</sup>, a community interest company wholly owned by the Authority. The company aims to drive growth in emerging green and digital technologies and generate new income streams with which to reinvest in community projects and priorities.

CMC<sup>2</sup> is a company limited by guarantee and liability is therefore limited to £1 for its members.

In March 2012 the Authority approved the proposed medium-term business plan for the company for the period to 30th September 2013. The business plan will assist the Authority in delivering savings and involves authority staff being used on CMC<sup>2</sup> projects.

The Company's latest available trading results are the draft accounts for the financial year that ended on the 31st March 2016.

	<b>31st March 2016 £000 Draft</b>	31st March 2015 £000 Final
Net Assets (Liabilities)	<b>0</b>	(122)
Profit/(Loss) before Taxation	<b>0</b>	(78)
Profit/(Loss) after Taxation	<b>0</b>	(78)
Dividends	<b>0</b>	0

The Profit/(Loss) as at 31st March 2016 includes a contribution made by Monmouthshire County Council of £140,000 which was approved by Cabinet in July 2015 to cover accumulated trading losses.

The Authority does not receive any profit distribution. No assets or liabilities of the Company are reflected in the Consolidated Balance Sheet. The Authority acts as a guarantor for the company's overdraft arrangements such as to allow the company to manage day-to-day cash flow requirements.

The Authority is owed £142 by the company as at the 31st March 2016 (£184,139 as at the 31st March 2015).

**(v) 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 2016.

	<b>31 March 2016 £000 Draft</b>	31 March 2015 £000 Final
Total Assets/(Liabilities)	<b>8,178</b>	7,930
Profit/(Loss) before Taxation	<b>102</b>	135
Profit/(Loss) after Taxation	<b>102</b>	96
Dividends	<b>0</b>	0

**16.7 Interests in Joint Committees**

The Code requires authorities to enhance their statement of accounts with information about any material interest in subsidiaries, associates and joint ventures in a set of group accounts.

These accounting requirements result in the consolidation of the transactions and balances of subsidiaries and of interests in associates and joint ventures, thus ensuring group accounts provide a complete picture of the authority's control over other entities.

The Authority accounts for its respective contributions to joint committees within services in the Comprehensive Income and Expenditure Statement on an accruals basis. For 2015/16 the Authority has consolidated its respective shares of the income, expenditure, assets and liabilities into its financial statements.

The Authority had interests in the following Joint Committees as at 31st March 2016:

- Prosiect Gwyrdd ("Project Green") Joint Committee - Each authority holds a 1/5th equal share.
- Welsh Purchasing Consortium - each authority holds an equal 1/19th share.
- Gwent Joint Records Joint Committee - the authority holds an 19.40% interest.
- Greater Gwent Cremation Joint Committee - the authority holds an 18.45% interest.

<b>Comprehensive Income &amp; Expenditure Account 31 March 2016</b>	<b>MCC CIES 2015-16</b>	<b>Project Gwyrdd</b>	<b>WPC</b>	<b>SEWTA</b>	<b>Archives</b>	<b>Crematorium</b>	<b>Total CIES 2015-16</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Highways and transport services	11,843	0	22	0	0	0	11,865
Environmental & Regulatory Svs	7,679	(23)	0	0	0	0	7,657
Corporate and democratic core	3,132	0	0	0	182	(171)	3,143
Total non-affected lines	120,320	0	0	0	0	0	120,320
<b>Surplus/Deficit on Continuing Operations</b>	<b>142,974</b>	<b>(23)</b>	<b>22</b>	<b>0</b>	<b>182</b>	<b>(171)</b>	<b>142,986</b>
Interest payable and similar charges	3,281	0	0	0	0	140	3,420
Pensions interest cost and expected return on pensions assets	5,534	0	0	0	(79)	0	5,455
Total non-affected lines	(145,235)	0	0	0	0	0	(145,235)
<b>Surplus/Deficit on Provision of Services</b>	<b>6,554</b>	<b>(23)</b>	<b>22</b>	<b>0</b>	<b>103</b>	<b>(31)</b>	<b>6,626</b>
Actuarial gains/losses on pension assets/liabilities	14,649	0	0	0	0	7	14,656
Adjustment for JANEs amounts within MCC CIES	0	0	0	0	(193)	0	(193)
Total non-affected lines	(16,255)	0	0	0	0	0	(16,255)
<b>Other comprehensive income &amp; expenditure</b>	<b>(1,606)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(193)</b>	<b>7</b>	<b>(1,792)</b>
<b>Total Comprehensive income &amp; expenditure</b>	<b>4,947</b>	<b>(23)</b>	<b>22</b>	<b>0</b>	<b>(90)</b>	<b>(24)</b>	<b>4,834</b>

<b>Movement in reserves statement for the years ended 31 March 2016</b>	<b>Project Gwyrdd</b>	<b>WPC</b>	<b>SEWTA</b>	<b>Archives</b>	<b>Crematorium</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2015 carried forward</b>	37	22	(0)	(43)	451	467
Surplus (Deficit) on provision of services	23	(22)	0	(103)	31	(72)
Other comprehensive income and expenditure	0	0	0	0	(7)	(7)
<b>Total comprehensive income and expenditure</b>	<b>23</b>	<b>(22)</b>	<b>0</b>	<b>(103)</b>	<b>24</b>	<b>(79)</b>
Adjustment for amount within Monmouthshire CIES	0	0	0	193	(0)	193
<b>Net Increase/Decrease before transfers to Reserves</b>	<b>23</b>	<b>(22)</b>	<b>0</b>	<b>90</b>	<b>24</b>	<b>114</b>
Transfer to/from Earmarked Reserves	0	0	0	0	0	0
<b>Increase/Decrease in year</b>	<b>23</b>	<b>(22)</b>	<b>0</b>	<b>90</b>	<b>24</b>	<b>114</b>
Adjustment for JANEs amounts	0	0	0	0	0	0
<b>Balance at 31 March 2016 carried forward</b>	<b>61</b>	<b>(1)</b>	<b>(0)</b>	<b>47</b>	<b>475</b>	<b>581</b>



Balance Sheet as at 31 March 2016	Project Gwyrd	WPC	SEWTA	Archives	Crematorium	Total
	£000	£000	£000	£000	£000	£000
Property Plant & Equipment	0	0	0	0	417	417
Short Term Debtors	44	0	0	0	0	45
Cash and cash equivalents	17	10	0	76	248	351
Short Term Creditors	(1)	(10)	0	(29)	(3)	(43)
Long term creditors	0	0	0	0	(137)	(137)
Other long term liabilities	0	0	0	0	(49)	(49)
<b>Net Assets</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>475</b>	<b>582</b>
Earmarked Reserves	61	0	0	47	347	455
Revaluation Reserve	0	0	0	0	126	126
Pension Reserve	0	0	0	0	(49)	(49)
Capital adjustment account	0	0	0	0	51	51
<b>Total reserves</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>475</b>	<b>582</b>

Property, plant & equipment included within Monmouthshire's accounts primarily relates to the Council's share of the Gwent Crematorium. The Crematorium comprises a Chapel, Crematorium rooms, Administration offices and grounds. The total gross asset value as at the 31st March 2016 is £2.6m (£2.4m as at 31st March 2015) with Monmouthshire's share equating to 18.45%.

Comprehensive Income & Expenditure Account 31 March 2015	MCC CIES 2014-15	Project Gwyrd	WPC	SEWTA	Archives	Crematorium (Restated)	Total CIES 2014-15
	£000	£000	£000	£000	£000	£000	£000
Highways and transport services	13,222	15	(1)	16	0	0	13,252
Corporate and democratic core	(19)	0	0	0	172	(20)	133
Total non-affected lines	138,462	0	0	0	0	0	138,462
<b>Surplus/Deficit on Continuing Operations</b>	<b>151,665</b>	<b>15</b>	<b>(1)</b>	<b>16</b>	<b>172</b>	<b>(20)</b>	<b>151,847</b>
Pension interest costs and expected return on pension assets	5,239	0	0	0	1	0	5,240
Total non-affected lines	(157,461)	0	0	0	0	0	(157,461)
<b>Surplus/Deficit on Provision of Services</b>	<b>(557)</b>	<b>15</b>	<b>(1)</b>	<b>16</b>	<b>173</b>	<b>(20)</b>	<b>(374)</b>
Actuarial gains/losses on pension assets/liabilities	41,136	0	0	0	41	19	41,196
Adjustment for JANEs amounts	0	0	0	0	(141)	0	(141)
Total non-affected lines	597	0	0	0	0	0	597
<b>Other comprehensive income &amp; expenditure</b>	<b>41,733</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(99)</b>	<b>19</b>	<b>41,653</b>
<b>Total Comprehensive income &amp; expenditure</b>	<b>41,176</b>	<b>15</b>	<b>(1)</b>	<b>16</b>	<b>74</b>	<b>(1)</b>	<b>41,278</b>

Movement in reserves statement for the years ended 31 March 2015	Project Gwyrdd	WPC	SEWTA	Archives	Crematorium (Restated)	Total Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2014 carried forward</b>	52	23	16	30	450	<b>571</b>
Surplus (Deficit) on provision of services	(15)	1	(16)	(173)	20	<b>(183)</b>
Other comprehensive income and expenditure	0	0	0	(41)	(19)	<b>(60)</b>
<b>Total comprehensive income and expenditure</b>	<b>(15)</b>	<b>1</b>	<b>(16)</b>	<b>(214)</b>	<b>1</b>	<b>(243)</b>
Adjustment for amounts within Monmouthshire CIES	0	(0)	0	140	(0)	<b>140</b>
<b>Net Increase/Decrease before transfers to Reserves</b>	<b>(15)</b>	<b>1</b>	<b>(16)</b>	<b>(74)</b>	<b>1</b>	<b>(103)</b>
Transfer to/from Earmarked Reserves	0	0	0	0	0	<b>0</b>
<b>Increase/Decrease in year</b>	<b>(15)</b>	<b>1</b>	<b>(16)</b>	<b>(74)</b>	<b>1</b>	<b>(103)</b>
Adjustment for JANEs amounts	0	0	0	0	0	<b>0</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>37</b>	<b>22</b>	<b>(0)</b>	<b>(43)</b>	<b>451</b>	<b>468</b>

Balance Sheet as at 31 March 2015	Project Gwyrdd	WPC	SEWTA	Archives	Crematorium (Restated)	Total
	£000	£000	£000	£000	£000	£000
Property Plant & Equipment	0	0	0	0	436	<b>436</b>
Short Term Debtors	21	0	0	0	28	<b>49</b>
Cash and cash equivalents	19	23	0	61	164	<b>267</b>
Short Term Creditors	(3)	(1)	0	(25)	(3)	<b>(32)</b>
Long term creditors	0	0	0	0	(137)	<b>(137)</b>
Other long term liabilities	0	0	0	(79)	(37)	<b>(116)</b>
<b>Net Assets</b>	<b>37</b>	<b>22</b>	<b>0</b>	<b>(43)</b>	<b>451</b>	<b>468</b>
Earmarked Reserves	37	22	0	36	302	<b>398</b>
Revaluation Reserve	0	0	0	0	126	<b>126</b>
Pension Reserve	0	0	0	(79)	(37)	<b>(116)</b>
Provision for Accumulated Absences	(0)	(0)	0	0	0	<b>(1)</b>
Capital adjustment account	0	0	0	0	60	<b>60</b>
<b>Total reserves</b>	<b>37</b>	<b>22</b>	<b>0</b>	<b>(43)</b>	<b>451</b>	<b>468</b>

### 16.8 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 2016

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	110,000	0	0	<b>110,000</b>	23,210	<b>133,210</b>
Chief Officer - Children and Young People	80,784	0	0	<b>80,784</b>	17,129	<b>97,913</b>
Chief Officer - Enterprise	81,180	0	0	<b>81,180</b>	17,129	<b>98,309</b>
Chief Officer - Social Care and Health (Apr-Aug)	28,448	0	0	<b>28,448</b>	6,003	<b>34,451</b>
Chief Officer - Social Care and Health (Nov-March)	33,436	0	0	<b>33,436</b>	7,055	<b>40,491</b>
Head of Operations	69,104	0	0	<b>69,104</b>	14,654	<b>83,758</b>
Head of Finance and Section 151 Officer	71,033	0	0	<b>71,033</b>	14,988	<b>86,020</b>
Head of Democracy and Regulatory Services	64,515	0	0	<b>64,515</b>	13,679	<b>78,194</b>
Head of Legal Services (also acting Monitoring Officer)	70,351	0	0	<b>70,351</b>	14,844	<b>85,195</b>
Head of Strategic Partnerships	60,027	0	0	<b>60,027</b>	12,728	<b>72,755</b>
	<b>668,877</b>	<b>0</b>	<b>0</b>	<b>668,877</b>	<b>141,419</b>	<b>810,296</b>

Year ended 31st March 2015

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	110,000	0	0	<b>110,000</b>	23,210	<b>133,210</b>
Chief Officer - Children and Young People	79,596	0	0	<b>79,596</b>	16,795	<b>96,391</b>
Chief Officer - Enterprise	79,596	0	0	<b>79,596</b>	16,795	<b>96,391</b>
Chief Officer - Social Care and Health	78,988	0	0	<b>78,988</b>	16,795	<b>95,783</b>
Head of Operations	69,607	0	0	<b>69,607</b>	14,698	<b>84,305</b>
Head of Finance and Section 151 Officer	69,647	0	0	<b>69,647</b>	14,695	<b>84,342</b>
Head of Democracy and Regulatory Services	63,566	0	0	<b>63,566</b>	13,413	<b>76,979</b>
Head of Legal Services (also temporary Monitoring Officer from Monitoring Officer (April to October)	63,140	0	0	<b>63,140</b>	13,323	<b>76,463</b>
	23,124	0	0	<b>23,124</b>	4,879	<b>28,003</b>
	<b>637,265</b>	<b>0</b>	<b>0</b>	<b>637,265</b>	<b>134,602</b>	<b>771,866</b>

Senior Officers are defined for the purposes of this disclosure as the Chief Executive, together with those senior officers that the Chief Executive is either directly responsible for or senior officers who are directly accountable to the Chief Executive.

There is no remuneration in respect of bonuses or compensation for loss of employment.

Employers' pension contributions were paid at a rate of 21.1% of pensionable pay for staff within the Local Government Pension Scheme (21.1% for 2014/15). Expense allowance are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2015-16 (Nil in 2014/15).

A new requirement was introduced in 2014-15 to report the Chief Executive's remuneration as a proportion of the full time equivalent median salary of Monmouthshire County Council employees. In 2015-16, the median employee position has been calculated as £20,253, equating to spinal point 22 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5.43:1

**16.9 Officers' Emoluments**

The number of employees whose remuneration was £60,000 or more in bands of £5,000, during the year ended 31 March 2016, was:

Remuneration Band	2015-16 Number of employees	2014-15 Number of employees
£115,000 - £119,999	0	0
£110,000 - £114,999	1	1
£105,000 - £109,999	1	0
£100,000 - £104,999	1	1
£95,000 - £99,999	2	1
£90,000 - £94,999	0	0
£85,000 - £89,999	1	1
£80,000 - £84,999	4	5
£75,000 - £79,999	2	6
£70,000 - £74,999	6	4
£65,000 - £69,999	6	7
£60,000 - £64,999	15	14
	<b>39</b>	<b>40</b>

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

Bandings above include the effect of senior officers shown in note 16.8

Employers' pension contributions were paid at a rate of 21.1% of pensionable pay for staff within the Local Government Pension Scheme (21.1% for 2014/15) and 16.4% of pensionable pay for staff within the Teachers' Pension Scheme which came into effect 1st September 2015 (14.1% in 2014/15).

For the purposes of reporting remuneration, voluntary aided schools employees have been included in the remuneration notes 16.9 to 16.10, where appropriate, as if they were employees of the council even though their contract of employment is with their respective governing body.

#### 16.10 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.

2015-16	No. of Compulsory Redundancies agreed	No. of other departure costs agreed	Total Cost of Exit Packages in each payband
<b>Exit package Cost band</b>			<b>£000's</b>
£0 - £20,000	62	1	463
£20,001 - £40,000	29	1	785
£40,001 - £60,000	6	1	274
£60,001 - £80,000	1	0	67
£80,001 - £100,000	0	0	0
£100,001 - £150,000	1	0	102
<b>Total</b>	<b>99</b>	<b>3</b>	<b>1,691</b>

2014-15 (Restated)	No. of Compulsory Redundancies agreed	No. of other departure costs agreed	Total Cost of Exit Packages in each payband
<b>Exit package Cost band</b>			<b>£000's</b>
£0 - £20,000	41	1	289
£20,001 - £40,000	22	2	597
£40,001 - £60,000	6	0	273
£60,001 - £80,000	6	0	423
£80,001 - £100,000	1	0	98
£100,001 - £150,000	1	0	116
<b>Total</b>	<b>77</b>	<b>3</b>	<b>1,796</b>

#### 16.11 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 30th June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no post balance sheet events of any significance warranting disclosure as at the time the Statement of Accounts was authorised for issue.